

A WORLD-LEADING BUSINESS

TUESDAY



A3LDU62Z

A07

25/11/2014

#170

COMPANIES HOUSE

A World Leader in Agriculture

Global demand for pork, beef and milk continues to increase, driven by urbanisation, population growth and rising incomes. Our genetics enable farmers to meet this demand with quality and efficiency. We are world leaders in our markets, with pioneering technology and a deep understanding of our customers' needs.

"We achieved a good performance in PIC and ABS in 2014, whilst Asia and specifically China was impacted by poor market conditions and the planned investments in expanding our porcine capacity. The strategic progress we have made positions us well to take advantage of improving market conditions. Although we face some continuing headwinds, we expect to perform in line with expectations in 2015."

Karim Bitar
Chief Executive

Strategic Report

02	Genus at a Glance
04	Chairman's Statement
06	Chief Executive's Review
08	Market Opportunities
10	Our Business Model
16	Strategic Framework
18	Key Performance Indicators
20	Principal Risks and Uncertainties
22	Divisional Review
38	Financial Review
42	People
44	Corporate Social Responsibility

Corporate Governance

48	Letter from the Chairman
50	Board of Directors and Company Secretary
52	Genus Executive Leadership Team
54	Corporate Governance Statement
60	Audit Committee Report
64	Directors' Remuneration Report
84	Nomination Committee Report
86	Directors' Responsibilities Statement

Financial Statements

87	Independent Auditor's Report – Group Financial Statements
91	Group Income Statement
92	Group Statement of Comprehensive Income
93	Group Statement of Changes in Equity
94	Group Balance Sheet
95	Group Statement of Cash Flows
96	Notes to the Group Financial Statements
143	Parent Company Balance Sheet
144	Notes to the Parent Company Financial Statements

Additional Information

152	Five Year Record – Consolidated Results
153	Notice of Annual General Meeting
IBC	Advisers

2014 Highlights

Financial Highlights¹

- Adjusted profit before tax of £39.3m, unchanged in constant currency (down 8% in actual currency)
- Adjusted earnings per share of 46.5p, up 3% in constant currency (down 5% in actual currency) with benefit of lower tax rate
- Statutory profit before tax up 14% to £38.2m and earnings per share up 23% to 47.7p
- Substantially improved cash conversion of 103% (2013: 77%)
- Healthy after tax return on invested capital of 19.2% (2013: 19.9%)
- Dividend increased by 10% to 17.7p, well covered at 2.6 times

Business Highlights

- Volume growth of 8% in porcine and 5% in dairy and beef
- Double digit profit growth in PIC, in constant currency, despite industry disease challenges
- Strong ABS rebound with profits up 12% in constant currency
- Asia results down 49% due to China investment costs and market conditions
- Acquisition and successful integration of Génétiporc strengthens PIC leadership
- Acceleration of the rate of porcine genetic improvement by 35% and further reduction in genetic lag
- First porcine commercial multiplication agreement signed in China with Riverstone
- First bovine royalty agreement with ABP Food Group for beef genetics

¹ For definitions of adjusted profit, cash conversion and return on invested capital, see Financial Review on pages 38 to 41.

Genus at a Glance

Pioneering Animal Genetic Improvement

Genus provides farmers with superior genetics, so they can efficiently produce high-quality meat and milk. Our success has given us market-leading positions. We have 26% of the porcine market, excluding China, more than double our nearest competitor, as well as 24% in beef and 8% of global dairy sales. The majority of our competitors are co-operatives, making Genus unique as a listed company.

What We Do

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

We breed the world's best pigs and bulls, scientifically selecting livestock whose offspring will increase value for farmers and food producers around the world.

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

In the dairy and beef markets, our primary product is bull semen, enabling our customers to use artificial insemination to improve their herds and their efficiency.

How We Operate

Genus sells under well-known trademarks: 'PIC' for pigs and 'ABS' for dairy and beef cattle. Our three business units are:

- Genus PIC, which serves porcine customers in North America, Latin America and Europe
- Genus ABS, which serves dairy and beef customers in North America, Latin America and Europe
- Genus Asia, which covers both porcine and bovine species in the fast-growing Asian market

Genus employs over 2,300 people, including 79 PhD scientists. We have five bull studs worldwide, and two porcine genetic nucleus farms, in South Dakota, US, and Saskatchewan, Canada. We use the porcine farms to improve the genetics we supply to both customers and third-party producers. These producers, known as multipliers, carry out most of our pig breeding needs.

Where We Operate

Genus companies operate in over 25 countries on six continents. We also sell to customers in another 50 countries, through distribution partners.

North America accounts for about 41% of sales, with Europe 33% and Latin America and Asia each representing 13%.

A shared research and development function supports our operating divisions, with laboratories in Madison, Wisconsin, US. Our corporate headquarters are in Basingstoke, UK.

Our Vision

Pioneering animal genetic improvement to help nourish the world.

Our Values

Our values are integral to our role as a company that helps to meet a basic human need: nourishment.

Customer Centric

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

Results Driven

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

Pioneering

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

People Focused

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

Responsible

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

2,300+

employees

100^m+

pigs with our genetics taken to market (MPEs)

17^m+

doses of semen per year delivered

£27^m+

spend on R&D per year

75+

country sales

Chairman's Statement

"The Board is focused on the Group's continued growth, its research and development capabilities, and its expansion into new markets. We will continue to support the implementation of our strategy, as Genus seeks to benefit from the large and growing opportunity for animal genetics."

2014 was a challenging year for Genus and the Board is well aware that it was not a rewarding year for shareholders. The Group's results for the year were unchanged in constant currency but lower in actual currency, due to the strength of Sterling in the year. Despite the challenging environment resulting from unexpected disease outbreaks and Chinese market conditions, our team of 2,300 employees in over 25 countries has enabled Genus to achieve much more significant progress than the headline numbers suggest. I thank them for their commitment and hard work during the year.

The most visible evidence of this strategic progress is the acquisition of Génétiporc, which is meeting its objectives and already making an important contribution to performance as well as strengthening the genetic pool within PIC. We also made important progress in areas such as accelerating genetic improvement and adjusting the way we address key markets such as China. You can read more about the Group's performance and progress in Karim's report on pages 6 and 7.

Tough conditions within our markets have challenged us to sharpen our knowledge of the dynamics and risks of our business, and how we can respond effectively. Such capabilities can only be deployed if the management team is of sufficient calibre. Since Karim became CEO, he has created an outstanding leadership team with a mix of existing people in revised roles and new recruits to fill the gaps. As a Board we are now witnessing the impact that this team is beginning to have and it reinforces our confidence in our ability to create sustainable value from the large strategic opportunity which Genus has.

Strengthening the Board

The appointments of two new Non-Executive Directors strengthen the Board, as we seek to grow the business. Both of them bring experience and knowledge that will have great value to Genus. Professor Duncan Maskell joined us on 1 April 2014. He is one of the most senior scientists at Cambridge University and has been instrumental in co-founding several biotech companies. He also has extensive experience in advising companies on science and innovation.

Lykele van der Broek joined the Board on 1 July 2014. Before his retirement from Bayer CropScience, a division of Bayer AG, he held a number of senior international roles, including heading its BioScience division.

After eight years on the Board, Professor Barry Furr has indicated that he feels it is time to step down and so will retire at the Annual General Meeting in November 2014. Barry has provided invaluable scientific advice, in his role as Scientific Adviser to our Research and Development Portfolio Management Team and the Science Committee he chaired before that. On behalf of the Board, I would like to thank him for his enormous contribution and to wish him well for the future. Duncan Maskell will become our Scientific Adviser on Barry's retirement.

During the year, we also welcomed Dan Hartley as our new Group General Counsel and Company Secretary. Dan brings a wealth of legal and biotech experience to Genus.

It is important that as a Board we are close to the markets in which Genus operates, so we can make the right strategic choices. This year the Board visited China, which was extremely valuable given the impact it had on the Group's results. Our visit helped us to understand at first hand the customers and markets there, as we refined our strategy for the country. In 2013, the Board visited Italy and in 2015 we plan to visit Brazil, enabling us to cover three key continents over a three-year period.

You can read more about how the Board operated in 2014 and the importance we attach to good governance in the Corporate Governance section on pages 48 to 86.

Dividend

The Board is always aware that it directs the Company on the shareholders' behalf. Providing attractive returns to shareholders is an important part of our corporate goals.

The Board is therefore recommending a final dividend of 12.2 pence per share, which together with the interim dividend of 5.5 pence per share, will result in a dividend for the year of 17.7 pence per share, an increase of 10% over last year's dividend. This continues our progressive dividend policy and reflects the Board's confidence in Genus's future. It is proposed that the final dividend will be paid on 5 December 2014 to shareholders on the register at the close of business on 21 November 2014.

Summary

In summary, the Board is focused on the Group's continued growth, its research and development capabilities, and its expansion into new markets. We will continue to support the implementation of our strategy, as Genus seeks to benefit from the large and growing opportunity for animal genetics.

Bob Lawson

Chairman

2 September 2014

"The Board is recommending a final dividend of 12.2 pence per share."

Chief Executive's Review

We experienced a challenging year in 2014. While our overall results fell short of our growth objectives, our performance across most of the world outside China was strong. This was encouraging given challenges previously announced such as porcine epidemic diarrhoea virus ('PEDv'). Despite our results in China, we continue to believe the opportunity there is large, that we are laying the right foundations for long-term success and have adapted our strategy to ensure this.

We continued to make good progress across our key strategic initiatives, with the acquisition and successful integration of Génétiporc in October 2013 being a highlight. We accelerated genetic improvement across our species, which will help extend our product leadership and as market conditions improve, we are well positioned to accelerate growth.

Group Performance

Overall performance across Genus was mixed. Genus ABS and PIC grew in double digits, in constant currency, but profits in Asia, and specifically China, were sharply lower. Sterling's strength also substantially affected our reported results, as we earn much of our profit in US Dollars or related currencies. Adjusted profit before tax including joint ventures was £39.3m, 8% lower than in 2013 but unchanged in constant currency.

Volumes grew 8% in porcine and 5% in dairy and beef, contributing to 8% revenue growth (12% in constant currency). Génétiporc and Asia led porcine volume growth. In bovine, Latin America rebounded strongly and our Indian business performed well.

Genus ABS increased profits by 12% in constant currency, with all regions contributing, and a strong performance from our beef business. Genus PIC profits rose 10% in constant currency, with contributions from the Génétiporc acquisition, continued good growth in Latin America and solid trading in North America, despite disease affecting the industry.

In Asia, the reduction in Chinese porcine profit was principally caused by our planned investments in capacity combined with very adverse market conditions for pig producers in the first half of this calendar year, but there is evidence these conditions are improving.

Strategy

The market opportunity for animal genetics is large and growing, driven by increasing animal protein consumption by a rising and increasingly urban global population. To meet this demand, farmers are increasingly employing technology, larger-scale production and the best genetics.

Genus's clear global leadership in porcine, dairy and beef is a firm foundation for growth. We have continued to execute vigorously the strategy we announced in 2012 and made substantial progress during the year.

In October 2013, we acquired Génétiporc, the Americas' second-largest porcine genetics company, for £22m. In February 2014, our Brazilian joint venture acquired Génétiporc do Brasil. This has enhanced our leadership in the Americas and brought valuable additional genetic traits into our porcine pure lines. We have rapidly integrated their operations and are on track to deliver the expected US\$11m (£6.7m) of annual synergies by the end of the second year.

In China, our joint venture with Besun and our wholly-owned porcine nucleus farm, Chun Hua, became fully operational. These have enabled us to introduce new products and the latest genetics into China, and more than doubled our capacity there. We are already seeing the benefit, with customers such as New Hope, China's largest feed producer and a top ten integrated pork producer, selecting PIC genetics.

Our additional Chinese capacity brought expected start-up costs and greater exposure to commodity prices at a challenging time in the porcine market there. We are adjusting our strategy to deliver, where possible, future capacity increments through commercial multiplication agreements. We recently announced an agreement with Riverstone, a US-led group investing in China, to become a commercial multiplier and a royalty-based customer there. This approach will reduce the number of porcine joint ventures we execute and reduce investment and commodity risk.

During the year, we signed our first bovine royalty agreement with ABP Food Group, the UK's largest integrated beef processor, to develop proprietary indices for beef bulls and deliver superior genetics into their supply chain. We are also creating a beef nucleus herd, to accelerate genetic gain and increase our control of the resulting genetics.

Our Research and Development ('R&D') programmes used advanced selection techniques to accelerate genetic gain in the porcine nucleus herds. We also reduced further the lag between the genetics in the porcine nucleus and those on customers' farms so they see the benefits of improved genetics more quickly. In dairy, the initial bull calves born from our recently established elite female herd included two with genomic test scores among the highest ABS has ever seen. These should start producing in late 2015. The project to develop a novel proprietary method of producing sexed bovine semen achieved an important milestone in successfully completing large-scale field trials. In July 2014, we initiated US legal proceedings against Sexing Technologies, the current provider of sexed semen, alleging abuse of its monopoly position.

Our People

In November 2013, Dr Denny Funk retired as Chief Scientific Officer and head of R&D after 19 years of service. We wish him well and are grateful for his many contributions. Dr Jonathan Lightner has joined us from DuPont Pioneer, where he was head of agricultural biotechnology, to replace Dr Funk. His broad experience in genetics and focus on intellectual property is already proving very valuable.

Saskia Korink Romani became Chief Operating Officer of ABS and has moved to Madison, Wisconsin to lead that business. Tom Kilroy, our Group General Counsel and Company Secretary, left to pursue a commercial career and Dan Hartley replaced him, joining from Shire plc where he was Senior Vice President and International Counsel. Overall, our Genus Executive Leadership Team ('GELT') is highly talented and working well together.

Our employees' energy, ability and passion are fundamental to our success. During the year, we further strengthened our people management practices, training and talent development. We also conducted our first employee survey, with 80% participating. The results showed significant commitment to our vision, values and strategy.

Outlook

We are cautiously optimistic that 2014's challenges are starting to abate. While PEDv is still affecting our royalty revenues, there are signs that producers are learning to cope with it. The severe downturn in Chinese pig prices in 2014 has led to a reduction in the sow herd, which should better balance supply and demand in 2015. Additionally, the outlook for harvests in the Northern Hemisphere appears favourable which should lead to lower input costs for our customers. Although some headwinds remain, our business is positioned to accelerate growth and we expect to perform in line with expectations in 2015.

Karim Bitar***Chief Executive***

2 September 2014

“Although some headwinds remain, our business is positioned to accelerate growth and we expect to perform in line with expectations in 2015.”

Market Opportunities

The Animal Genetics Market – Large and Growing

Global demand for animal protein is significant and growing. Meeting this demand is becoming more difficult as urbanisation increases, competing needs for land and water intensify and consumers require affordable, safe and high-quality animal protein. Genetics is critical to solving this global challenge, presenting a £3–4 billion gross profit opportunity.

Three key drivers impact the use of high-quality animal genetics.

Growth in Protein Consumption

Animal protein consumption affects demand for animal genetics globally. Demand for animal protein continues to grow by 1–3% per year, and is rising particularly in emerging markets such as Brazil, Russia, India and China, where urbanisation is increasing rapidly. The chart below shows that this powerful trend – coupled with a continually rising global population – will continue for decades to come.

As consumers move from an agricultural lifestyle to an urban setting, they become wealthier and keener on consuming animal proteins such as milk in India and pork in Russia, where consumption in the last five years has increased by 21% and 25% respectively.

Summary

In summary, the animal genetics market is large and continues to grow, as more technology is used to address the productivity challenge and meet the growing demand for milk, pork and beef.

Farmers' Use of Technology

Farmers increasingly use high-quality genetics to meet demand. In dairy, artificial insemination ('AI') use has reached 70% in the US, with large enterprise and commercial herds providing half of US milk production. In Mexico and India, AI is now used in around 50% of the herds, while in Brazil it is 13%.

In porcine, scale and integration drive the use of high-quality genetics. Large-scale integrated pork production continues to grow and now accounts for 60% of production in the US and 85% in Brazil. Large-scaled farming production in China grew from 11% in 2008 to 20% in 2014.

Farmer Profitability

Short-term, farmer profitability also affects the use of high-quality animal genetics. Low feed costs and high output prices give farmers cash flow to invest in genetics that can significantly boost their efficiency and long-term profitability.

Milk, pork and beef profitability varies around the world, with markets at different stages of the cycle. For example, in the US, pork producers are considering expansion due to record pig prices, while Chinese pig producers await a market rebound before upgrading their genetics.

“Demand for animal protein continues to grow by 1–3% per year particularly in emerging markets.”

Our Business Model

Genus's Competitive Advantages

Genus's business model is built on a number of competitive advantages, which help us to create value. Our strategy (see pages 16 and 17) helps us to reinforce and build on these advantages.

Our competitive edge comes from:

- continuously improving our proprietary lines of breeding animals, using the best science available;
- our global distribution capability, through our supply chain, technical service and sales network;
- long-lasting customer relationships, enhanced by our services to help farmers get the best from our products; and
- a business model and multi-species approach that allow us to continually strengthen and leverage our technology platform.

Robust Genetic Improvement

Genus accelerates genetic improvement by exploiting the rapid advances in molecular and genetic biology. Our proprietary techniques help us determine the best animals to mate, so our customers see faster genetic gains. We use proprietary indices of desirable animal traits to determine breeding goals. We have our own elite animals, which we supplement with genetics from outside our herds.

Our research division supports these programmes, through its work in areas such as gender skew and disease resistance (see pages 34 to 37). We employ more than 100 scientists and technicians, and collaborate with universities, consortia and others.

Realised Product Differentiation

Understanding customers' needs helps us to develop outstanding and differentiated products and services. Consumers around the world have different preferences and we tailor our genetic programmes to deliver a wide range of products to help our customers meet these needs.

Global Supply Chain

Supplying a biological product globally requires complex supply chain operations. In our porcine business, third-party multipliers and customers provide more than 95% of our pig-breeding requirements. This network of multiplication partners is a significant strength, allowing us to meet demand for our genetics while reducing our exposure to farming and commodity risk.

In dairy and beef, Genus ABS uses a mix of employees, independent representatives and distributors, to efficiently reach customers and build loyalty.

Technical Support Services

Ensuring our products meet expectations is critical to customer loyalty. Experienced technical service teams therefore help our customers to achieve the best results in areas such as nutrition, reproduction, health management and genetics.

For example, our global Genetic Management System helps dairy customers select the right bulls to meet their genetic goals. In porcine, we provide performance comparisons across our customers, so they can benchmark the benefit they get from our genetics against industry peers.

Key Account Management

Genus has long-lasting customer relationships. In porcine, our customers are increasingly under multi-year royalty contracts, through which customers pay us for the performance and value we deliver. In 2014, 70% of our global porcine volumes were under royalty contracts.

In bovine, we sell most of our semen by the dose and use our services to build strong relationships. Our customer segmentation and account management allow us to focus on customers who value these relationships most.

1. Robust Genetic Improvement

Genomic Based Pedigree Selection ('GBPS')

PIC leads the way in using genomics to make breeding more accurate. Over the last two years, our R&D team has increased selection accuracy by 35%, with a marked effect on the rate of genetic progress. The team has developed proprietary genomic chips for sampling pigs' DNA more intensively and uses sophisticated statistical techniques of imputation to enhance this genetic information at lower cost.

Faster genetic improvement strengthens customer loyalty and increases our competitive lead. PIC has implemented GBPS throughout its global supply chain and, during 2015, customers should start to see the benefits, worth an estimated 60 cents per pig per annum to them. We are now exploring the same techniques to increase product differentiation in Genus ABS, by applying genomic prediction of proprietary traits developed through our Real World Data programme.

2. Realised Product Differentiation

Embryo Transfer into India

India is the world's largest dairy market but a typical Indian cow produces only 2,000 litres of milk, compared with 10,000 litres in the US, per annum. Indian farmers therefore want access to high-quality genes, to improve milk yield, quality and sustainability. However, local conditions have prevented genetic improvement, including a ban on importing live bulls and restrictions on importing semen.

To address this, ABS imported embryos from elite North American genetics and implanted them in carefully selected heifers. The first resulting embryo transfer ('ET') bull, Pioneer, was born in 2012 and began producing semen within a year. Genus now has five ET bulls and two ET heifer calves, with more pregnancies in progress. Compared with local bulls, farmers have been willing to pay significant premiums for access to these differentiated genetics.

3. Global Supply Chain

Reducing Genetic Lag

PIC's genetic nucleus herds contain 6,000 sows. Along with the 170,000 sows in our global supply chain, they support our customers in producing 110m pigs annually. Two years ago, PIC implemented a unique global genetic dissemination programme, so customers would benefit more quickly from accelerated genetic improvements in the nucleus herds. A single global team using consistent tools and methods ensures optimum gene dissemination, by controlling and monitoring matings throughout the supply chain. We also rationalised capacity and invested to provide a critical mass of animals by region. Now, elite animals anywhere in the supply chain can provide quick dissemination up or down the chain. Over a two-year period, this programme has reduced global genetic lag – the difference in genetic merit from the nucleus herd to the commercial pig – by 0.9 years to 3.5 years, delivering an extra US\$2.21 of genetic value per slaughter animal to customers.

4. Technical Support Services

Valiant Foam-Active Wipes

Disinfecting cows' teats is essential for preventing environmental mastitis, which affects the cow's health and milk quality. Existing cleaning methods add time and labour to the milking process, while the quick and easy wipes used on many farms are less effective. To solve this problem, Genus ABS invented Valiant Foam-Active Wipes, the only foaming chlorine dioxide pre-wipe on the market, which is 100 times more effective than other teat wipe products. The wipes particularly help customers with larger herds to protect their animals, without adding time to milking routines. Since its UK launch in 2013, sales have been double our expectations, as farmers see real productivity and health improvements in their herds. We are now rolling out the wipes internationally, so our other customers can benefit too.

5. Key Account Management

Groundbreaking Partnership in the Philippines

Commercial pig production involves high up-front investment and a long production cycle. This can be a barrier for existing or aspiring producers, particularly in developing countries like the Philippines. But through our innovative partnership with the Bank of the Philippine Islands, producers can now access funding on favourable terms – together with technical insight and support from Genus PIC – if they set up, expand or improve their herds with our genetics. Producers receive a package of valuable financial and technical support while our team builds a relationship with them, demonstrating our expertise and the value of our products and services. The partnership has already helped three customers to secure loans totalling £4.6m, with a range of other projects in development or under discussion.

Strategic Framework

Goals and Strategy for Growth

Genus has a robust strategy to meet its corporate goals and capture the very significant growth opportunities in the animal genetics market.

[Find Out More](#)

Performance

Our key performance indicators measure how we are achieving our goals.

[Read more about this on pages 18 and 19](#)

Risk

We look to understand and mitigate the risks to achieving our strategic goals.

[Read more about this on pages 20 and 21](#)

Strategic Progress

Each of our divisions and our R&D function has strategic priorities that support our Group strategy.

[Read more about this on pages 22 to 37](#)

Corporate Goals

Our corporate goals are to:

1.

Create Genetic Improvement

Being the pioneer and leading in genetics is vital for our continued success

2.

Deliver Volume Growth

Our market relevance is measured by the number of animals on farms using our genetics

3.

Drive Profitability

To capture our share of the value we create through superior genetics

4.

Generate Cash

To return to shareholders in increasing dividends and to reinvest in the business

Our Strategy

Our strategy for growth has four elements:

Increasing Genetic Control and Product Differentiation

To maintain and enhance our product leadership

We do this by:

- enhancing our use of genomics, to strongly accelerate the rate of genetic improvement;
- increasing our control of bovine genetic development, through elite female herds and proprietary indices;
- investing in proprietary technologies, with a focus on disease resistance and gender skew; and
- collaborating with universities and biotechnology companies on the latest developments in quantitative and molecular genetics.

Targeting Key Markets and Segments

To have the right offering for the right customers

We do this by:

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

Tailoring the Business Model

To adapt our approach to suit different markets

We do this by:

- developing products that meet each market's specific requirements;
- ensuring we have the right commercial model, notably:
 - transitioning from direct sales to royalties in our porcine business, where appropriate
 - matching our resources to customers, using cost to serve and customer segmentation
- working with joint venture partners, to access or create capacity to serve new markets.

Strengthening Core Competencies

To have the skills we need to implement our strategy

We do this by:

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

Key Performance Indicators

We monitor and measure our strategic progress by reference to our four corporate objectives:

1. Create Genetic Improvement
2. Deliver Volume Growth
3. Drive Profitability
4. Generate Cash

1. Create Genetic Improvement

Measures the genetic gain we achieve in our porcine nucleus herds.

Performance

Genetic gain worth US\$2.40, up US\$0.60, as a direct result of implementing genomic selection technology.

Definition

The index measures the marginal economic value improvement in customers' US\$ profitability, per commercial pig per year, on a rolling three-year average. The prior year's index has been updated to fully reflect the inclusion of genomic selection and updated economic values of pork production.

Monitors our success in developing bulls that are highly ranked, because of their genetic performance and economic merit.

Performance

Genus maintained a strong industry-leading line-up, demonstrating the quality of the product. Currently, more than 80% of Genus's bovine sales come from proven bulls.

Definition

The number of our bulls listed in the top 100 Net Merit US\$ rankings, for Holstein progeny tested generally available sires.

2. Deliver Volume Growth

Tracks our global unit sales growth in dairy and beef.

Performance

Volumes grew over 5% to 17.4m doses, with the strongest growth in Brazil and particularly India, where we benefited from increased sales of lower-priced locally produced semen.

Definition

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

Tracks the growth in the number of pigs with PIC genetics globally.

Performance

Volumes grew 8% to 108.8m MPEs with growth coming from our Génétiporc acquisition, Asia and Latin America. Royalty volumes were adversely affected by PEDv during the year.

Definition

The change in volume of both direct and royalty animal sales, using a standardised market pig equivalents ('MPEs') measure of the slaughter animals that contain our genetics.

3. Drive Profitability

To track underlying profit generation.

Performance

£44.8m, down £3.4m (flat in constant currency) due to a strong performance in ABS and PIC, offset by challenges in Asia.

Definition

Operating profit including share of joint ventures, adjusted to exclude IAS 41 valuation movements on biological assets, amortisation of acquired intangible assets, share-based payments and exceptional items.

Monitors porcine profitability by unit.

Performance

£0.37, down £0.03 (down £0.01 in constant currency) due largely to the dilution impact from lower Génétiporc margins, as well as the results in China.

Definition

Net porcine operating profit globally, expressed per MPE.

Monitors bovine profitability by unit.

Performance

£1.03, down £0.16 (down £0.09 in constant currency) due primarily to Asia, where we transitioned our distribution business in China and undertook some restructuring in Australia.

Definition

Net dairy and beef operating profit globally, expressed per dose of semen delivered. Excludes India, as its characteristics are substantially different to the rest of our bovine business.

4. Generate Cash

Monitors our success in converting profits into cash.

Performance

103% conversion, up 26 percentage points due to solid working capital management, particularly in receivables. The prior year included the stocking of the Besun farm in China and our investment in stocking the Chun Hua porcine nucleus farm.

Definition

Cash generated by operations before interest and taxes, expressed as a percentage of adjusted operating profit (excluding JVs).

Ensures we have a strong balance sheet and the financial capability to execute our strategy.

Performance

1.2, up 0.2, reflecting the increase in net debt from £52.9m to £63.9m as a result of our investments of £34m in Génétiporc and the Besun joint venture.

Definition

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

Principal Risks and Uncertainties

Genus supplies biological products to agricultural customers and is exposed to a wide range of risks and uncertainties. Disease outbreaks in the porcine industry and volatility in emerging markets, such as China, are examples of challenges we faced in 2014. The table below outlines the principal risks and uncertainties affecting Genus and how we manage them.

More information on how we identify and manage risks can be found in the Corporate Governance Statement on pages 58 and 59.

Strategic Risks

Risk Description	How We Manage Risk	Risk Change in FY14
<p>Product Development and Competitive Edge</p> <ul style="list-style-type: none"> • Development programme fails to produce best genetics for customers • Increased competition in developed and emerging markets reduces market share and margins 	<p>We have dedicated teams who align our product development to customer requirements, while our technical services help customers to make best use of our products. We frequently measure our performance against competitors in customers' systems to ensure the value added by our genetics remains competitive.</p>	
<p>Commercialisation of Research</p> <ul style="list-style-type: none"> • Failure to focus research initiatives on commercially important areas • Failure to lead on 'game-changing' technology or to make new initiatives commercially viable • Failure to commercialise new technology due to third-party intellectual property ('IP') 	<p>Our R&D Portfolio Management Team oversees our research, ensures we are correctly prioritising our R&D investments and assesses the adequacy of resources and its IP freedom to operate. The Board is updated regularly on key development projects.</p>	<p>Key initiatives are at an advanced stage of the R&D lifecycle.</p>
<p>Capturing Value Through Acquisitions</p> <ul style="list-style-type: none"> • Failure to identify appropriate investment opportunities or to perform sound due diligence • Failure to successfully integrate an acquired business 	<p>We have a rigorous acquisition analysis and due diligence process, with the Board reviewing and signing-off all projects. We also have a structured post-acquisition integration planning and execution process.</p>	<p>In 2014, we successfully acquired and integrated Génétiporc, showing that our processes are robust.</p>
<p>Emerging Markets</p> <ul style="list-style-type: none"> • Failure to appropriately develop business in China and emerging markets 	<p>We have a robust organisation, blending local and expatriate executives supported by the global species teams, to ensure we comply with our global standards. The Board provides regular oversight and visited China in April 2014.</p>	<p>Volatility in China increased our exposure in 2014. In response, we adjusted our plans and approach to the Chinese market.</p>

Operational Risks

Risk Description	How We Manage Risk	Risk Change in FY14
<p>Intellectual Property Protection</p> <ul style="list-style-type: none"> Genus-developed genetic material, methods and technology could become freely available to third parties 	<p>We have a global, cross-functional process to identify and protect our IP. Our customer contracts and our selection of multipliers and joint venture partners include appropriate measures to protect our IP.</p>	
<p>Biosecurity and Continuity of Supply</p> <ul style="list-style-type: none"> Loss of key livestock, owing to disease outbreak Loss of ability to move animals or semen freely (including across borders) due to disease outbreak, environmental incident or international trade sanctions Industry-wide disease outbreaks affecting demand for Genus products 	<p>We have stringent biosecurity standards, with independent reviews throughout the year to ensure compliance. We continue to extend the geographical diversity of our production facilities, to avoid over-reliance on single sites.</p>	<p>The porcine industry was affected by an outbreak of PEDv in North America. In response, we further strengthened our health management and supply chain resilience.</p>
<p>Human Resources</p> <ul style="list-style-type: none"> Failure to attract or retain skills and experience within our executive, management and employee cohorts 	<p>We manage our talent risk through comprehensive people plans, covering recruitment, performance management, reward, succession planning, communication and engagement.</p>	

Financial Risks

Risk Description	How We Manage Risk	Risk Change in FY14
<p>Agricultural Market and Commodity Prices Volatility</p> <ul style="list-style-type: none"> Fluctuations in agricultural markets affect customer profitability and demand for our products and services Increase in our operating costs, due to commodity pricing volatility 	<p>We actively monitor and update our hedging strategy to manage our exposure. Our porcine royalty model mitigates the impact of cyclical price reductions or cost increases in pig production.</p>	
<p>Pensions</p> <ul style="list-style-type: none"> Exposure to costs associated with failure of third-party members of joint and several pension scheme Exposure to costs as a result of external factors (such as mortality rates or investment values) affecting the size of the pension deficit 	<p>We are the principal employer for the Milk Pension Fund and chair the group of participating employers. The fund is now closed to future service and an agreed deficit recovery plan is in place, based on the 2012 actuarial valuation. We continue to monitor joint and several liabilities in the fund.</p>	

Genus PIC

Strategic Progress

"PIC made strong progress in 2014, delivering double-digit profit growth despite the disease challenges being experienced in the industry. We also extended our leadership in the Americas, through the strategically important acquisition of Génétiporc."

Bill Christianson
Chief Operating Officer, Genus PIC

	Progress Against 2014 Objectives	2015 Priorities
Increasing Genetic Control and Product Differentiation	<p><i>We aimed to:</i></p> <ul style="list-style-type: none">• accelerate genetic improvement, by aggressively implementing advanced genomic tools such as imputation; further reduce genetic lag in our supply chain; and develop new terminal sire products, with an emphasis on robust and efficient growth. <p><i>During the year, we:</i></p> <ul style="list-style-type: none">• achieved a world first by implementing imputation in routine genetic evaluations for livestock, improving the rate of genetic gain by 35%;• reduced genetic lag globally by a further 0.4 years, to 3.5 years; and• began field testing two new terminal sire products, evolved through our development process and the pipeline from Génétiporc.	<p><i>We will:</i></p> <ul style="list-style-type: none">• harness the benefits of investing in genomics for our customers, by increasing the rate of genetic gain by a further 10%;• deliver product enhancements for customers, by completing the integration of Génétiporc; and• continue to enhance the dissemination of our genetics across key markets, to reduce genetic lag by a further four months.
Targeting Key Markets and Segments	<p><i>We aimed to:</i></p> <ul style="list-style-type: none">• further develop key account plans for our strategic global customers; and support the expansion of genetic production and gilt supply, to help us provide high merit animals in growth markets. <p><i>During the year, we:</i></p> <ul style="list-style-type: none">• acquired Génétiporc, strengthening our leadership with strategic customers in North America, Mexico and Brazil; and• expanded and strengthened our supply capability, by integrating Génétiporc's supply chain operations.	<p><i>We will:</i></p> <ul style="list-style-type: none">• build on our strength in the Americas;• focus on increasing our presence in the top 40 accounts in Europe; and• introduce an innovative relationship management system, to better align our global Key Account Management and Technical Service teams with customer needs.
Tailoring the Business Model	<p><i>We aimed to:</i></p> <ul style="list-style-type: none">• capitalise on growth opportunities for terminal sires by developing consistent product offerings, aligning supply chain capacity and applying value-based business models; continue to expand the royalty model; and• develop targeted combinations of products and services. <p><i>During the year, we:</i></p> <ul style="list-style-type: none">• introduced value-based pricing for terminal sire offerings in Europe;• expanded the availability of our leading Camborough female product in Europe; and• increased our royalty revenue across key markets, with 79% of our volumes in the year under royalty contracts in PIC.	<p><i>We will:</i></p> <ul style="list-style-type: none">• continue the transition to a royalty pricing model in South America, Europe and Asia;• establish and stock three new sire line nucleus farms across the US and Latin America; and• explore opportunities to further increase supply chain efficiency.

Strengthening Core Competencies

We aimed to:

- leverage our product validation process and infrastructure across Europe and Asia; improve our ability to work with key accounts; and build on our talent management process.

We will:

- complete our first product validation trials in Asia; and
- develop and roll-out further training modules through our Key Account Manager Academy.

During the year, we:

- more than doubled product validation trials in Europe and started product validation trials in Asia;
- launched our Academy for Key Account Managers, building knowledge and skills in areas such as genetics and PIC product differentiation; and
- continued to embed talent management and strengthen our global team, including appointing a new global Head of PIC Marketing.

Case Study

Strengthening Our Position in Major Markets

In October 2013, we acquired Génétiporc from Aliments Breton Foods Group, North America's largest producer and processor of organic and natural pork. Génétiporc is a porcine genetics business with operations in the US, Canada, Mexico and a joint venture in Brazil. The business is an excellent fit for PIC, with similar values and an emphasis on meat quality, product development, biosecurity and health.

The rapid integration of Génétiporc with PIC's operations has further strengthened our position in the Americas, increasing our market share by six percentage points. Its complementary product portfolio expands PIC's genetic diversity and supports future product development worldwide. The broader supply chain and multiplier base mean we can better serve our customers, and we can also offer our market-leading technical and health services to Génétiporc's customers, more than 95% of which have stayed with us since the acquisition. Acquiring Génétiporc is an important step in Genus's strategic development, as we focus on providing the very best genetics particularly to integrated pork producers.

Genus PIC

Operating Review

“Genus PIC performed well in FY14 and is strongly positioned to benefit from a resumption of growth in the industry.”

Market

Market conditions were challenging for PIC in 2014 particularly in the US, due to PEDv. This has affected well over half the US and Mexican pig herds, as well as herds in Canada, South Korea and Japan. PEDv results in severe mortality in young piglets and has led to an approximately 5–10% decline in weekly US pig slaughter since March 2014. Whilst some of this reduction has been offset by higher weights, the decline in slaughter is expected to accelerate in the second half of the calendar year.

This has led to record high US pork prices and futures, making pork production very profitable for farmers despite the disease challenges. In addition, farmers have benefited from lower input costs following good harvests in 2013. However, the industry has not yet expanded to take advantage of these conditions, as it deals with the operational issues caused by PEDv.

Health concerns led to a number of border closures, to try and halt the spread of PEDv. In addition, Russia closed its border to the EU, due to African Swine Fever. This reduced exports from the EU and held back EU pork prices, while in Russia pork prices rose sharply.

Performance

Volume growth of 5% was driven by the Génétiporc acquisition, with underlying royalty volumes in North America and Mexico affected by PEDv losses and limited sow herd expansion. Revenue increased by 19%, but margins were lower due to higher animal sales as a result of Génétiporc, whose business model is currently based more on up-front sales than PIC's. Adjusted operating profit increased by 10%, benefiting from the expected initial contribution of Génétiporc and another year of robust growth in Latin America.

In North America, profits were up 6%. Royalty income was 7% higher than the previous year and animal sales were up by more than 100%, driven primarily by Génétiporc.

The business performed well in difficult circumstances, through focusing on meeting customer needs and maintaining supply availability.

In Latin America, volumes grew by 3%, with another 2% shift to royalty contracts. Profits were up 20%, with around half of this growth coming from Génétiporc. Our joint venture in Brazil had a very successful year, increasing adjusted profits by 35% and making progress across all its strategic initiatives.

In line with our strategy, the European business is shifting its business model to target the larger integrated pork producers and reduce its exposure to directly owned operations. It increased revenue by 4% and profit by 1% in FY14, on lower volumes. Strategic progress included closing an owned farm in Poland; further streamlining the UK boar stud operations, along with bringing the studs into line with global standards; establishing European focused support in Technical Services, Genetic Services, Health Assurance and Supply Chain; and developing a strong supply of high indexing animals at multiplication partners, to supply our best products to European customers.

During the year, we successfully acquired and integrated Génétiporc into our operations. The acquisition has expanded our supply chain for boars and gilts, which has played a significant role in enabling us to maintain supply availability in the face of industry disease challenges. We remain on track to deliver the expected synergies from the acquisition in the planned timeframe. PIC also continued to invest in technology (particularly genomics), distribution networks, technical service capabilities and key account management, to help us add even greater value for customers.

Summary

Favourable margin expectations for producers, combined with greater experience in managing PEDv, should encourage industry expansion as FY15 progresses. PIC performed well in FY14 with a 10% increase in profits and is strongly positioned to benefit from a resumption of growth in the industry.

	Actual currency			Constant currency	
	2014 £m	2013 £m	Movement %	Movement %	
Revenue	152.8	133.5	14	19	
Adjusted operating profit excluding JV	50.0	48.2	4	9	
Adjusted operating profit including JV	52.7	50.6	4	10	
Adjusted operating margin	32.7%	36.1%	(3.4) pts	(3.1) pts	

“Volume growth of 5% was driven by the Génétiporc acquisition.”

Case Study

Adding Value with Our Technical Services

Vall Companies in Spain is PIC's largest European customer. Through its fully integrated production, 190,000 sows produce more than 245,000 tonnes of pork each year. In February, a dozen members of PIC's Global Technical Services team travelled from around the world to work in collaboration with Vall's production leadership. This was the culmination of months of preparation. Through presentations, site visits and roundtable discussions, we covered topics ranging from boar stud optimisation to gilt development principles. As the customer's Production Director, Albert Vidal, said: "It was an excellent experience and a great opportunity to have so many experts helping our company."

Genus ABS

Strategic Progress

"Genus ABS performed well in 2014, with profits growing in double digits. At the same time we made solid strategic progress in developing a more differentiated business, working closely with customers to provide them with genetics and services tailored to their needs."

Saskia Korink Romani
Chief Operating Officer, Genus ABS

	Progress Against 2014 Objectives	2015 Priorities
<h3>Increasing Genetic Control and Product Differentiation</h3>	<p><i>We aimed to:</i></p> <ul style="list-style-type: none">expand the Real World Data platform by developing additional indexes; further strengthen the male and female genetic platforms; and enhance our proven bull portfolio and genomic bull offering. <p><i>During the year, we:</i></p> <ul style="list-style-type: none">developed proprietary genetic indices focused on customer needs and soft-launched them in selected regions;strengthened our elite female programme, to increase genetic control, and had two bull calves born with the highest ever ABS genomic test scores; andsignificantly enhanced our genomic bull portfolio and sustained our strong position in the proven bull segment.	<p><i>We will:</i></p> <ul style="list-style-type: none">implement our plans to further increase genetic control and bovine product differentiation;upgrade our Genetic Management System to help customers select products for a broader range of breeding situations; andcontinue to strengthen our range of genomic bulls and develop a beef genetic nucleus herd.
<h3>Targeting Key Markets and Segments</h3>	<p><i>We aimed to:</i></p> <ul style="list-style-type: none">position ourselves better with dairy processors in North America; and implement our global customer segmentation in the remaining target markets. <p><i>During the year, we:</i></p> <ul style="list-style-type: none">grew volumes in seven of our eight target markets, by harnessing our strong product portfolio and global team; andagreed a five-year strategic partnership with ABP Food Group, to provide a customised index for beef bulls, giving ABP superior genetics and providing future royalty income to Genus ABS.	<p><i>We will:</i></p> <ul style="list-style-type: none">continue to implement our segmentation model around the world, helping us identify and meet the needs of each customer segment;drive growth in our existing dairy markets and explore opportunities in new markets; andpursue further agreements with integrated beef or dairy suppliers.
<h3>Tailoring the Business Model</h3>	<p><i>We aimed to:</i></p> <ul style="list-style-type: none">develop a differentiated approach for our target customer segments; implement best practices in customer interfacing teams; and focus on value creation as one of the drivers of our business growth. <p><i>During the year, we:</i></p> <ul style="list-style-type: none">developed a 'value creation' selling proposition and started pilots to explore how we can enhance customer benefits;redesigned our commercial organisation in the US, to improve customer service through best practice and better use of our team; andanalysed and strengthened our channels to market, so we have the right model in every area.	<p><i>We will:</i></p> <ul style="list-style-type: none">further develop the 'value creation' selling approach to better demonstrate the benefits of our genetics to customers; andwork with major beef supply chain players, to validate the impact of our genetics in our combined beef-on-dairy offering.
<h3>Strengthening Core</h3>	<p><i>We aimed to:</i></p> <ul style="list-style-type: none">introduce a global approach to key account management in key markets; continue to develop and implement systems to improve supply-chain effectiveness and better integrate	<p><i>We will:</i></p> <ul style="list-style-type: none">continue to refine our supply chain processes, to improve product availability globally;deploy new systems and processes, so our sales and technical service teams can deliver

Competencies

product development; and continue to roll-out technical services and tools across the BRIC countries.

- more for customers and us; and
- engage and equip our people to enhance customer loyalty, and continue to transfer talent and skills across our global organisation.

During the year, we:

- introduced an account manager role in selected markets, to improve the way we deal with larger customers;
- implemented global production and planning systems, to deploy genetics to customers more efficiently; and
- put the final building blocks in place for effective deployment of technical services and tools.

Case Study

Improving Our Customers' Efficiency

Genus ABS's dairy technicians analysed data from hundreds of farms who use ABS Monitor, our new online service that simplifies real-time measurement of reproductive efficiency. This highlighted ways to improve our customers' reproductive and financial efficiency. For this targeted segment, the Genus ABS team in Brazil is tailoring its dairy business model through a new programme called DEL160, which uses intensified technical service support and a unique genetic selection index based on Brazilian economics, to help customers improve production. A novel payment system shares the programme's economic impact, reducing our selected customers' production costs by 15–20%, while improving profit for Genus ABS.

Genus ABS

Operating Review

“Profits grew in all regions in Genus ABS as we regained momentum in our core markets.”

Market

Dairy market conditions were favourable during the financial year, with milk prices strong in all regions and feed costs significantly lower as well. Weather conditions during the year were also generally favourable for producers in most countries, although the US was affected by a severe winter and parts of the south and west of the country continued to experience drought.

High Chinese demand for imported milk supported milk prices globally and encouraged key exporters such as New Zealand and the EU to increase production yield from their herds, eventually leading to a moderation of milk prices towards the end of the period. With increased supply now meeting demand, prices are expected to stabilise. During the year, we saw a gradual return of customer confidence as their finances improved.

The beef cattle price saw substantial gains, of around 15%, in the main US and Brazilian markets, with all-time record prices being set during the year. Low US cattle inventories from previous years, combined with female retention by growers wanting to increase calf production to rebuild herd sizes, led to tight supply in the US. In South America, cattle availability and slaughter have been rising following two years of herd rebuilding. Demand for exports from key countries was also strong. These factors generated good market conditions for our beef business, which are currently expected to continue into the next year.

Performance

Genus ABS had a strong year, benefiting from the positive market and weather conditions in most of the world. Profits grew in all regions, as Genus ABS regained momentum in our core markets. Overall, volumes for Genus ABS were up 5%, led by Latin America. Effective sales management enabled us to achieve a 2% improvement in average selling prices ('blend') across the business which, along with strong ancillary product sales, contributed to an increase in profit of 12%.

In North America, profits grew by 9% on flat volumes, due to increased blend, strong cost management and significant contributions from adjacent products. Beef performance was very strong, with volumes up 21% over the prior year, including an increasing use of beef semen in dairy cows.

In Europe, profits were 5% up last year with 3% growth in volumes driven by France, the UK and Italy as well as a 3% blend increase. In May 2014, we signed an innovative five-year partnership with ABP Food Group, the largest beef processor in the UK. Genus will develop a customised index for beef bulls tailored to economic traits important to ABP. Dairy farmers producing calves using Genus beef semen will deliver superior genetics into the ABP supply chain. This arrangement marks the first time that Genus ABS has agreed a royalty-based fee structure.

Across Latin America, profits were up 19% on a 13% increase in volumes, combined with a flat blend. This performance was driven by an exceptional recovery in Brazil, after the previous year's difficult weather conditions, and a strong year-on-year performance in Mexico. Beef volumes were exceptionally strong in the region, reflecting both the favourable market conditions and the strength of our product portfolio.

Summary

Good overall trading with disciplined price and cost management resulted in a 12% increase in profits for Genus ABS.

	Actual currency			Constant
	2014 £m	2013 £m	Movement %	currency Movement %
Revenue	157.4	146.8	7	10
Adjusted operating profit	24.2	22.8	6	12
Adjusted operating margin	15.4%	15.5%	(0.1) pts	0.2 pts

“Good overall trading with disciplined price and cost management resulted in a 12% increase in profits for Genus ABS.”

Case Study

Creating a Closed-Loop Supply Chain in UK Beef

In 2014, Genus and ABP signed an agreement to deliver the first proprietary beef genetics index for use on the UK dairy herd, which supplies nearly 52% of UK-processed beef. Using ABP's assessments and data, we are developing a custom index to identify bulls from our beef nucleus herd. The resulting progeny will be more feed-efficient, higher value and consistent quality. Only dairy producers supplying calves to ABP will have access to the bulls. They will benefit from ABP's expertise, while Genus will receive a payment for the genetic value. This closed-loop supply chain will be a significant step towards delivering differentiation and upstream royalties.

Genus Asia

Strategic Progress

“Genus made significant strategic progress in Asia this year, although our operational results were affected by our investments to increase capacity and by volatile commodity prices in China. We are well positioned to capture the significant opportunity from Asia’s growth, as commodity markets improve.”

Jerry Thompson
Chief Operating Officer, Genus Asia

Progress Against 2014 Objectives

2015 Priorities

Increasing Genetic Control and Product Differentiation

We aimed to:

- expand our portfolio of tailored bulls in India; make porcine genetic updates in key markets; and consider options for sire line nucleus units in Russia, China and the Philippines.

During the year, we:

- increased the number of genomic bulls in India, grew the embryo pipeline and started selling genomic semen;
- introduced genetic updates into porcine markets across the region, which reduced genetic lag;
- launched new dam and sire line products from the Chun Hua nucleus farm in China, which we stocked in 2013; and
- established a new breeding pyramid for San Miguel Foods Corporation in the Philippines and populated a nucleus herd in Vietnam.

We will:

- further expand our range of genomic bulls and our embryo programme in India;
- harness our new product lines in China, to drive growth in key accounts; and
- use trials to demonstrate the value of our porcine products, to enhance price differentiation.

Targeting Key Markets and Segments

We aimed to:

- leverage our strong positions in Russia, India and China, by developing our business with key accounts through a continuously improving range of products and services.

During the year, we:

- grew porcine volumes by 22%, with particular strength in Russia and Vietnam, and grew bovine volumes by 7%, led by more than 40% growth in India;
- developed new key accounts in China porcine and renegotiated the relationship with our bovine partner, SKX, so we can sell directly; and
- grew our business in the Philippines by 41% and continued our partnership with the Bank of the Philippine Islands ('BPI').

We will:

- continue to implement PIC's key account strategy, to grow presence with leading integrated pork producers in China;
- drive growth and support partners in Japan, Korea and Vietnam; and
- further expand our sales channels in India.

Tailoring the Business Model

We aimed to:

- pursue further joint ventures in China; expand our semen production capacity in India; implement our new strategy in the Philippines; and simplify our operations and grow through our key account strategy.

During the year, we:

- signed an agreement with BG Chitale in India for a new bull stud, and increased genomic semen sales by adding distributors and retail outlets;
- strengthened our porcine joint venture in China with Besun, but did not proceed with a joint venture with Shennong; and
- grew our royalty revenue in the Philippines in key accounts such as San Miguel Food Corporation, and increased Vietnamese royalty revenue by more than 300% through our GreenFeed partnership.

We will:

- complete and populate the Chitale stud, while improving genomic semen sales and prices in India;
- pursue opportunities for third-party production arrangements and increase our royalty business in China porcine; and
- grow in the Philippines, through the new breeding pyramid, our BPI partnership and key accounts.

Strengthening Core Competencies

We aimed to:

- build on the sound platform established in our key markets, strengthening our teams through training and developing the necessary key account and technical service skills.

During the year, we:

- developed our Chinese team through training and expatriate appointments;
- relocated the global Director of Genetic Services from the US to Shanghai, to work with the local team and key accounts; and
- harnessed the PIC and ABS technical teams, to strengthen our skills and expertise.

We will:

- develop employees' knowledge and expertise, through expatriate assignments and training; and
- continue cross-fertilisation of skills from other parts of the Group.

Case Study

Growing Our Partnership with GreenFeed

Our partner in Vietnam is GreenFeed, the country's fourth largest animal feed supplier. During the year, we stocked their new nucleus farm at Cujut with 1,400 gilts and grew semen sales by 275%, as stud capacity came online and PIC-sired progeny on customer farms excelled in growth rate, feed conversion, carcass yield and pork quality. The first sales of parent gilts from the multiplication units stocked in FY13 began ahead of schedule and productivity exceeded expectations, resulting in significantly higher selection rates. These achievements grew royalty income by more than 300%. We now plan to double the nucleus farm's capacity in the next 12 months.

Genus Asia

Operating Review

“2014 was a challenging year operationally in China, but saw strong results in other growth markets.”

Market

Porcine

Chinese pork producers were profitable in the first half but pork prices fell by more than 25% in the first few months of 2014, causing producers to lose up to £50 per pig in the second half. This significantly reduced the larger producers' planned expansion projects and the demand for breeding stock. The losses meant many less-efficient farmers left the industry. As a result, figures from the Chinese Ministry of Agriculture suggest the sow herd has reduced by around 4m heads (8%) since the start of the year, making stronger prices likely in 2015. Widespread PEDv also made animal movements difficult.

In Russia, low pig prices and high feed costs in the first half resulted in losses for producers and limited investments. However, the pig price rebounded strongly in the second half, following the Russian border's closure to pigs from the EU, due to African Swine Fever, and the temporary restriction of North American imports due to PEDv. The Ukraine political crisis has raised interest rates and devalued the Rouble, adding to uncertainty in Russia.

Pig prices in the Philippines were consistently high, reaching a record at year end. Prices are expected to remain firm, due to PEDv. Producers are profitable and the industry is attracting investment.

Bovine

Australian milk prices improved during the year. However, the price may come under pressure, due to higher global production.

Milk prices in Russia started lower than FY13 but increased steadily from October and were about 30% up by year end. Processors were short of milk, especially after import restrictions from some countries were implemented. Dairy cow numbers have further reduced and the drive for beef production has moderated.

The milk price in China remained high and import demand was strong. Consolidation of farms and dairy processors continued.

Indian milk prices have increased strongly, as processors compete for supply. Tight import restrictions on semen and embryos validate our strategy to establish local production.

Performance

Revenue reduced by 8% and adjusted operating profit was 49% lower than the strong FY13, caused by results in China being more than £6m lower year-on-year in constant currency. Outside China, good performances in Russia and the Philippines were counter-balanced by more difficult trading in Australia and our bovine distributor markets. Russia and India respectively led volume growth of 22% in porcine and 7% in bovine.

Porcine

China porcine operating profit fell more than £5m, as a result of the prior year profit from stocking the Besun joint venture farm; expected investment in start-up losses from capacity increases at Besun and the Chun Hua nucleus farm; and very poor market conditions. Volume growth of 9% was below expectations, as many producers halted new stockings. Our supply chain also incurred production losses due to low pig prices.

Despite these difficulties, we made significant strategic progress in China. We launched an updated product range from Chun Hua and Besun is now fully operational. These units have more than doubled our Chinese capacity. We continued to expand our business with leading integrators, including delivering 4,200 animals to New Hope, China's leading animal feed producer and a top-ten pig producer. In addition, since the year end, we signed a commercial multiplication agreement with Riverstone, a pig production joint venture in China between Cargill's Black River and Pipestone, and a royalty agreement for their future pig production using PIC genetics. As our Chinese business matures, we will seek to lower farming risk and investment cost by adding capacity through multiplication contracts where possible, creating fewer new joint ventures and increasing the proportion of royalty-based arrangements.

Operating profit grew by 23% in Russia and 41% in the Philippines, as both businesses grew royalty revenues with leading integrators. We imported over 1,200 animals into the Philippines, to stock a new pyramid for future expansion. Elsewhere in the region, we stocked a nucleus unit in Vietnam, as we expanded our business with our local partner, GreenFeed.

Bovine

In China, we restructured our relationship with SKX to a non-exclusive basis and now sell directly to key dairies and other distribution channels. This transition reduced first half results but led to a stronger second half.

Indian dairy volumes grew strongly, as our business gained momentum. We incorporated a joint venture with BG Chitale, to construct and operate a bull stud to expand production capacity. We grew domestic volumes by 50% to 2.2m doses and launched a range of genomic bulls, improving overall domestic blend by 17% and demonstrating solid demand for differentiated genetics in India.

The Australian business had a challenging year but was restructured to cost-effectively service the Australian industry. Distributor markets were lower due to the timing of shipments year to year.

Summary

2014 was a challenging year operationally in China, but saw strong results in other growth markets. We remain confident that our investment in the important Chinese market and strengthening strategic position will yield benefits as the market recovers.

	Actual currency			Constant currency	
	2014 £m	2013 £m	Movement %	Movement %	
Revenue	46.5	55.5	(16)	(8)	
Adjusted operating profit excluding JV	6.8	12.3	(45)	(38)	
Adjusted operating profit including JV	6.0	13.1	(54)	(49)	
Adjusted operating margin	14.6%	22.2%	(7.6) pts	(7.1) pts	

“We continued to expand our business with leading integrators.”

Case Study

Supporting a Major New Customer in China

New Hope Group is China's largest private company and its biggest animal feed producer, as well as one of the country's leading dairy and meat producers. Its Xiajin project is one of the most advanced farms in China and aims to provide around 340,000 slaughter pigs annually. In 2013, New Hope decided to use only PIC genetics at Xiajin and signed a stocking supply agreement with us. In June 2014, we successfully delivered 4,200 gilts, including new lines we imported to the Chun Hua nucleus farm last year. The second 5,400 gilts stocking is due this autumn, to complete Xiajin's capacity.

Genus R&D

Strategic Progress

“Genus is committed to exceeding customer expectations, so our research and development activities are based on understanding and anticipating their needs.”

Dr Jonathan Lightner
Chief R&D and Scientific Officer

Meeting Customer Needs Today, Anticipating their Needs for Tomorrow

Delivering the genetic improvements our customers want requires a team effort, involving our technologists, business people and our customers. Our decades long customer relationships give us critical insights that guide our research. Because genetic improvement is a long-term process, the ability to anticipate customer needs over several years is often what separates failure from success.

We use a portfolio process with business input to select, target and manage our R&D efforts across three core platforms: disease resilience and resistance; gender skew; and genomic selection.

Disease Resilience and Resistance

Our open innovation model for collaborative R&D made great progress in 2014. To solve complex problems, we bring together our own capabilities with the best of the public sector. Our work with The Roslin Institute has progressed projects addressing resistance and resilience to key porcine diseases, such as porcine respiratory and reproductive syndrome ('PRRS') and African Swine Fever. In seeking to solve complex challenges like PRRS, we use numerous technical approaches, to increase the probability of success.

Gender Skew

Livestock producers often benefit from having offspring of one sex result from a mating. For example, dairy producers prefer to have female calves result from matings, so they have ample, high-quality replacement heifers to choose from. Our gender skew initiative aims to create technology to realise this benefit at greater efficiency and reduced cost, compared to current technologies. We have continued to make progress pursuing multiple technical approaches to sexed semen technology.

We are advancing a biomechanical technology that will offer a more efficient gender skewed product for our customers globally. This technology is in late stage development and completed successful field trials in 2014. It is on track for commercial deployment in the second half of the decade.

We believe gender skew has applications beyond dairy and that it can benefit from delivery approaches that do not depend on manipulation after collection. Subsequent generations of the technology will be based on multiple approaches that we are pursuing in the research phase. Our aim with these successor technologies is to use genetic controls to produce ejaculate that is already optimised for the desired gender, opening up the benefit of gender skewing to markets and animals that current technologies cannot practically serve.

Genomic Selection

The foundation of our business is genetic improvement through natural mating and selection. Genomic selection improves the speed and quality of outcomes from this process, by using contemporary molecular genetic information and tools. Today, we lead the animal genetic industry in applying single nucleotide polymorphisms ('SNPs'), imputation and single step genomic prediction to improving livestock. We genotype tens of thousands of animals annually, generating hundreds of millions of data points. We then combine this information with proprietary animal performance information, imputation and predictive modelling. This allows us to identify the most elite animals, select the optimum matings and advance the most economically advantaged progeny for sale to our customers.

Genomics advances rapidly. In addition to our day-to-day application of genomics in our breeding processes, our research team is exploring the limits of genome information content, through projects such as porcine exome sequencing. This saw us sequence the expressed genes of 96 elite proprietary animals from the PIC product line. The highest possible resolution of genomic information is the physical DNA sequence itself, and our research team is probing the extremes of both capabilities and the practical applications of this type of information.

Case Study

Exploring the Limits of Resolution of Genetic Information

In 2014, in collaboration with Edinburgh Genomics and The Roslin Institute at the University of Edinburgh, we completed the first full exome sequencing in pigs. This examines the most important parts of an animal's DNA, the expressed genome ('exome'). Our team sequenced the exomes of 96 pigs, representing the known variation in one of PIC's leading global proprietary populations, to capture as many genetic variants as possible. Combining these results with our unique phenotype data on the same animals shows associations between sequence variation and commercially beneficial traits. PIC will use this information to improve genomic selection accuracy, including better reproductive outcomes.

Genus R&D Operating Review

“We focused our research expenditure in the areas of genomic evaluation, gender skew and animal health.”

Performance

Investment in R&D for the year increased by 5%. This reflected a further increase in research expenditure and growth in both dairy and beef product development. In porcine product development, growth investments in product validation and genomic testing were offset by moderating feed costs and improved slaughter prices in the genetic nucleus farms. Spending on the Génétiporc nucleus herds was also partially offset by the receipt of back-payments under a Canadian government agricultural support programme.

We focused our research expenditure in the areas of genomic evaluation, gender skew and animal health. In genomic evaluation, we completed the first ever porcine exome sequencing project, producing a comprehensive examination of the expressed genes in nearly 96 animals from an elite PIC sire line. In gender skew, we successfully tested our sexed semen technology in field trials and in disease we progressed our efforts to produce gene edited animals.

Bovine product development investment grew 17% year over year, reflecting our continued investments to deliver genetic control, differentiated products and customer focused genetic improvement. We continued to grow our investment in our Real World Data ('RWD') infrastructure, enabling us to develop new genetic traits and customer profit-focused indices, to further our genetic differentiation. Our RWD system grew considerably in 2014. The number of farms it covers has increased 50% year over year and now includes operations in the US, UK, Mexico and Chile. Animal numbers have similarly increased and we now have more than 18m cow records in our RWD set. Using this information in 2014, we developed and implemented two custom dairy indices focused on specific operational types, for the unique needs of global customers. We are implementing these dairy indices with select customer pilots in Brazil and the US.

Our RWD data set also gives us unique information on economic events that are critical to profitable dairy farming, such as disease occurrence. In 2014, we used this information to identify unique genetic traits which reduce the occurrence of negative events. To increase our differentiation and control in the Holstein breed, we have created a genetic nucleus of elite females. By controlling both sides of the matings used to create new sires, we enhance our genetic control and enable our breeding programme to pursue unique targets, such as these proprietary traits and indices. We also increased our investment in beef product development, naming a global product development director for beef, Dr Matthew Cleveland, and beginning to establish a beef genetic nucleus.

Porcine product development investment declined 6% year over year. The product development group increased staffing and investment in product validation around the world. These costs were offset by improved feed costs in the genetic nucleus farms, improved slaughter prices and the Canadian government support payment. We integrated the germplasm made available through the Génétiporc acquisition into the PIC breeding programme, creating new products and further product improvement opportunities. We completed global implementation of single step genomic prediction and relationship based selection with imputation for all traits and animals around the world in the PIC product development pipeline. We increased the rate of overall genetic improvement by 35%. The number of product validation comparisons doubled year over year and we initiated the first product validation trials in Asia.

	Actual currency			Constant currency
	2014 £m	2013 £m	Movement %	Movement %
Research	3.1	2.7	15	19
Porcine product development	13.0	14.7	(12)	(6)
Bovine product development	11.6	10.6	9	17
	27.7	28.0	(1)	5

“Investment in R&D for the year increased by 5%.”

Case Study

Increasing Genetic Control and Product Differentiation

In 2013, our dairy product development team started a key project to develop a proprietary genetic nucleus of elite Holstein females. By owning elite females, we can control both sides of the matings that produce elite sires. This controls the cost of acquiring those sires and allows us to emphasise the genetics that will drive our customers' profitability and our differentiation. Within 18 months, we are already producing unique elite young sires, including one in the ABS top 10 of all time for the US TPI and NM\$ indices and another best ever young sire for ABS within international rankings (top 35 US, top 15 Canada, top 3 UK, top 10 Italy). This gives us confidence that we will create improved products at lower costs than buying on the open breeding market.

Financial Review

Our financial results in 2014 were mixed, with strength in PIC and ABS offset by challenging conditions in Asia, and specifically China. In the rest of the world outside China, we achieved double digit constant currency profit growth but including China, overall adjusted profit before tax was flat in constant currency.

The effect of the stronger pound during the year on the translation of our overseas profits reduced the Group's adjusted profit before tax by £3.2m or 8% compared with FY13. Constant currency growth rates better reflect the Group's underlying performance and are quoted in the financial review unless stated otherwise.

On a statutory basis, profit before tax was 14% higher in actual currency primarily due to an increase in the value of biological assets. However, we continue to use adjusted results as our prime measures of financial performance as they better reflect our underlying progress.

Revenue

Revenue grew 8% in actual currency (12% in constant currency) to £372.2m (2013: £345.3m) with Genus PIC growing at 19% with the benefit of the Génétiporc acquisition and Genus ABS also growing in double digits at 10%. This growth was partially offset by an 8% revenue decline in Asia, primarily in China.

Adjusted Operating Profit

Adjusted operating profit including joint ventures of £44.8m (2013: £48.2m) was unchanged in constant currency and 7% lower in actual currency. Genus's share of joint venture profits was lower at £1.9m (2013: £3.2m), as strong growth at Agroceres PIC in Brazil was not enough to offset the start-up losses incurred by Besun in China.

Profit growth was strongest in Genus ABS, up 12%, benefiting from positive market and weather conditions. Profits grew in all regions and we had good momentum in our core markets. Overall, volumes for Genus ABS were up 5%, principally driven by Latin America.

Genus PIC also had a strong year, with profits including joint ventures up 10%. Volume growth of 5% was driven by the Génétiporc acquisition and another good year in Latin America. This result was achieved despite underlying royalty volumes in North America and Mexico being affected by PEDv and limited sow herd expansion.

Profits in Genus Asia excluding joint ventures decreased by 38%, against a strong prior year which included stocking Besun. This was mainly due to our performance in China, where we invested in capacity and porcine market conditions were poor. Genus Asia's bovine results were also lower but the porcine businesses in Russia and the Philippines performed well.

In research and development, costs were 5% higher than in 2013, reflecting an increase in research and growth in both dairy and beef product development. In porcine product development, our additional investments in product validation and genomic testing were offset by moderating feed costs and improved slaughter prices in the genetic nucleus farms.

	Actual currency			Constant currency**
	2014 £m	2013 £m	Movement %	Movement %
Adjusted results				
Year ended 30 June				
Revenue	372.2	345.3	8	12
Operating profit*	42.9	45.0	(5)	2
Operating profit inc JVs*	44.8	48.2	(7)	–
Profit before tax*	39.3	42.5	(8)	–
Basic earnings per share (p)*	46.5	49.1	(5)	3
Statutory results				
Year ended 30 June				
Revenue	372.2	345.3	8	
Operating profit	41.8	36.3	15	
Profit before tax	38.2	33.4	14	
Earnings per share (p)	47.7	38.8	23	
Dividend per share (p)	17.7	16.1	10	

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

** Constant currency percentage movements are calculated by restating 2014 results at the exchange rate applied in 2013. The key average and year-end exchange rates used to translate the results were:

	Average		Closing	
	2014	2013	2014	2013
US Dollar/£	1.64	1.57	1.71	1.52
Euro/£	1.20	1.21	1.25	1.17
Brazilian Real/£	3.75	3.22	3.77	3.35
Mexican Peso/£	21.44	20.16	22.18	19.76

	Actual currency			Constant currency
	2014 £m	2013 £m	Movement %	Movement %
Adjusted Profit Before Tax				
Genus PIC	50.0	48.2	4	9
Genus ABS	24.2	22.8	6	12
Genus Asia	6.8	12.3	(45)	(38)
Research and development	(27.7)	(28.0)	1	(5)
Central costs	(10.4)	(10.3)	(1)	(3)
Adjusted operating profit	42.9	45.0	(5)	2
Share of JV profits*	1.9	3.2	(41)	(28)
Adjusted operating profit inc JV	44.8	48.2	(7)	–
Net finance costs	(5.5)	(5.7)	4	4
Adjusted profit before tax	39.3	42.5	(8)	–

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

	Actual currency			Constant currency
	2014 £m	2013 £m	Movement %	Movement %
Performance by Species				
Revenue				
Dairy and beef	171.8	167.2	3	7
Porcine	184.9	168.6	10	14
Research and development	15.5	9.5	63	73
	372.2	345.3	8	12
Adjusted operating profit inc JV				
Dairy and beef	15.7	17.7	(11)	(6)
Porcine	42.6	43.5	(2)	4
Central costs and research	(13.5)	(13.0)	(4)	(6)
	44.8	48.2	(7)	–

Performance by Species

The table above shows our performance by species on a global basis, after allocating product development costs specific to each species.

Dairy and beef revenues grew 7% on volumes up by 5%, with growth strongest in Brazil and India, where we benefited from increased sales of lower-priced locally produced semen. Sales of semen from our global studs, which represent 76% of semen sales by volume, increased by 2%. Profits decreased by 6% on last year, primarily due to lower sales in Asian markets and higher product development costs.

Porcine revenues grew by 14%, with royalty income up 13% to £67.1m. Volumes were up 8%, mainly due to growth from our Génétiporc acquisition, Asia and Latin America. Royalty volumes were adversely affected by PEDv during the year. Profits were up 4% on 2013, with Latin America's continued robust growth and the initial contribution from Génétiporc partially offset by results in China.

Finance Costs

Net finance costs reduced by £0.2m to £5.5m (2013: £5.7m) and include IAS 19 pension interest of £2.9m (2013: £3.1m). Higher net borrowings following the acquisition of Génétiporc were offset by lower average interest rates, following our refinancing in August 2013.

Exceptional Items

There was a £2.0m net exceptional expense in 2014 (2013: £4.2m credit), mainly related to the acquisition and integration of Génétiporc, £1.8m. Also included were £0.8m of net income, which relates to a cash settlement received in the period from a long-standing legal claim, £0.6m of legal fees incurred in an action brought by Genus ABS against Sexing Technologies (see note 38) and £0.4m of restructuring costs.

Statutory Profit Before Tax

Operating profit on a statutory basis was £41.8m, (2013: £36.3m) while our statutory profit before tax was £38.2m (2013: £33.4m). The statutory results benefit from an increase in the net IAS 41 valuation movement on biological assets and a reduction in share-based payment expense. Amortisation of acquired intangible assets and exceptional items increased following the Génétiporc acquisition. The Board believes the volatile nature of these items, most of which are non-cash, is less representative of the Group's underlying performance than adjusted measures.

Taxation

The effective rate of tax for the year, based on adjusted profit before tax, was 28.2% (2013: 30.4%), with the decrease primarily due to a lower impact from unprovided losses and taking advantage of the recently introduced UK finance company tax regime.

The effective rate remains higher than the UK corporate tax rate. This is due to the mix of overseas profits, particularly the proportion of profits generated in the United States, where the statutory tax rate is approximately 39%, and the impact of withholding taxes on the repatriation of funds to the UK.

The tax rate on statutory profits was 24.3% (2013: 30.0%). In addition to the factors mentioned above, there was a favourable impact due to the revaluation at lower tax rates of deferred tax liabilities associated with biological and intangible assets.

Earnings Per Share

Adjusted basic earnings per share declined by 5% to 46.5 pence (2013: 49.1 pence), reflecting the impact of exchange rates, but rose 3% in constant currency. Basic earnings per share on a statutory basis were 47.7 pence (2013: 38.8 pence), benefiting from an increase in the value of biological assets and the lower statutory tax rate.

Biological Assets	2014 £m	2013 £m
Non-current assets	208.9	224.0
Current assets	44.1	40.5
Inventory	22.5	24.5
	275.5	289.0
Represented by:		
Porcine	124.4	117.5
Dairy and beef	151.1	171.5
	275.5	289.0
Cash Flow (before debt repayments)	2014 £m	2013 £m
Cash generated by operations	44.3	34.9
Interest, tax and dividends	(22.1)	(20.0)
Investments	(34.1)	–
Capital expenditure	(6.6)	(8.6)
Other	0.5	1.8
	(18.0)	8.1
Adjusted operating profit	42.9	45.0
Cash conversion	103%	77%

Biological Assets

A feature of the Group's net assets is its substantial investment in biological assets, which IAS 41 requires us to state at fair value. At 30 June 2014, the carrying value of biological assets was £275.5m (2013: £289.0m), as set out in the table on page 41.

The movement in the overall carrying value of biological assets, excluding the effect of exchange rate translation changes, includes:

- a £13.7m increase in the carrying value of porcine biological assets, due principally to higher value animals, particularly boars, in the pure line herds; and
- a £6.2m decrease in dairy and beef biological assets, arising from a combination of the change in the assessment of bovine volumes and the mix of genomic semen expected to be sold, partially offset by an increase in expected realisable prices achieved from those units.

The historical cost of these assets, less depreciation, was £36.2m at 30 June 2014 (2013: £34.4m), which is the basis used for the adjusted results.

Retirement Benefit Obligations

The Group's retirement benefit obligations at 30 June 2014, calculated in accordance with IAS 19, were £58.2m (2013: £65.0m) before tax and £46.1m (2013: £49.9m) net of related deferred tax. The largest element of the liability relates to the multi-employer Milk Pension Fund where we continue to account on the basis of Genus being responsible for 75% of the plan's funding.

During the year, contributions payable in respect of the Group's defined benefit schemes amounted to £5.6m (2013: £2.9m). Cash contributions were higher during the year, following the conclusion of the Milk Pension Fund valuation towards the end of FY13.

Cash Flow

Cash generated by operations was strong at £44.3m (2013: £34.9m). Cash conversion of adjusted operating profit was 103% (2013: 77%) before capital expenditure, investments, interest, tax and dividends.

This improvement was generated by better working capital cash flow of £12.6m year to year, reflecting a solid performance in receivables, as well as the reduction of prior year balances related to stocking the Besun farm in China and our investment in stocking the Chun Hua porcine nucleus farm.

The cash outflow from investments and capital expenditures of £39.5m (2013: £6.9m) increased significantly due to the acquisition of Génétiporc and the investment in the Besun joint venture. The total cash outflow for the year after these investments, interest, tax and dividends was £18.0m (2013: inflow £8.1m).

Net Debt

Net debt increased from £52.9m to £63.9m at 30 June 2014, due to the cash outflow of £18.0m partially offset by a favourable exchange movement, as our borrowings are denominated primarily in US Dollars.

The Group's financial position remains strong and there is substantial headroom of £55.4m under our borrowing facilities of £138.1m, which we renegotiated in August 2013 and extended to September 2017 on improved terms.

Our borrowing ratios are strong. Interest cover was at 20.6 times (2013: 21.6 times). The ratio of net debt to EBITDA, as calculated under our financing facilities was 1.2 times, up from 1.0 times.

Return on Invested Capital

We measure our return on invested capital on the basis of adjusted operating profit including joint ventures after tax divided by the operating net assets of the business stated on the basis of historical cost, excluding net debt and pension liability. This removes the impact of IAS 41 fair value accounting, the related deferred tax and goodwill. The return on invested capital was a healthy 19.2% after tax (2013: 19.9%), despite the investment in Génétiporc contributing for only part of the year and Besun experiencing start up losses.

Dividend

The Board is recommending to shareholders a final dividend of 12.2 pence per ordinary share, resulting in a total dividend for the year of 17.7 pence per ordinary share, an increase of 10% for the year. Dividend cover remains strong, with the dividend covered 2.6 times by adjusted earnings (2013: 3.0 times).

Stephen Wilson

Group Finance Director

2 September 2014

“Revenue grew 8% in actual currency (12% in constant currency) to £372.2m (2013: £345.3m) with Genus PIC growing at 19% with the benefit of the Génétiporc acquisition and Genus ABS also growing in double digits at 10%.”

People

Unlocking Our Potential

During 2013/14, we continued to extend our people management initiatives in order to engage, equip and develop our people to deliver our business strategy.

We continued to recruit high-quality individuals into the business, and extended our talent management and succession planning to cover more than 1,400 employees. Our senior leaders represent a truly international cadre of managers. We work to develop our leaders through international experience and exposure, with an active programme of international assignments to develop global experience. European, Latin and North American countries are very strongly represented, and as we expand in Asia, we are working to identify talented local staff who we can develop into our senior managers of the future. In the last two years, we have appointed two women onto GELT, Saskia Korink as COO for Genus ABS and Catherine Glickman as Group HR Director. Women now represent 25% of the GELT membership. We have appointed women into senior positions in finance, global marketing and operations, and women are increasingly represented at all levels in our technical and research teams. The increase in female role models will encourage other women to develop through to senior roles in Genus.

We extended online performance management to almost half our staff, and trained managers and colleagues in setting objectives and holding valuable reviews. Those on the new approach have two reviews per year, with 65% saying it helps them perform better.

We invested in development at all levels, from operational training for those who work with our animals, to management development. Initiatives included establishing Key Account Manager and Technical Service Academies, and developing training with global relevance. In a major initiative, we piloted a bespoke programme called 'High Performing Teams'. This helps line managers unlock their people's potential and drive growth. It includes performance management, values-led leadership, coaching and using data to improve business performance.

We enhanced the cross-fertilisation of skills and experience across the Group. Our teams in the US share best practice and current thinking with people who are new to their roles or to Genus. We also network our expertise, by relocating senior managers to lead operations in other regions or parts of the business. All vacancies are offered internally, through our in-Company job posting.

We continued to recruit high-calibre professionals to our senior team, as well as strengthening our Marketing and Technical Service teams in ABS and PIC, and the Key Account Management team in China.

Our first employee survey, Genus Pulse, saw 80% of our workforce give us their views. Among the many strong results, 91% understood our vision, 83% understood what they need to do to deliver our strategy and 89% are committed to our values. Local teams have developed action plans to maintain strengths and address areas for improvement.

Gearing Up for Growth

We have a comprehensive plan to help our people drive growth. This includes having lean and simple structures, investing in targeted new roles and tightly managing headcount.

Our employees said they want us to invest in personal and career development. By the end of 2014/15, almost everyone in Genus will be covered by performance management. This will give them clear objectives, performance criteria and individual development plans.

In 2014/15, we will run our first development programme for our top 70 leaders. This will include exploring how to work profitably with our customers, accelerate our strategy and nurturing a culture of innovation. It will also strengthen networks, so we can rapidly disseminate our knowledge.

We will extend High Performing Teams to managers around the world and complement this with communication skills training, coaching and mentoring. We will also expand our operational training for Key Account Managers in ABS and PIC.

The most consistent feedback in Genus Pulse was for more communication. In response, we are enhancing our internal communications to help align everyone with our business priorities. This will include new ways of sharing information and building dialogue.

Together, these steps will help our people to fulfil their potential and enable Genus to make the most of the opportunities ahead.

Case Study

Supporting Our People's Learning and Development

With the need to adapt more quickly, manage more information and capture and apply our people's expertise, we convened 41 PIC leaders and key account managers. This allowed us to share knowledge and best practices, and unveil PIC's Global Key Account Management Academy ('KAMA'). KAMA offers instructor-led training, online learning through Genus University and on-the-job training. *Product Differentiation* and *PIC Genetics 101* are the first of many modules that will standardise and expand our capabilities, ensuring PIC communicates effectively and delivers the value customers need.

We delivered these first modules in classrooms to our Chinese and American staff, allowing us to network the knowledge of our US-based experts. Working with the operational teams, we have identified and will roll out seven priorities for FY15. Currently we are training all PIC staff on our 'Targeted Customer Interface', which will enhance our customer account planning and facilitate business planning across customers and regions.

"We invested in development at all levels, from operational training for those who work with our animals, to management development."

Case Study

Networking Our Global Expertise

To develop our teams and businesses, we draw on the expertise of our global product development, genetic services, production and animal health assurance teams, and our North American sales and distribution teams. Through a tailored programme, new appointees shadow team members, observing our operations and gaining knowledge. This builds relationships across regions and networks our thinking and best practice. It also ensures we understand different customer needs, so our offerings appeal worldwide.

International placements for key PIC personnel also support the business and their personal development. David Casey has relocated to Shanghai to help develop PIC China, while leading global Genetic Services. He is focused on maximising our customers' and supply chain partners' use and understanding of PIC genetics. Our Director of Technical Services, PJ Corns, is on assignment in Europe. He is accelerating the knowledge of best management practices and US product success stories among PIC Europe and its customer and prospect base.

"We have a comprehensive plan to help our people drive growth."

Corporate Social Responsibility

To achieve our vision, we need to enhance food affordability, safety and quality; improve animal welfare; and reduce the environmental impact of protein production. We see ourselves as a responsible and valued neighbour, a good employer and a standard setter wherever we operate.

Our Corporate Social Responsibility ('CSR') framework covers five key areas: health and safety, employees, animal welfare, community and the environment. In last year's report, we noted our intention to establish a Committee to lead our CSR efforts. As discussed on page 55, formation of the committee was delayed. However, we still made substantial progress towards our CSR objectives for the year, as described below.

Health and Safety

Health and safety is critical in our business and a priority for the Board. We have a global team of specialists, who operate alongside our line managers and HR teams. During 2013/14, we strengthened the team and raised its profile by appointing Lori Hellenbrand as our first Health and Safety Director, reporting directly to the Group HR Director.

Our objectives for 2013/14 were to roll-out our health and safety framework and principles, improve internal communication and engage employees, and to visit all our facilities, to ensure compliance with standards and regulations.

During the year, we set out our framework and principles by implementing our global policies in eight languages, including cryogenics, safe lone working, incident reporting and safe animal handling. Karim Bitar signed these policies, demonstrating our commitment to health and safety.

We improved communication by providing leaders with monthly reports of incident data and trends, facility audit schedules and findings, and corrective action assignments. These reports are discussed at management meetings, ensuring health and safety is seen as a priority, with strong and active leadership from the top. We developed a library of best practice risk-reduction strategies, relating to farms and animal handling, laboratories and maintenance, allowing us to network best practices globally.

We used risk assessments to identify our highest priority locations and audited almost half of them. Most were laboratories, distribution hubs, and production and animal housing facilities. We reviewed health and safety design and work practices, and defined improvement strategies and corrective actions where needed. Using our Safety Management System ('SMS') we tracked more than 100 corrective actions. At the year end, 14 remained open and will be resolved within four months in the new financial year.

Rate of Minor Incidents

The annual rate of minor incidents rose from 1.28 in 2013 to 1.87 per 100 employees. During the year, we increased staff awareness of our SMS and the importance of reporting work-related injuries and illnesses. Around 40% of incidents are caused by animals' unpredictable behaviour. We continue to develop best practice animal handling techniques, to ensure we protect our people and animals. We have clear targets to continue to improve our health and safety practices in 2015.

Employees

Our employees are fundamental to our business success and we work hard to attract, retain and develop the best people. Our objectives for 2013/14 were to give every employee the opportunity to develop their career, with an annual discussion and a commitment to look internally to fill a role; to develop all staff through equal access to training; to ask staff how they feel about working for Genus and act on their feedback; and to provide interesting, valuable and secure work within local communities.

During the year, we extended performance management to more than half our staff and now offer all vacancies internally through our in-company job posting. We undertook our first employee survey, and within our local communities we provide training in all our roles and ensure we are offering long-term, secure employment.

More about our approach to people management can be found on pages 42 and 43.

Diversity

Genus takes diversity seriously. We appoint the best people to do the job, with a focus on talent right across the leadership team.

On gender, we have actively recruited more women into senior roles. In the last two years, we have appointed two women to GELT, including one as a divisional Chief Operating Officer, providing role models at the highest level of our business. We have also appointed our first women to the Finance Directorate and the PIC Leadership team. We continue, through our talent planning process, to identify those with potential to develop, and ensure they are given the right opportunities to move into senior roles. We recognise that we need to continue to work on this area, as we grow the business.

Our leadership team is genuinely global, with 13 nationalities represented at GELT and those reporting into them, from the UK, Ireland, the Netherlands, Germany, Denmark, the United States, Chile, Mexico, Colombia, China, India, New Zealand and Australia. We believe that this international mix ensures that people of all nationalities know we take the best people for the job, and that they can progress regardless of the country or continent they come from.

Work Levels	No. of employees at 30 June 2014			
	Male	Female	Total	% Female
Board Directors	8	–	8	–
GELT	6	2	8	25%
Other employees	1,770	707	2,477	29%

Human Rights

We do not believe that human rights are a significant issue for Genus but we are committed to protecting the human rights of our employees and the people who come into contact with our business. During the year, we continued to comply with our human rights policy.

Animal Welfare

We are responsible for thousands of animals across our porcine and bovine businesses. The welfare of those animals is our highest priority: it is important to all of us personally and it is important to our business. This means we see caring for our animals as a moral duty, not just a commercial imperative. The Genus Animal Welfare Code of Conduct ensures we provide the highest standards of animal husbandry. All employees who handle our animals are trained and qualified, and we design and maintain our facilities to ensure best practice. Our veterinary advisers and health assurance team are fully integrated with the operational teams and regularly assess the animals' health. We have a policy of zero tolerance towards animal abuse: staff must report any animal mishandling and we require regular written statements that they have not observed any incidents.

Our objectives for 2013/14 were to roll-out Pork Quality Assurance ('PQA') style training to all production staff in Genus PIC's owned facilities, and begin construction of a biosecure bull admittance facility and vehicle disinfection station at Genus ABS.

During the year, we focused on rolling out PQA training to our larger farms and those that would be operated by PIC or our joint ventures in the medium to long-term. 83% of our sow farms are now under the PQA programme. Construction of the new bull admittance facility began in June 2014 (see case study), while the vehicle disinfection station is nearing completion.

In addition, we carried out biosecurity audits at our main ABS production facilities in Brazil, Canada, the UK and the US. These audits ensured we are meeting our global standards, and improved our information sharing around ABS.

Community

We encourage community engagement and pursue programmes that will improve education and life chances, with a view to boosting our pool of potential employees.

Our objectives for 2013/14 were to develop the pool of potential employees, by helping local populations to improve their education and skills, and to work with communities to support social initiatives.

One significant example of our work during the year was our fundraising to help our people and the wider community who were affected by the devastation from Typhoon Haiyan in the Philippines (see case study).

We have continued to recruit from the local talent pools around our farms and offices, as well as bringing in post-graduates from the best agricultural schools around the world. Our policy is to grow our business sustainably, ensuring we create long-term, secure jobs in the communities in which we operate, providing entry level roles on farm and into our departments to develop staff through.

The Environment

We respect our communities' environmental needs. Environmental management and reporting is integral to the way we run the business and manage risk. We assess the environmental risks of existing and new facilities, and establish controls to keep these risks at acceptable levels. We train employees in environmental compliance and have comprehensive protocols, which are independently checked.

Our objectives for 2013/14 were to increase the proportion of Genus PIC farms that have their waste management systems independently checked; to obtain baseline soil test data for Genus PIC's locations outside North America; and to consider processes for using or recycling manure from Genus ABS.

During the year, we increased the proportion of PIC farms that have their systems independently checked from 42% (based on the number of animals) to 73%, covering farms in North America, Brazil and China. We chose to delay soil testing while we identified appropriate laboratories and took actions that were required ahead of testing, such as verifying our storage capacity and correcting deficiencies, and implementing weekly and monthly inspections of our storage facilities.

We continued to look at ways to use manure. To date, we have investigated more than ten systems, although ongoing evolution of the technology means we have not yet finalised our choice.

Greenhouse Gas ('GHG') Reporting

Our GHG emissions primarily result from housing livestock and our production facilities. Managing approximately 192,000 pigs and 1,800 bulls results in significant emissions from enteric fermentation (methane production) and slurry/manure. We also have emissions from consuming fuel and other materials, as well as transport associated with housing livestock. We have selected our primary intensity ratio based on animal weight, as we believe this is a key driver of our GHG emissions, as well as reporting a more general intensity ratio based on turnover. Emissions increased during the year due to the acquisition of Génétiporc.

Our Reporting Approach

We have adopted operational control as our reporting approach. We have determined and reported the emissions we are responsible for within this boundary and do not believe there are any material omissions. GHG data is therefore reported for assets, which are mainly rented or leased, that are otherwise not referred to across the rest of the financial statements. We omitted other assets on the grounds of our limited authority to introduce and implement operating policies. These are mainly our joint ventures, where we have up to 50% share, and some livestock held at third parties.

Assessment methodology

World Resources Institute/World Business Council for Sustainable Development. *'The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard'*

DEFRA *'Guidance on how to measure and report your greenhouse gas emissions'*

DEFRA *'Environmental Reporting Guidelines: Including mandatory greenhouse gas emissions reporting guidance'*

Emissions factor data source

IPCC *'Guidelines for National Greenhouse Gas Inventories'*

DEFRA/DECC *'Conversion Factors for Company Reporting'*

Emissions from	2014 ^{1,2} Tonnes of CO ₂ e	2013 ³ Tonnes of CO ₂ e
Scope 1 – combustion of fuel and livestock emissions	83,409	62,719
Scope 2 – electricity, steam, heat and cooling purchased	23,449	15,636
Total scope 1 & 2	106,858	78,355
Scope 3 – material usage and waste, third party distribution and business travel	19,218	23,166
Total emissions	126,076	101,521
Primary intensity measure – Animal weight (tonne)	14,030	10,087
Secondary intensity measure – Turnover (£m)	372.2	345.3
Intensity ratio – Scope 1 & 2 (tCO₂e/tonne animal weight)	7.62	7.77
Intensity ratio – Scope 1, 2 & 3 (tCO₂e/£m turnover)	339	294

1. May and June 2014 emissions data was extrapolated based on average monthly 2014 data. Génétiporc was acquired in October 2013 but emissions for the Génétiporc operations have been extrapolated and included for the full year.
2. 2014 is designated as our base year.
3. 2013 data does not include emissions from Génétiporc, which was acquired in October 2013.

CSR Objectives – 2014/15

1 Health and Safety

- Conduct audits on all Genus facilities and implement corrective action plans as needed within six months.
- 90%+ of staff complete a minimum of one health and safety training session appropriate to their job.
- Reduce the number of reportable incidents on Genus owned property by 20%.
- Every manager to meet with their teams annually to review incidents and audit findings in their business to increase awareness and identify improvement actions.

2 Employees

- Deliver on the action plans drawn up following the Genus Pulse survey and conduct our sample check, with the target of improving or maintaining the high results.
- Ensure that every member of staff has clear objectives, a career discussion and a personal development plan.
- Continue to develop our staff, delivering operational, management and leadership training, communication skills and anti-bribery training.
- Continue to provide interesting and secure work within local communities.

3 Animal Welfare

- Continue with PQA training in all Genus PIC's owned farms.
- Develop a questionnaire for use in ABS Genus's animal welfare audits, based on the five freedoms: Freedom from Hunger and Thirst, Freedom from Discomfort, Freedom from Pain, Injury or Disease, Freedom to Express Normal Behaviour and Freedom from Fear and Distress.
- Complete animal welfare audits of ABS Genus's main export centres in the UK, Canada, Brazil and the US.
- Expand the tree planting programme at Genus ABS's Uberaba stud in Brazil, to provide essential shade for our bulls.

4 Community

- Continue to support those who work for and with us, who are affected by natural or other disasters, by providing practical help and resources.
- Support investment in agricultural education and science, to build animal agricultural capacity within our industry – in 2014/15, we will develop the approach in our US and European businesses.
- Support charities that sponsor agricultural initiatives globally, to build knowledge and understanding on animal husbandry, self sufficiency through livestock and good farming practice.
- Continue to recruit into our farms from our local communities, providing valuable jobs, training and income for those that work with us.

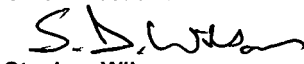
5 Environment

- Continue annual independent audits of Genus PIC's waste management systems, covering at least 80% of our owned animals.
- Produce more home-grown feed for Genus ABS's bulls, to reduce reliance on purchased feed, reduce emissions from transporting feed and improve biosecurity.
- Explore opportunities to recycle the manure produced by Genus ABS's bulls, both on crop land producing our feed and by converting it to heat or electricity, for example by using a furnace-type recycler.

The Strategic Report was approved by the Board of Directors on 2 September 2014 and signed on its behalf by:



Karim Bitar
Chief Executive



Stephen Wilson
Group Finance Director

Case Study

Protecting Our Animals and Ensuring Biosecurity

In June 2014, we began construction of a new admittance facility at our bull stud in Dekorra, Wisconsin. The facility will have a biosecure entrance building and four bull barns, allowing us to keep animals of differing ages and health statuses apart. It will include the latest design for bull comfort and welfare, as well as providing a safe and efficient working environment for our staff and veterinarians. With wildlife-proof fencing completely enclosing the site and a new wash bay for disinfecting vehicles, the facility gives us a significant improvement in protection for our bulls.

Case Study

Responding to Help People in Urgent Need

When Typhoon Haiyan hit the Philippines, it left over 6,200 people dead, 4.0m displaced. To help our people and the wider community, PIC Philippines immediately created a fund for donations. Within hours, money began pouring in from Genus employees around the world. Along with a matching donation from the business, we raised a total of US\$31,000, which went towards providing vital supplies and shelter, including contributions towards rebuilding homes of affected families. We have also extended support in recent weeks to those affected by Typhoon Yolanda, providing supplies and financial support to help those we work with to rebuild homes.

"The Board is determined to maintain and further enhance Genus's high standards of corporate governance."

Bob Lawson
Chairman

Letter from the Chairman

Dear Shareholder

The Critical Role of Good Governance

The profile of corporate governance has risen sharply in recent years. This reflects its critical role in promoting long-term success and protecting the interests of investors and other stakeholders. The Board's grasp of the business and its markets, its understanding and control of risk, its approval of management's strategic choices and the interactions between individual members and the Board as a whole, have a profound effect on the Group's future. In turn, this determines our ability to serve our customers, create rewarding jobs for employees, support our suppliers and communities, and ultimately deliver growth and returns to shareholders.

Recognising the importance of this subject, we continue to improve the way we disclose our governance arrangements and the Board's work during the year. I am pleased that the standard of governance in Genus is high and we aim to show this through the information we provide.

Complying with the Code

We remain supportive of the UK Corporate Governance Code (the 'Code') and its principles-based approach. We believe this is the right way to encourage high standards, while recognising that companies need to adopt and apply governance structures that best suit their business needs.

Genus continued to comply with all of the provisions in the 2012 edition of the Code, which was the applicable standard for this financial year. We remain aware of proposed changes to the Code, so we can continue to adopt best practice in the future.

Evaluating the Board's Effectiveness

Knowing where the Board performs well and where it can improve is a key part of ensuring ongoing improvement and effectiveness. Genus has a three-year Board evaluation cycle. The previous year was the first in that cycle, which saw us undergo a full external evaluation by independent consultants. This year our consultants, Boardroom Review, ran a workshop with the Board. This involved detailed questionnaires, review of case studies, and Board performance analysis and discussions, as described on page 57.

The evaluation found that the Board's strengths include its cohesiveness, engagement, transparency and communication. Challenges include the Group's international development, the complex science in the sector and diversity.

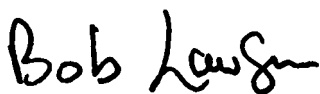
Considering Diversity

Genus takes diversity seriously. In particular, we are fully aware of Lord Davies's recommendations on gender diversity and always consider this when recruiting. However, our primary aim is to appoint the best person to do the job. The appointments of Duncan Maskell and Lykele van der Broek have increased the diversity of skills and experience on the Board, by adding to our scientific and international breadth and understanding. This will be vital as Genus continues to develop its research and development pipeline and grow the reach of its product portfolio into new markets.

Summary

The Board is determined to maintain and further enhance Genus's high standards of corporate governance, with the objective of ensuring that Genus captures the large and growing opportunity for animal genetics to the benefit of our shareholders.

Bob Lawson
Chairman
2 September 2014



"The Board's strengths include its cohesiveness, engagement, transparency and communication."

Board of Directors and Company Secretary

Bob Lawson^{1,2,3}

Non-Executive Chairman

Board appointment November 2010

Experience

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

Karim Bitar¹

Chief Executive

Board appointment September 2011

Experience

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

Stephen Wilson

Group Finance Director

Board appointment January 2013

Experience

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

Nigel Turner^{1,2,3}

Senior Non-Executive Director

Board appointment January 2008

Experience

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

Mike Buzzacott^{1,2,3}

Non-Executive Director

Board appointment May 2009

Experience

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

Professor Barry Furr, OBE^{1,2,3}

Non-Executive Director

Board appointment December 2006

Experience

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

Professor Duncan Maskell^{1,2,3}

Non-Executive Director

Board appointment April 2014

Experience

Duncan Maskell joined the Board in April 2014. He is Head of the School of the Biological Sciences, University of Cambridge, one of the University's most senior positions. He has been instrumental in co-founding several biotech companies and has extensive experience of advising companies on science and innovation. In the past, he has worked on new vaccines against salmonella and bordetella at Wellcome Biotech, and on bacteria that cause childhood meningitis at the Institute of Molecular Medicine, University of Oxford. He currently heads a large research group at Cambridge, working on infectious diseases of livestock and people.

Lykele van der Broek^{1,2,3}

Non-Executive Director

Board appointment July 2014

Experience

Lykele van der Broek joined the Board in July 2014. He has a Master of Science degree from the Agricultural University in Wageningen, the Netherlands. Prior to his retirement as a member of the Executive Committee of Bayer CropScience, a division of Bayer AG, on 31 July 2014, he held various senior international roles, including Head of the Bayer CropScience BioScience division and President of the Bayer HealthCare Animal Health division.

Dan Hartley

Group General Counsel and Company Secretary

Board appointment June 2014

Experience

Dan Hartley joined Genus in June 2014 from Shire plc, where he was Senior Vice President and International Counsel. An Australian national, Dan received a BSc in Organic Chemistry from Sydney University, before obtaining a law degree. He qualified as an intellectual property lawyer, working with Allen Arthur Robinson, before moving to the UK to work for Freshfields Bruckhaus Deringer. Dan joined Shire in 2002, where he held a number of increasingly senior roles.

1 Member of Nomination Committee

2 Member of Remuneration Committee

3 Member of Audit Committee

Genus Executive Leadership Team

Over the last year, we have continued to build the Genus Executive Leadership Team ('GELT'). Our Chief Scientific Officer, Dr Denny Funk, retired after 19 years of distinguished service, giving us the opportunity to add new skills and expertise to an already strong team.

GELT's Responsibilities

GELT leads our strategic delivery and demonstrates the values at the heart of our business. Our vision and values are fully embedded in the business, giving the entire Genus team a clear and compelling culture, purpose and direction.

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

To achieve its objectives, GELT focuses on the following areas:

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

GELT's members are as follows:

Karim Bitar
Chief Executive

Stephen Wilson
Group Finance Director

Dan Hartley
Group General Counsel and Company Secretary

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

Bill Christianson
Chief Operating Officer, Genus PIC

Bill has doctorates (DVM and PhD) in Veterinary Medicine from the University of Minnesota. He joined Genus in 1993. Before his current appointment in July 2012, he held various operational roles within Genus, including serving as General Manager of the PIC North America business in 2007 and as Chief Operating Officer of the Americas from March 2010.

Saskia Korink Romani
Chief Operating Officer, Genus ABS

Saskia joined Genus in January 2013 as Chief Marketing Officer. She was Acting Chief Operating Officer for Genus ABS from July 2013, before being appointed permanently in January 2014. For the previous ten years, she worked for Cargill Inc., most recently as the Vice President of Marketing for Cargill's animal nutrition business. Saskia has worked across Europe, Latin America and North America, and brings significant business experience having been at Boston Consulting Group for seven years. She is originally a physicist and began her career in engineering and packaging design with Unilever PLC. She has an MBA from Columbia Business School.

Jerry Thompson
Chief Operating Officer, Genus Asia

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

Dr Jonathan Lightner
Chief R&D and Scientific Officer

Jonathan is a world renowned molecular and quantitative geneticist, whose career has encompassed R&D, regulatory and commercial activities. He joined us in October 2013 from Pioneer Hi-bred International Inc, a DuPont business, where he was Vice President of Agricultural Biotechnology, leading a global team focused on new genetic solutions to enhance agricultural productivity. He obtained his Doctorate in Plant Physiology at the Institute of Biological Chemistry at Washington State University in 1994. He also holds a Masters in Systems Engineering from Iowa State (2009) and an MBA from the University of Iowa (2009).

Catherine Glickman
Group Human Resources Director

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

Corporate Governance Statement

Adding value through strong governance

Strong corporate governance and business success go hand in hand. The Board's decisions are critical to the Group's future, from approving and monitoring our strategy to the way we identify, monitor and manage risks. We therefore look to ensure that the Board has the right mix of skills and experience, that it has a deep understanding of the Group and that its members work well together, in a spirit of openness and constructive challenge.

This section explains our approach to corporate governance, including how we structure the Board and its committees, its oversight of the Group, and its performance and principal activities during the financial year.

Who is on the Board?

At the date of this report, the Board had a large majority of independent Non-Executive Directors.

In recent months, we have added to what was already a strong, well-functioning Board by appointing two new Non-Executive Directors. Professor Duncan Maskell and Lykele van der Broek joined us on 1 April and 1 July 2014 respectively, bringing impressive scientific expertise and experience of international agricultural markets.

As the chart above shows, these appointments mean that our Board has a good mix of well-established and new Non-Executive Directors. The blend of our Non-Executive Directors' general experience and areas of expertise, together with a depth of knowledge about the Group's operations, result in an even-handed oversight of the business and its growth strategy. This balance allows the Board to operate in a constructive and focused manner, with the new Non-Executive Directors adding fresh insights and perspectives.

As required by the UK Corporate Governance Code, all the Directors, except Barry Furr who is retiring, will offer themselves for election or re-election at the next AGM, details of which can be found in the Notice of AGM at the end of this report. Following the performance evaluation described on page 57, the Board confirms that all the Directors continue to be effective and demonstrate their commitment to their roles.

What are the Board's responsibilities?

To ensure we have clear responsibilities at the top of the Company, the Board has set out the Chairman's and Chief Executive's roles. Our Chairman, Bob Lawson, is responsible for running the Board. Karim Bitar, our Chief Executive, runs the Group, making sure we implement our strategy and achieve our operational and financial targets.

Nigel Turner is our Senior Non-Executive Director and Chairman of the Remuneration Committee. He is available to help shareholders with concerns that they cannot resolve through our Chairman, Chief Executive or Group Finance Director.

Some issues and decisions are so important that only the Board as a whole can consider them. The Board is therefore responsible for:

- approving and monitoring our strategy;
- approving our corporate goals;
- reviewing our operational performance against these goals;
- approving the corporate budget and ensuring we have the right funding;
- approving material contracts;
- approving material acquisitions and investments; and
- reporting to shareholders.

However, the Board cannot – and should not – get involved in the day-to-day running of the business. The Board therefore delegates operating decisions to the Chief Executive, Group Finance Director and other members of the Genus Executive Leadership Team ('GELT'). In turn, GELT's members recommend strategy and plans to the Board, make day-to-day decisions about the resources we need and how we use them, and ensure we have robust controls over our operations and finances.

More information about the roles and work of the Audit, Remuneration and Nomination Committees can be found in their statements on pages 60 to 84. GELT's role and membership is covered on pages 52 and 53.

In last year's report, we explained our intention to establish a Corporate Social Responsibility ('CSR') Committee, to set our CSR strategy and objectives, ensure we implement them and to monitor our performance. The Committee was to be chaired by Tom Kilroy, our Group General Counsel and Company Secretary at the time, who left Genus in January 2014. His departure delayed the Committee's formation and meant that it did not meet during the year. The Committee is scheduled to have its first meeting by the end of 2014 chaired by Catherine Glickman, Group HR Director, to build on our CSR strategy and implementation. The delay in setting up the Committee did not detract from our CSR efforts and we continued to make good progress against our objectives, as described on page 47.

The R&D Portfolio Management Team meets twice a year. It gives us a comprehensive view of our R&D programme and involves our business units in prioritising our R&D initiatives. Its key discussions in the year are summarised below.

R&D PMT Key Discussions

- Continued operation of the ideation management process
- Ongoing review and prioritisation of new ideas and ongoing research projects
- Approving patent strategies for new technologies, based on business and technical opportunity

Does the Board have the right balance of skills and experience?

Genus operates in a complex and evolving global business environment. To lead us effectively, the Board must have the skills and experience to manage the associated challenges.

Almost all our Directors have held leadership positions in international companies, with several having run businesses overseas. Half our Directors have strong backgrounds in scientific research or in leading science-based businesses, while more than a third have significant financial experience.

As Genus grows, the Board must evolve to keep pace. Our recent Non-Executive appointments have enhanced our expertise in biotechnology, agricultural science and international markets. While we consider diversity in its broadest sense when recruiting, our aim is to ensure that the Board has the right skills to manage the evolving nature of the business.

A good induction is a key part of ensuring new Board members can fully contribute, so we get the most benefit from their experience. Our induction programme has three main elements:

- helping our Board members to conduct themselves effectively, through a course run by Spencer Stuart, one of the world's leading global executive search and leadership consulting firms;
- ensuring our Directors understand the legal and regulatory aspects of being a Board member, and how to maintain their independence; and
- an introduction to our business, through site visits and meetings with our management teams (see case study).

Non-Executive Inductions

Site visits and meetings with management are a key part of getting new Non-Executive Directors up to speed with our business. Following Lykele van der Broek's joining on 1 July 2014, he and Duncan Maskell visited one of our European operations, ABS Italia, where they met the general manager, staff and a customer. We are also planning for them to visit our US operations, covering Genus ABS and our R&D operations in Madison, and Genus PIC in Hendersonville. Here they will meet a cross section of senior management and some of our customers. These visits include presentations about each business and a tour of the operations. Duncan Maskell's earlier appointment meant he also went on the Board visit to China, as discussed below.

We also want to ensure that the Board as a whole has first-hand experience of key areas of our business and markets, so we include an annual site visit in the Board calendar. This year, the Board visited China (see case study below). As well as benefiting our Directors, these visits allow our local management teams to meet the Board and to discuss their operations directly with them.

Case Study – Board Visit to China

In April 2014, the Board visited our operations in China. Over three days, the Directors visited a bull stud and met customers, partners and officials from the Ministry of Agriculture. The Board also met with Jerry Thompson, the Chief Operating Officer of Genus Asia, and the senior management team and staff in our Shanghai office.

The visit gave the Board greater clarity of the Chinese bovine and porcine markets, as well as insights into the country's key trends and risks, including disease. The Directors also gained a better understanding of the political, economic and social landscape in China. This is an exciting market with great opportunities for the Group, where we hope to expand our footprint and develop operations that underpin our continued growth.

How does the Board review and approve the Company's strategy?

One of the Board's key responsibilities is to review, approve and monitor our strategy. To understand how well our strategy is working and to ensure it remains appropriate, the Board holds an annual strategy review each January, lasting a day and a half. This includes presentations from GELT members and external perspectives.

At this year's review, the Board was taken through a market overview and competitive landscape, which included:

- dairy, beef and pork genetic market projections, including growth drivers and potential new markets; and
- current and emerging industry trends, such as consolidation and integration of customers, market volatility, supply chains, and the necessary people and skills to achieve the strategy.

The Board then considered our strategy in light of this, including opportunities and challenges, focus areas and business recommendations for moving forwards.

What did the Board do during the year?

The table below shows how many Board and Committee meetings each Director attended during the year.

	Board	Audit Committee	Remuneration Committee	Nomination Committee
Non-Executive Chairman				
Bob Lawson	10 (10)	3*	6 (6)	1 (1)
Executive Directors				
Karim Bitar	10 (10)	3*	6*	1 (1)
Stephen Wilson	10 (10)	3*	6*	1*
Non-Executive Directors				
Nigel Turner	10 (10)	3 (3)	6 (6)	1 (1)
Mike Buzzacott	10 (10)	3 (3)	6 (6)	1 (1)
Barry Furr	8 (10)	2 (3)	4 (6)	1 (1)
Duncan Maskell**	3 (4)	1 (1)	3 (3)	n/a

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

* Attendance by invitation.

** Duncan Maskell joined the Board on 1 April 2014.

The Board's main activities during the year are set out below.

The Board's Main Activities During the Year

Leadership

- Appointed two Non-Executive Directors, adding significant scientific and international experience to the Board
- Appointed Dan Hartley as Group General Counsel and Company Secretary, bringing wide-ranging legal, scientific and international experience

Business Development/Strategy

- Held a strategic meeting with GELT, as described above
- Reviewed and approved business development opportunities such as Génétiporc
- Visited China (see above) to understand better the business environment
- Received regular updates on disease issues, health and biosecurity
- Reviewed and approved the initiation of US legal proceedings against the current provider of sexed semen (see note 38)

Research & Development

- Received regular updates on R&D developments, new initiatives and potential collaborations

Performance

- Received monthly updates on the operational performance of the business and market conditions for each of the Company's divisions
- Carefully monitored the performance of the Company against its goals

Employees

- Reviewed and monitored the health and safety performance of the Company
- Updated on the new performance management framework and the results of an all employee survey
- Updated on the High Performance Teams' training programme
- Held session on the Talent Review, including updates on executive succession planning and development
- Received update on alignment of global employee pay with GELT, and global short- and long-term bonuses and core awards

Effectiveness

Second year external Board evaluation and workshop carried out by Boardroom Review

How well is the Board functioning?

We assess the Board's effectiveness over a three-year cycle, using a mixture of internal and external evaluations:

Year 1 External Board effectiveness review produces an action plan for areas of focus	Year 2 Follow up questionnaires by same external evaluation consultant, to monitor progress with the focus areas	Year 3 Internal questionnaires and interviews with the Chairman and Group General Counsel and Company Secretary
---	--	---

This year was the second in the review cycle, following last year's external evaluation. Boardroom Review held a workshop with the Board, involving:

- effectiveness questionnaires conducted by Boardroom Review with each Board member, following which the Board discussed the strengths and challenges identified by the process;
- examination and discussion of a case study, based on strengths and challenges similar to Genus's, which was facilitated by the external consultant; and
- discussion of how the Board could optimise its contribution to the Company.

The Review's Conclusion

The strengths identified included:

- the Board's cohesiveness;
- its transparent and respectful communications;
- the Chairman's experience and governance; and
- the Board's engaged and supportive nature.

The challenges identified included:

- the Group's international development;
- the Board's limited diversity; and
- the complex science in the sector.

Progress Against the 2013/14 Evaluation

Last year's external review identified a number of areas for the Board to consider this year. The Board also set itself a number of other priorities. The table below shows our progress against these objectives.

Focus Areas from the Board Evaluation	Progress
The evolution of the Board's composition	We appointed two Non-Executive Directors, as discussed above
The quality of discussion and information regarding the competitive landscape	Senior management provided more written and verbal updates at Board meetings and the strategic session was focused on the competitive landscape
A deeper review of executive succession planning	In December 2013, the Board was updated on the succession plan for GELT members
Improving reporting cycles, communication and use of Board time	Board meetings have been better scheduled across the year, with shorter meetings and improved Board papers. To focus discussion, Board members are given clear direction on the outcome required. Financial reporting is also quicker, to give the Board the latest data
<hr/>	
Board Priorities for the Year	Progress
Continuing global site visits	The Board visited China during the year and is scheduled to hold a Board meeting in Brazil in 2015
Developing the Board in the area of CSR, aligning CSR with the Group's strategic objectives and establishing the new CSR Committee	Progress against CSR objectives has been included in the Board and GELT meeting agendas. Meetings of the CSR Committee have been scheduled for the remainder of 2014 and 2015
Continuing to ensure the Board's development in governance	The Board received updates and briefings on recent governance developments
Increasing focus on the talent review	A talent review of GELT was carried out in December 2013

Areas of Focus for 2014/15

This year's evaluation identified the following areas for the Board to consider in 2014/15:

- sharper focus on technology across the Board, both in R&D and the use of technology in commercial sales;
- continued focus on competitors;
- consideration of how risk is disclosed and considered through the Audit Committee and through the Board;
- consideration of communications with shareholders and other external stakeholders; and
- consideration of other skill sets required by the Board, such as diversity, agri-business and international markets.

How does the Board ensure it understands and manages risk?

The diagram below shows our risk management framework. The Board has ultimate responsibility for risk management and our internal controls, and is supported by GELT, the Audit Committee and our risk management and internal audit function.

Risk Management

Our risk management system identifies, evaluates and prioritises the risks and uncertainties we face, and reviews our controls and how we mitigate those risks. The system applies to the Board, the Audit Committee, GELT, our businesses and our divisional business reviews. The main risks we face and our mitigations for them are summarised on pages 20 and 21.

The Board undertook a number of activities to address specific risks during the year, including its work on:

- talent management and succession planning;
- reviewing biosecurity, particularly in light of the disease outbreaks discussed in the Strategic Report;
- reviewing our strategy and understanding of the competitive landscape; and
- enhancing the Board's cultural understanding through visits to the local operations and political, economic and social risk updates from the relevant business groups.

The Board will also receive updates on health and safety. More generally, the Group continues its relentless focus on operational execution.

Internal Control

The Board, with the help of the Audit Committee, has reviewed the effectiveness of our internal control system, as well as our financial, operational and compliance controls and our risk management.

The review covered our internal audit programme and the reports our management prepared when the Board approved our interim and final reports and financial statements. It also assessed:

- whether we had identified, evaluated, managed and controlled significant risks; and
- whether any significant weaknesses had arisen, and if so, whether we had addressed them.

The assessment also took into account any risk or control issues we identified through our divisional business reviews, Board and GELT meetings, and insurers' reviews.

These assessments routinely identify areas for improvement. However, the Board has not identified or been told of any significant weaknesses in our internal controls.

Risk Management Framework

THE BOARD

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

GENUS EXECUTIVE LEADERSHIP TEAM

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

AUDIT COMMITTEE

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

RISK MANAGEMENT AND INTERNAL AUDIT FUNCTION

- Oversees the risk management process and provides guidance on risk management
- Engages with senior management to review risks and their mitigation

Our Internal Control System

An internal control system cannot completely eliminate the risks we face or ensure we do not have a material misstatement or loss.

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

Management Structure

The Board sets formal authorisation levels and other controls that allow it to delegate authority to run our businesses to the Chief Executive, GELT and their management teams. Our management supplement these controls by setting the operating standards that each subsidiary needs for its business and location.

GELT regularly reviews our performance against strategy, budget, and a defined set of operational key performance indicators. The Chief Executive, Group Finance Director, Group General Counsel and Company Secretary and the Group Financial Controller also hold monthly reviews with each business unit.

Quality and Integrity of Our People

Everything we do has the highest integrity at its core. Our control environment depends on high-quality people who maintain our ethical standards. We ensure our people's ability and integrity through our high recruitment standards, training and consistent performance management. The Board approves appointments to our most senior management positions.

Information and Financial Reporting Systems

We create detailed operational budgets for the year ahead, along with five year strategic plans, which the Board reviews and approves. We then monitor our performance throughout the year, so we can address any issues. The information we consider includes our monthly financial results, key performance indicators and variances, updated full-year forecasts and key business risks.

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

Investment Appraisal

We control our capital expenditure through our budget process and by having clear authorisation levels, above which our businesses must submit detailed written proposals to the Board for approval.

We carry out due diligence for business acquisitions and review major projects and all acquisitions after we complete them, so we can identify and correct any underperformance or overspend.

Internal Audit

Our internal audit activities are provided by both in-house and external resources, under the leadership of our Head of Internal Audit and Risk Management. During the year, Internal Audit completed a risk-based audit programme agreed by the Audit Committee. The Audit Committee reviews the results of these audits and the subsequent actions we take, which we also communicate to the external auditor.

The regions and businesses complete risk and control self assessments twice a year. Internal Audit reviews these to identify any deficiencies in our controls and how we should address them. The results are communicated to senior management and the Audit Committee.

How does the Board ensure it understands shareholders' views?

Our Chief Executive and Group Finance Director regularly meet institutional investors and private client brokers, to discuss our strategy and progress, and to understand how investors view our business. The Chairman also attends certain meetings. During the year, our investor relations programme included meetings in London, Edinburgh, New York, Chicago and Geneva.

The Board sets time aside during the Board meetings to discuss feedback from these meetings, including feedback obtained by independent brokers and our advisers. This allows all Directors to understand major shareholders' views.

The Chairman and Senior Non-Executive Director also maintain contact with major shareholders, having met with two earlier in the year and another meeting planned for later this year as part of our remuneration consultation.

The AGM gives the Board an opportunity to communicate with both private and institutional investors, and we welcome their involvement. All our Board members will be available to answer questions at the AGM on 14 November 2014.

Our Risk Management Priorities

The table below shows our risk management priorities for the last year and our progress against them.

Risk Management Priority	Progress
Further embedding risk management into our day-to-day decision-making process	We held regular executive management reviews of our significant risks and implemented a continuous improvement process for our mitigating activities
Test many of our risk mitigation activities as we deliver our FY14 internal audit plan, to provide assurance that they operate effectively	We delivered a risk-based audit plan which tested key areas of our mitigation efforts

Our Priorities for 2015

For the coming year, we have set the following priorities:

- to expand our operational KPIs to include performance metrics relevant to key risk mitigation activities; and
- to continue to improve our ability to identify emerging risks and potential changes in risk evaluation throughout the year. Risk Management Framework

Audit Committee Report

Chairman's Overview

The Audit Committee acts on behalf of the Board and shareholders, to ensure the integrity of the Company's financial reporting, evaluate its system of risk management and internal control, and oversee the performance of the internal and external auditors. Our annual work programme is designed to deliver this commitment.

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

The Committee reviewed the appropriateness of the half-year and annual financial statements. Among other matters, we focused on critical accounting policies, key assumptions and judgements, the quality of disclosures and compliance with financial reporting standards, and all material issues affecting the financial statements. The Committee reviewed the Group's tax and treasury strategy and its pension arrangements. The Committee also reviewed the Annual Report and Accounts taken as a whole, to ensure they are fair, balanced and understandable, and provide the information necessary for shareholders to assess the Company's strategy, business model and performance.

In meeting its commitment to oversee the performance of our internal and external auditor, the Committee reviewed and agreed internal audit's terms of reference and work plans, as well as the scope, fees and work undertaken by the external auditor. The Committee reviewed the effectiveness of internal and external audit, discussed the outcomes of these assessments and agreed any actions that were needed. The Committee was satisfied with the performance of the internal audit function and the external auditor during the year. The Committee discussed the current partner's tenure, which is due to end after the 2015 audit and agreed to start a process in the coming year to retender the audit for fiscal year 2016.

Mike Buzzacott

Chairman of the Audit Committee

2 September 2014

"The Committee ensures the integrity of the Company's financial reporting."

Committee Composition and Governance

The Committee's members are Non-Executive Directors with a wide range of financial, commercial and scientific research expertise, appropriate for fulfilling the Committee's duties. In FY14, the Committee met the UK Corporate Governance Code's requirement that at least one Committee member should have recent and relevant financial experience.

The Committee has formal terms of reference, approved by the Board, that comply with the UK Corporate Governance Code. These are available from our website: www.genusplc.com. Our annual review of these terms took place during the year. The Committee also assessed its own effectiveness.

Committee Role and Responsibilities

The Committee's role and responsibilities include reviewing and monitoring; the financial reporting process; the integrity of the Group's financial statements; the Company's reporting to shareholders; the effectiveness of the Group's accounting systems and control environment, including risk management and the internal audit function; and the effectiveness and independence of the Group's external auditor, including any non-audit services they provide to the Group. The Committee also ensures that the Company maintains suitable confidential arrangements for employees to raise concerns and reviews the Company's systems and controls for preventing bribery.

The Committee reports its findings to the Board, identifying any matters that require action or improvement, and making recommendations about the steps to be taken.

The Committee's Main Activities During the Year

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

Financial Reporting

The main areas of focus and matters where the Committee specifically considered management's judgements are set out below:

Financial Reporting Area	Judgement and Assumptions Considered
Biological assets valuation	In compliance with IAS 41, Genus records its biological assets at fair value in the Group balance sheet (£275m), with the net valuation movement shown in the income statement. At each reporting period, the Committee was updated on the methodology and outcomes of the biological assets valuation. Having noted that the methodology was unchanged during the year, the Committee debated and considered management's assumptions and estimates, and discussed and reviewed the external auditor's report on this area. The Committee was satisfied with management's accounting treatment.
Intangible assets – capitalisation and impairment of development costs	Genus's policy is to capitalise certain development costs and to perform periodic impairment reviews, to ensure that the cumulative carrying value is justified. At the balance sheet date, the Group had £8m of capitalised development. During the year, the Committee received reports from management detailing the cost incurred and the outcome of the impairment reviews. The Committee also reviewed progress against plans and the projects' timelines to full operation. The Committee discussed management's reports in detail, including whether any known issues might block the projects' completion. The Committee reviewed the external auditor's work, including their assessment of management's models supporting the estimates and judgements. After due challenge and debate, the Committee was satisfied with management's assumptions and judgements.
Acquisitions – Génétiporc	During the financial year, Genus acquired Génétiporc, the porcine genetics business of Aliments Breton Foods Group, for £22m. The acquisition included the share capital of certain legal entities, as well as biological and intangible assets. This transaction is described in note 37 to the accounts. The Committee received an update on the transaction's structure and reviewed management's proposed accounting treatment. The external auditor's views supported these proposals. After discussing the accounting options available, the Committee agreed with management's recommendations.
Pensions	During the year, Genus adopted the revised IAS 19 for its pension accounting. The accounting changes to the calculation of the net interest cost and the treatment of fund administration expenses are detailed in note 28 to the accounts. The Committee received and reviewed management reports on the treatment of pension costs, including the restatement of prior years for comparative purposes. The Committee also received and considered the external auditor's pensions accounting input. The Committee considered management's recommendations were appropriate. The Committee continued to review the status of the other parties who are jointly and severally liable for the Milk Pension Fund deficit and concurred with management's assumptions for reporting Genus's share of the fund.

Monitoring Business Risks

The Committee reviewed the Group-wide risk management process designed to identify, evaluate and mitigate risks. In the external auditor's presence, the Committee discussed the risks identified with the Chief Executive and Group Finance Director, along with management's plans to mitigate them. In view of their importance during the year, the Committee ensured that the Board received and discussed detailed input from management on the following key risks and mitigations:

- China and emerging markets: this risk is the threat to our growth if we are unable to appropriately develop business in China and emerging markets. With a focus on China, the Board discussed with management the current farming environment in China and the actions taken by both regional and global management teams to minimise the impact on our strategy execution.
- Biosecurity and continuity of supply: this is the risk of negative outcome for Genus if we lose key livestock or lose our ability to move animals and/or semen freely (including across borders), due to disease outbreak, an environmental incident or international trade sanctions. The Board discussed the outbreak of PEDv in North America and its impact on the entire porcine industry. PIC's management presented to the Board on the additional measures being taken to strengthen health management and supply chain resilience.

Internal Control System

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

Oversight of External Audit and Internal Audit

Internal Audit

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

External Audit

The Committee reviewed and agreed the scope and fees of the audit work to be undertaken by the external auditor and held detailed discussions of the results of their audits. The Committee continued its practice of meeting the external auditor without management being present. The Committee reviewed the external auditor's objectivity and independence and the Company's policy on engaging the external auditor to supply non-audit services. The Committee assessed the external auditor's performance, based on questionnaires completed by key finance staff and Committee members, covering the external auditor's fulfilment of the audit plan, the auditor's robustness and perceptiveness in their handling of key accounting and audit judgements, the content of the external auditor's reports, and cost effectiveness. The Committee also considered any regulatory reviews performed on the external auditor. The Committee concluded that the external auditor was effective.

External Auditor's Appointment

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

The Committee reviewed the nature and monetary levels of the external auditor's non-audit services and compliance with the Company's Non-Audit Services by Auditor Policy. The Committee is satisfied that the use of Deloitte for such services does not impair their independence as the Group's external auditor. As a consequence of its satisfaction with Deloitte's independence and effectiveness, the Committee has recommended to the Board that the external auditor be reappointed for a further year. However, after the 2015 audit, the audit partner is due to rotate and the Committee intends to retender the audit for the subsequent year.

Directors' Remuneration Report

Annual Statement

Letter from the Chairman

Dear Shareholder

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for 2013/14. This report covers the remuneration of Executive and Non-Executive Directors.

The Remuneration Committee (the 'Committee') believes that the purpose of its remuneration policy is to support the Company's strategy for growth and deliver value to stakeholders by focusing on delivering sustainable profit growth, measured through EPS. The remuneration policy therefore has a strong focus on strategic alignment of corporate performance and individual remuneration, with a significant proportion delivered in shares and vesting over the longer-term. It also recognises that we compete internationally, targeting growth in key markets, such as China and India.

This is our first report since the introduction of the new regulations and guidelines. In our 2013 report, we adopted a number of the guidelines laid out in the new reporting regulations. This year, in line with the best practice encompassed in the new regulations and guidelines, we have split the report into two sections:

- a Directors' Remuneration Policy Report ('Policy Report'), which sets out the Group's remuneration policy for Executive and Non-Executive Directors; and
- an Annual Report on Remuneration ('ARR'), which discloses how we applied our remuneration policy in the year ended 30 June 2014.

We will be seeking your support for both parts of the report, through a binding vote on the Policy Report and an advisory vote on the ARR at the AGM on 14 November 2014.

Performance and Reward for 2013/14

As highlighted in the Strategic Report, 2013/14 was a challenging year, with mixed performance across the business. Our ABS and PIC businesses had strong performances and grew profits in double digits in constant currency. However, our Asian business saw challenging conditions, specifically in China which has been impacted by poor market conditions and the costs of our investments in the country. During the year, we executed a number of strategic business developments, such as our successful acquisition and integration of Génétiporc, and established a joint venture in India with B G Chitale. This continues our strategy to be the leading animal genetic provider in both mature and developing markets, with increased capacity in both porcine and bovine, and to take advantage of future growth opportunities.

From a financial perspective, our operating results were affected by the performance in China, the strengthening of Sterling and the impact of disease, specifically PEDv. Overall, profit in constant currency for the year was unchanged and with the impact of strong Sterling, profit before tax in actual currency was down 8% at £39.3m. Performance on cash generation was strong with cash conversion of adjusted operating profit at 103%. Despite strong performance against strategic objectives and exceptional management effort, the profit objective was not achieved and this element of bonuses was not awarded. Cash performance exceeded the target maximum. The financial results, coupled with the Executive Directors' achievements against personal targets, delivered bonuses for the Executive Directors in the region of 32–35% of maximum.

Performance Share Plan ('PSP') awards granted in 2011 lapsed in September 2014 as three year EPS targets were not met.

Remuneration Policy for 2014/15

Our 2004 PSP expired this year. The Committee took the opportunity of the PSP renewal and the vote on the Policy Report to review thoroughly executive remuneration at Genus. The key conclusion was that our remuneration policy generally remains fit for purpose, given the substantial weighting placed on long-term performance, which supports our focus on delivering above-market long-term returns to our shareholders. However, we do need to make a number of modifications for 2014/15.

The main changes relate to renewing the PSP and recent developments in investors' best practice expectations. The changes include:

- Simplifying the performance targets and moving to straight-line vesting for the long-term incentive awards we will grant in 2014/15, while fine tuning the range of performance targets, which we continue to believe are very demanding. For example, Genus must deliver a minimum of 20% average annual growth in EPS over three years, for full vesting to take place.
- Requiring management to retain the number of vested shares they receive, after tax, for two years. This will operate alongside clawback provisions.
- Reducing the aggregate (all share plan) dilution limit, so it is consistent with current institutional investors' best practice expectations.

These revisions will better align our remuneration policy with delivery of our strategic plan, and only reward at maximum levels for the delivery of market-leading returns for our shareholders.

In addition, we have amended the annual bonus plan to ensure it continues to support the delivery of the Company's growth agenda. The change for 2014/15 will require a minimum of 15% growth in profits in constant currency from the 2013/14 result, for the part of the bonus relating to profit growth to pay out in full.

Full details of our revised remuneration policy are set out in the Policy Report. We are seeking shareholder approval at the AGM for a replacement PSP, with the Notice of Meeting including a full summary of the plan's principal terms. Summary details are also set out in the Directors' Remuneration Report that follows, specifically in relation to its anticipated operation in 2014/15.

The Committee is satisfied that the remuneration policy for 2014/15 will not encourage undue risk taking, as the performance metrics are fully aligned with targeted improvements in the Group's key performance indicators, incentive pay (in the form of both the annual bonus and replacement PSP) is subject to clawback provisions, and part of the annual bonus must be deferred into the Company's shares. These features, allied to our share ownership guidelines, align our remuneration policy with long-term shareholders' interests.

Shareholders' Views

The Committee takes an active interest in shareholders' views and developments in best practice. The Committee held a constructive consultation with major shareholders about our remuneration policy for 2014/15. This included considering feedback about simplifying the replacement PSP's performance targets and the metrics to apply to the 2014 awards. As a result of this dialogue, the holding period was extended to two years from the one year originally proposed.

We will continue to take shareholders' views into account in this and subsequent reviews.

On behalf of the Board, I would like to thank shareholders for their continued support. The Committee hopes that the new form of report is clear and would welcome feedback from shareholders. If you wish to contact me, please email me at remunerationchair@genusplc.com.

The Committee looks forward to your support for our remuneration policy at the 2014 AGM.



Nigel Turner
Senior Independent Director and Chairman of the Remuneration Committee

"The Remuneration Committee believes that the purpose of its remuneration policy is to support the Company's strategy for growth and deliver value to stakeholders"

This Directors' Remuneration Report has been prepared so it complies with the Companies Act 2006 – provisions of the Large and Medium-sized Companies and Groups (Accounts & Reports) (Amendment) Regulations 2013, which set out the disclosures required for Directors' remuneration as at the reporting date. The report is also in accordance with the requirements of the Listing Rules and the Financial Conduct Authority.

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

The ARR sets out what our Directors were paid in respect of the year under review. The Policy Report sets out the policy that will apply from the effective date of 14 November 2014 until the 2017 AGM, if approved by shareholders, and in practice will be applied for the year from 1 July 2014. The report has been approved by the Board and signed on its behalf by the Chairman of the Committee.

Directors' Remuneration Policy Report (Unaudited Information)

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

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

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

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

Element, Purpose and Link to Strategy	Operation	Maximum	Performance Conditions
Base Salary			
To provide competitive fixed remuneration that will attract and retain key employees and reflect their experience and position in the Group.	Normally reviewed annually, with increases normally effective from 1 July.	Periodically benchmarked against relevant market comparators, reflecting the size and nature of the role, individual performance and experience, increases awarded to other employees, Group performance and broader economic conditions.	Salaries for 2014/15 are as follows: <ul style="list-style-type: none"> Chief Executive: £526,830. Group Finance Director: £357,000. Annual percentage increases are generally consistent with the range awarded across the Group. Percentage increases in salary above this level may be made in certain circumstances, such as a change in responsibility or a significant increase in the role's scale or the Group's size and complexity.
Benefits			
To provide competitive benefits and to attract and retain high calibre employees.	Benefits generally include a car allowance and insured benefits (e.g. life assurance and private medical insurance). Where Executive Directors are recruited from overseas, or required to relocate on an international assignment, benefits more tailored to their geographical location may be provided and may include relocation costs and/or tax equalisation arrangements as necessary.	Where revised benefits are offered in a geographic location or across the Group, Executive Directors are likely to be eligible to receive those benefits on similar terms. If the Company introduces an all-employee share plan, Executive Directors will be eligible to participate on the same terms as other employees.	The car allowance value is limited to £20,000 per annum. The value of insured benefits will vary year on year, based on the cost of providing insured benefits, and is included in the total single figure table on page 77.
Pension			
To provide a competitive company contribution that enables effective retirement planning.	Only basic salary is pensionable. Pension is provided by way of contribution to a personal pension or as a salary supplement in lieu of pension provision.	Pension contribution or salary supplements in lieu of pension are provided to a maximum of 25% of basic salary.	None.

Element, Purpose and Link to Strategy	Operation		Maximum		Performance Conditions	
Annual Bonus						
Incentivises achievement of annual objectives which support the Group's short-term performance goals.	<p>Payments under the annual bonus plan are subject to:</p> <ul style="list-style-type: none"> • compulsory deferral of 25% of any bonus earned into the Company's shares; and • clawback provisions for a period of three years, which may apply in the event of a material misstatement of the Group's financial results. 	<p>Deferred Share Bonus Plan ('DSBP') awards will vest after three years subject to continued service.</p> <p>A dividend equivalent provision operates, enabling dividends to be paid (in cash or shares) on deferred shares that vest.</p>	125% of salary.		<p>Bonus awards are subject to achievement against a sliding scale of challenging financial targets and personal objectives, which the Committee sets each year to reflect the priorities for the year ahead.</p> <p>Financial targets govern the majority of bonus payments and are typically linked to the Group's key performance indicators (e.g. profit and cash generation), with a minority earned based on performance against personal objectives.</p>	<p>For financial performance targets, bonus is earned on a graduated scale, with 0% payable up to a predetermined threshold, through to a maximum payment for substantial out-performance of the threshold (100% payable).</p> <p>A summary of the performance targets for 2014/15 is included on pages 75 and 76.</p>

Performance Share Plan ('PSP')						
The PSP incentivises executives to achieve superior returns to shareholders over a three-year period, to retain key individuals and align their interests with shareholders.	<p>Eligibility to receive awards is at the discretion of the Committee each year.</p> <p>Awards vest three years from grant, subject to continued employment and satisfaction of challenging three-year performance targets.</p> <p>For awards granted from 2014, the after tax number of vested shares must be held for at least a two-year period.</p>	<p>A dividend equivalent provision enables dividends to be paid (in cash or shares) on shares that vest.</p> <p>Clawback provisions may apply for a period of three years, in the event of a material misstatement of the Group's financial results.</p>	Maximum annual award of 200% of salary (300% of salary in exceptional circumstances such as recruitment).		<p>Awards vest based on three-year performance against a challenging range of targets, aligned with the delivery of the Company's long-term strategy.</p> <p>Financial targets (including adjusted EPS growth) will determine the vesting of a majority of awards granted in any year.</p> <p>Targets are typically structured as a challenging sliding scale, with no more than 20% of the maximum award vesting for achieving the threshold performance level through to full vesting for substantial out-performance of the threshold.</p> <p>The awards will also be subject to an underpin that enables the Committee to scale back (but not scale up) vesting, if the Group's performance over the period is not considered to reflect the progress made against its strategic business targets.</p>	<p>A summary of the performance targets for 2014/15 is included on page 76.</p> <p>The Committee will review performance conditions annually, in terms of the range of EPS targets and the metrics and weightings applied to each element of the PSP. Any revisions to the metrics and/or weightings will only take place if it is necessary because of developments in the Company's strategy and, where these are material, following dialogue with the Company's major shareholders. Should the Committee believe that a major change of the current approach is appropriate (for example, replacing a primary performance metric with an alternative), this would only take place following a revised Directors' Remuneration Policy being tabled to shareholders.</p>

Element, Purpose and Link to Strategy	Operation		Maximum	Performance Conditions
---------------------------------------	-----------	--	---------	------------------------

Share Ownership Guidelines

To align Executives and shareholders.	Executives are expected to achieve a shareholding of 100% of salary, by retaining 50% of the net of tax number of vested shares under the Company's DSBP and PSP.	In addition, the Chief Executive will retain the entire after tax number of Restricted Stock that was granted to him shortly after his appointment (see page 77).	None.	None.
---------------------------------------	---	---	-------	-------

Non-Executive Directors

To provide compensation that attracts high calibre individuals and reflects their experience and knowledge.	<p>The Committee determines the Chairman's fee.</p> <p>The Board periodically reviews Non-Executive Directors' fees.</p> <p>No Directors take part in meetings where their own remuneration is discussed.</p>	Fees are based on the time commitments involved in each role and set with reference to the fees paid in other similarly sized UK listed companies.	<p>Fees for 2014/15 are as follows:</p> <ul style="list-style-type: none"> • Non-Executive Chairman: £140,000. • Non-Executive Directors: £50,000. <p>Fees include chairing a Committee or any additional time commitments or responsibilities.</p> <p>Any increase in Non-Executive Director fees may be above the level awarded to other employees, given that they may only be reviewed periodically and may need to reflect any changes to time commitments or responsibilities.</p> <p>Non-Executive Directors also receive reimbursement of reasonable travel related expenses incurred undertaking Company business.</p>	None.
---	---	--	---	-------

Choice of Performance Conditions

As set out in the Strategic Report on pages 2 to 47, the Company targets profitable growth through a combination of organic growth, expansion into key markets and segments, and product differentiation. The annual bonus plan uses adjusted profit growth, as defined on page 75, cash generation and personal targets. It encourages our short-term success in delivering profitable growth at the same time as converting profit to cash to use for investment and dividends. The 2014/15 bonus structure (as detailed on page 75) is aligned fully therefore with the Company's strategy.

Our use of adjusted EPS growth to measure long-term performance, in tandem with a strategic underpin, assesses how successful we are at delivering profitable growth from our existing business and the businesses we acquire or establish with joint venture partners.

The Committee reviews the performance metrics each year to ensure they remain appropriate. Likewise, the Committee will review the appropriateness of performance conditions for the PSP each year, to ensure they remain aligned with our long-term corporate strategy. When setting financial targets, the Committee will consider internal budgets and external forecasts. For financial targets, a sliding scale is applied, with a minority of the bonus being payable for threshold levels of performance.

Operation of the Annual Bonus Plan and PSP Policy

The Committee will operate the annual bonus plan and PSP in accordance with their rules and, where relevant, the Listing Rules. As part of the rules, the Committee has discretions which are required to efficiently operate and administer these plans, and are consistent with standard market practice. These include, for example:

- the participants in the plans;
- the timing of grant of awards and payments;
- the size of awards and payments, although with quantum and performance targets restricted to those detailed in the policy table above;
- the determination of vesting;
- dealing with a change of control (for example, the timing of testing performance targets) or restructuring of the Group;
- determining a good or bad leaver for incentive plan purposes, based on the rules of each plan and the appropriate treatment chosen;
- adjustments required in certain circumstances such as rights issues, corporate restructuring, events and special dividends; and
- the annual review of performance conditions for the annual bonus plan and PSP.

If some events occur, such as a material divestment or acquisition of a Group business, which mean the original performance conditions are no longer appropriate, the Committee can adjust the targets, set different measures and alter weightings as necessary, to ensure the conditions achieve their original purpose and are not materially more or less difficult to satisfy.

The outstanding share incentive awards detailed on pages 79 and 80 of the ARR will remain eligible to vest, based on their original award terms. In addition, all arrangements disclosed in previous Directors' Remuneration Reports (such as bonuses earned in relation to 2013/14 performance) will remain eligible to vest or become payable on their original terms.

Remuneration Scenarios for Executive Directors

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

How Employees' Pay is Taken into Account

While the Company does not consult employees on matters of Executive Director remuneration, the Committee does take account of the policy for employees across the workforce when determining the remuneration policy for Executive Directors, with specific regard to each Executive's geographical location.

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

When setting the Executive Directors' base salaries, the Committee compares the salary increases proposed for each Executive Director within those proposed for employees in their geographical location, as well as considering the typical increase proposed across the Group as a whole.

How Executive Directors' Remuneration Policy Relates to the Wider Group

The remuneration policy summarised above and described in detail below operates for the Executive Directors. The same broad structure also operates for the other members of GELT.

Below GELT, these remuneration principles continue to apply. However, the structure and amount of remuneration vary by work level, reflecting the specialist nature of many employees' roles, as well as local market practice and employee feedback. Generally, at less senior levels of the Group, total remuneration is less weighted towards performance-related pay.

How Shareholders' Views are Taken into Account

As part of the Company's ongoing review of remuneration policy, the Committee considers shareholder feedback received each year in relation to the AGM, as well as guidance from shareholder representative bodies and any additional feedback received during shareholder meetings. The Committee will consult shareholders if any significant policy changes are proposed in the future.

Recruitment and Promotion Policy

For Executive Director recruitment or promotions, the Committee follows the guidelines outlined below:

Remuneration Element	Policy
Base Salary	<p>Salary for a new hire or promotion to Executive Director is set at a level sufficient to attract the best candidate available to fill the role, taking into account the Group's position, strategy and the country in which the Executive Director will live and work.</p> <p>In the event that the salary is initially set at a discount to those offered in companies of a similar size, geographical reach and complexity (for example, in the event of an internal promotion), a series of planned increases above those of the wider workforce may be made over subsequent years, to bring the salary to the desired level, subject to individual performance.</p>
Benefits	<p>Benefits are set in accordance with the Company's remuneration policy. In addition, where necessary, the Committee may approve the payment of relocation expenses to facilitate recruitment, and flexibility is retained to pay for legal fees and other costs incurred by the individual in relation to their appointment. Consideration may need to be given to offer different or additional elements of the benefit package if a new Director is recruited outside the UK, to meet local market norms or legislation.</p>
Pension	<p>A defined contribution or cash supplement of up to 25% of salary.</p>
Annual Bonus	<p>The annual bonus will operate as outlined for current Executive Directors, with the respective maximum opportunity, albeit usually pro-rated for the period of employment. Depending on the timing and responsibilities of the appointment, it may be necessary to set different initial performance measures and targets.</p> <p>The maximum ongoing incentive opportunity under the Company's policy is 125% of salary.</p>
Long-Term Incentives	<p>PSP awards are granted in line with the policy outlined for the current Executive Directors. An award may (and usually will) be made upon appointment, subject to the Company not being prohibited from doing so. For an internal hire, existing awards will continue over their original vesting period and remain subject to their terms at the date of grant, and further awards may also be considered.</p> <p>The normal maximum ongoing annual award level is 200% of salary (with a limit of 300% of salary in exceptional circumstances).</p>
Buy-out Awards	<p>In the case of an external hire, the Committee may offer additional cash and/or share-based elements to facilitate the buy-out of value forfeited on joining the Company, when it considers these to be in the best interests of the Company and therefore of shareholders. The Committee will seek to ensure that a meaningful proportion of the replacement awards which are not attributable to long-term incentives foregone will be delivered in Genus deferred shares, released at a later date and subject to continued employment. This includes using awards made under Rule 9.4.2 of the Listing Rules. Such payments would take account of remuneration relinquished when leaving a former employer and would reflect (as far as possible) the nature and time horizons attached to that remuneration and the impact of any performance conditions. Shareholders will be informed of any such payments at the time of appointment.</p>

Service Contracts, Compensation for Loss of Office and External Appointments Policy

Executive Directors

Under the Executive Directors' service contracts, the Company is required to give 12 months' notice of termination of employment while the Executive Directors are required to give six months' notice. If either party serves notice, the executives can continue to receive basic salary, benefits and pension for the duration of their notice period, during which time the Company may require the individual to fulfil their duties or assign a period of garden leave.

Under the Chief Executive's contract, the Company may elect to make a payment in lieu of notice of up to 12 months' base salary and benefits, in the event of it terminating his employment. These payments may be made on a monthly basis, in which case the principles of mitigation apply and he would be obliged to seek alternative employment, with the payments reducing to the extent that he receives alternative income.

Under the Group Finance Director's contract, the Company may elect to make a payment in lieu of notice of up to 12 months' base salary, in the event of it terminating his employment. These payments may be made on a monthly basis, in which case he would be required to take all reasonable steps to find alternative employment. The principles of mitigation may apply, which means the Company may reduce the monthly payments based on his actual earnings during the period for which the monthly payments are made, or the Company's assessment of the earnings that he could have received if he had sought alternative employment.

In certain circumstances, such as gross misconduct, the Company may terminate employment immediately without notice or payment. The Committee may make any statutory entitlements or payments to settle or compromise claims in connection with a termination of any existing or future Executive Director as necessary. The Committee also retains the discretion to meet any outplacement and/or legal costs if deemed necessary.

There are no enhanced provisions in the event of a change of control. Executive Directors' service contracts, which include details of remuneration, will be available for inspection at the AGM on 14 November 2014 or at the Company's registered office.

The policy for a new hire would be based on terms that are consistent with these provisions and, in respect of the ability to make a payment in lieu of notice, terms that are consistent with those of the Group Finance Director.

Paying the cash element of annual bonuses is normally contingent on the executive being in employment and not under notice at the payment date, unless the Committee determines otherwise, for example in the event of a good leaver circumstance such as death, retirement, injury or disability, redundancy or employment being transferred outside the Group. The payment of any bonus will be pro-rated for the period of service and subject to the relevant performance conditions being achieved.

The vesting of any deferred bonus awards is determined by the plan's rules. In general, awards lapse when employment ceases. However, the deferred bonus award will vest in certain good leaver circumstances, such as death, retirement, injury or disability, redundancy, employment being transferred outside the Group or any other reason the Committee decides.

The vesting of any awards granted under the 2004 PSP is determined by the plan's rules. In general, awards lapse when employment ceases. However, awards may vest in certain good leaver circumstances, such as death or any other reason the Committee decides. This vesting is based on the extent to which the performance target has been satisfied. The Committee may decide to reduce the award pro rata, reflecting the proportion of the performance period that has elapsed.

The rules of the 2014 PSP, for which shareholder approval is being sought at the 2014 AGM, include a similar definition of a good leaver to the 2004 PSP and also the provision that awards will generally lapse when employment ceases (see the Company's Explanatory Notes to AGM on pages 156 to 165. In the case of the 2014 PSP, however, good leavers' awards will ordinarily vest on the date when they would have vested had they not ceased employment, subject to the extent to which the performance target has been satisfied as determined by the Committee and as measured over the normal measurement period. Such good leaver awards will normally be pro-rated based on the time that the individual was employed during the normal vesting period, although the Committee can decide not to pro-rate an award if it thinks it is appropriate to do so. Alternatively, the Committee can decide that a good leaver's award will vest when he leaves, subject to the performance conditions measured at that time and pro-rating, although, as described above, the Committee can decide not to pro-rate an award if it thinks it is appropriate to do so. Such early vesting treatment will also apply in the case of death.

In the event of a change of control, the treatment detailed above for good leavers under the 2004 PSP and 2014 PSP would apply, albeit with performance tested over the shortened performance period.

Non-Executive Directors

All Non-Executive Directors have specific terms of engagement. Their appointment is for a fixed term of three years and is subject to one month's notice of termination by either the Company or the Non-Executive Director, and to annual re-election at the Company's AGM, in accordance with the UK Corporate Governance Code.

Specific Contracts

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

Director	Contract Date	Expiry Date	Notice Period (Months)
Executives			
Karim Bitar	24 May 2011	n/a	12 (from Company) 6 (from Executive)
Stephen Wilson	12 December 2012	n/a	12 (from Company) 6 (from Executive)
Non-Executives			
Bob Lawson	11 November 2010	10 November 2016	1
Nigel Turner	16 January 2011	15 January 2017	1
Mike Buzzacott	6 May 2012	5 May 2015	1
Barry Furr	1 December 2006	30 November 2015	1
Duncan Maskell	1 April 2014	31 March 2017	1
Lykele van der Broek	1 July 2014	30 June 2017	1

Outside Appointments

The Company recognises that Executive Directors may be invited to become Non-Executive Directors of other companies and that this can broaden the Director's skills and experience. When Stephen Wilson was appointed in January 2013, he was permitted to retain his Non-Executive Directorship of Xchanging plc and the associated remuneration.

ANNUAL REPORT ON REMUNERATION (UNAUDITED INFORMATION)

The Role of the Remuneration Committee

The Company's Committee complies with the UK Corporate Governance Code. The Committee makes recommendations to the Board, within agreed terms of reference, on remuneration for the Executive Directors and other members of GELT. The Committee's full terms of reference are available on the Company's website at www.genusplc.com.

The Committee comprises independent Non-Executive Directors Nigel Turner (Chairman), Mike Buzzacott, Barry Furr, Duncan Maskell, Lykele van der Broek and also the Company's Non-Executive Chairman, Bob Lawson, whom the Board considered to be independent at the time of his appointment to the Board.

None of the Committee members has any personal financial interest (other than as shareholders), conflicts of interests arising from cross-directorships or day-to-day involvement in running the business. Karim Bitar, Chief Executive Officer, and Stephen Wilson, the Group Finance Director, attend meetings at the invitation of the Committee. They are not present when their own remuneration is being discussed. The Committee is supported by the Group HR Director, Finance and Company Secretariat functions.

During the year to 30 June 2014, the Committee met six times and considered the following matters:

- the continuing appropriateness of the Company's remuneration policy and the remuneration arrangements for the Executive Directors and GELT;
- salary levels for the Executive Directors and GELT members;
- the terms of the 2013/14 and 2014/15 Executive Annual Bonus Plan, and the individual bonuses payable for 2012/13, in light of the

- Group's and individual's performances;
- the individual long-term share incentive awards under the Company's 2004 PSP and 2004 Executive Share Option Plan, and the associated performance measures and targets;
- testing of the performance conditions and approval of the vesting levels of long-term share incentive awards granted in 2010/2011;
- the establishment of a 2014 PSP and a DSBP;
- the approval of the Directors' Remuneration Report for 2012/13;
- the implications of revised reporting requirements for the Directors' Remuneration Report for 2013/14; and
- current institutional investors' guidelines on executive remuneration.

In determining the Executive Directors' remuneration for the year, the Committee consulted the Chief Executive, Group Finance Director and the Group HR Director about its proposals, although none of these individuals are involved in determining their own remuneration.

The Committee also appointed New Bridge Street (part of Aon plc) to provide benchmarking advice on the remuneration packages for the Executive Directors, members of GELT and the Non-Executive Directors. New Bridge Street is a member of the Remuneration Consultants Group and complies with its Code of Conduct. Aon plc acts as insurance broker to the Group. New Bridge Street's fees for services to the Committee during the year were £90,643, which included £14,296 of implementation advice in relation to the operation of the Company's share incentive plans.

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

Shareholder Voting at the 2013 AGM

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

	Total number of votes	% of votes cast
For	37,823,988	95.53
Against	1,771,889	4.47
Total number of shares in respect of which votes were validly made	39,595,877	100
Abstentions	1,190,785	

Implementation of Policy for 2014/15 (Unaudited Information)

Base Salary

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

The Executive Directors' current salary levels (with effect from 1 July 2014) are as follows:

- Karim Bitar: £526,830 (2% increase from 2013/14); and
- Stephen Wilson: £357,000 (2% increase from 2013/14).

The Committee determined that salaries would be increased by 2%, reflecting the average increase awarded across the UK employee population.

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

Pension and Other Benefits

The Executive Directors receive certain benefits-in-kind, principally a car or car allowance, life assurance and private medical insurance. In lieu of company pension contributions, the Company has agreed to pay Karim Bitar and Stephen Wilson a taxable pension allowance of 25% and 15% of basic salary per annum respectively.

Performance-Related Annual Bonus

The Company bonus scheme for the 2014/15 financial year for its Directors and senior executives will incentivise and reward the delivery of challenging adjusted profit growth targets (60% of the bonus opportunity), cash generation (15% of the bonus opportunity) and personal targets (25% of the bonus opportunity). The maximum bonus opportunity for the Chief Executive and Group Finance Director is 125% of salary.

The metrics for 2014/15 capture performance against a range of key performance indicators. Profit is an 'output' metric that captures our success against a range of other KPIs, which we assess on an ongoing basis, such as growing volumes and revenue while maintaining appropriate profit per transaction and royalty rates. Cash targets measure our success in generating funds to invest in growing the business or paying dividends. Progress with implementing our strategy forms a central part of the personal performance targets for each position.

The above structure includes a slight adjustment to that for 2013/14, in that the weightings have been adjusted (25% based on personal targets as opposed to 20%, and 15% on cash generation as opposed to 20%). This better reflects the increased focus on delivery against personal (largely strategic) objectives, which will unlock the Group's growth potential.

For the adjusted profit target, no bonus is payable unless the prior year's result is exceeded, at which point 0% of this part of the bonus is payable. Bonus thereafter is earned on a graduated scale, with 50% of this part of the bonus earned for growing adjusted profit by 10% and a maximum bonus is earned for growing adjusted profit by 15%. The Committee considers this year's financial targets are appropriately demanding, requiring growth in profits in line with the strategic plan and significant double digit growth to achieve the maximum award. A graduated scale also operates for cash generation for the year. Bonuses are earned based on financial performance measured in constant currency, which replicates the approach to target setting across the Group as a whole.

Personal targets are linked to successful implementation of the Company's strategy, with the targets being both quantifiable and stretching. Achievement of these targets is central to unlocking the growth potential we want to target through the revisions to our PSP as described in this report.

Full disclosure is not provided in relation to the targets set for 2014/15, since the Committee considers the targets are commercially sensitive. The ARR for 2014/15 will include retrospective disclosure of the targets, subject to the information not being considered prejudicial to the Group.

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

Long-Term Incentives

Long-term share awards were previously granted under the Genus plc 2004 PSP, which was amended following shareholder approval at the 2012 AGM. As the plan has now expired, the Committee is proposing a new PSP scheme for shareholder approval at the 2014 AGM. This follows an extensive consultation exercise with the Company's major shareholders and the leading shareholder protection bodies. Details of the plan are included in the Notice of AGM. Subject to this approval, the Committee intends to grant awards in 2014 of 200% of salary for the Chief Executive and 175% of salary for the Group Finance Director. These awards are in line with those in 2013.

The intended performance targets for the awards to be granted in 2014 will primarily relate to average annual growth in adjusted EPS, measured over three years. The range of targets for the 2014 awards is as follows:

Average Annual Growth in Adjusted Earnings Per Share ('EPS')*	Vesting (% Award)
Less than 6% p.a.	0%
6% p.a.	20%
20% p.a.	100%
Straight-line vesting between performance points	

* Growth in adjusted EPS over the three-year performance period was calculated on a simple average annual growth rate.

This range is simpler than for awards granted in 2013 (detailed on page 79), which had two distinct ranges of EPS targets with overlapping scales. The previous targets were also set as growth in excess of UK RPI. The Committee believes this is no longer appropriate, as the Group is subject to different inflationary pressures in the many countries it operates in. As a result, the potential impact of inflation has been incorporated in the above range of targets. The Committee remains comfortable with using adjusted EPS as the primary performance metric for long-term incentives, since EPS is an all-encompassing figure which is highly visible and well understood by both participants and shareholders.

Overall, the Committee believes the above targets are appropriately challenging. They incentivise executives to deliver the Company's growth strategy and are therefore aligned with shareholders' interests. They also adhere to the principles of transparency and simplicity, to maximise the PSP's incentivisation for participants.

As with awards currently granted under the PSP, the Committee will retain the ability to scale back vesting based on EPS performance if it does not consider the vesting result to be consistent with the progress achieved against the Company's strategy during the performance period. This is considered appropriate, to broaden the executive team's focus beyond financial performance.

Other key features of the awards to be granted under the 2014 PSP include a requirement to retain the after tax number of shares vesting in 2017 for two years, and clawback provisions which may be applied at the Committee's discretion if the Company's results are found to have been misstated within three years of vesting and the vesting result was artificially high.

Non-Executive Director Fees

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

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

There were no increases from the fees paid in 2013/14.

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

Total Single Figure of Remuneration (Audited)

	Salary and fees £000	Benefits ¹ £000	Pension ² £000	Bonus ³ £000	Long-Term Incentives ⁴ £000	Total 2014 £000
Executive Directors						
Karim Bitar	517	24	129	207	–	877
Stephen Wilson	350	13	53	153	–	569
Non-Executive Directors						
Bob Lawson	140	–	–	–	–	140
Nigel Turner	50	–	–	–	–	50
Mike Buzzacott	50	–	–	–	–	50
Barry Furr	50	–	–	–	–	50
Duncan Maskell ⁷	13	–	–	–	–	13
Total	1,170	37	182	360	–	1,749

	Salary and fees £000	Benefits ¹ £000	Pension ² £000	Bonus £000	Long-Term Incentives £000	Total 2013 £000
Executive Directors						
Karim Bitar ⁵	517	24 ⁶	129	198	–	868
Stephen Wilson ⁸	165	6	25	59	–	255
Non-Executive Directors						
Bob Lawson	140	–	–	–	–	140
Nigel Turner	50	–	–	–	–	50
Mike Buzzacott	50	–	–	–	–	50
Barry Furr	50	–	–	–	–	50
Total	972	30	154	257	–	1,413

1. Benefits related to a car allowance which was provided to a maximum annualised value of £20,000 for Karim Bitar and £12,000 for Stephen Wilson and insured benefits including life assurance and private medical insurance.
2. Cash allowance in lieu of pension and pension entitlement has been included in the Pension column.
3. Bonus earned includes the 25% which is deferred into Company shares for three years.
4. The value of long-term incentive is determined by the expected number of awards vesting in relation to performance ended 30 June (see page 78 for more details).
5. In line with the new regulations, the Restricted Stock award granted to Karim Bitar that vested in the year ended 30 June 2013 has been excluded from the Single Figure of Remuneration. As previously disclosed, this award was granted in connection with his recruitment, replacing value forfeited on leaving his former employer. The value of the shares vesting in the year ended 30 June 2013 was £584,000 (40,574 shares vesting on 25 February 2013 at a share price of £14.38).
6. Restated.
7. Appointed on 1 April 2014.
8. Appointed on 14 January 2013.

Details of Variable Pay Earned in Respect of 2013/14 (Audited)

As detailed in last year's Directors' Remuneration Report, the 2013/14 bonuses for Executive Directors were calculated by reference to performance against a challenging sliding scale of profit, cash/debt and personal targets, with the outcomes set out in the table below:

Bonus Target	Strategic Objective	Proportion of Total Bonus Available	Actual Performance	Proportion of maximum target met (%)	Resulting Bonus Out-turn (% Maximum Bonus)	Resulting Bonus Out-turn (% Salary)
Adjusted PBT ^{1,2,4}	Increase profitability	60%	£39.3m/£42.5m (actual/constant currency basis)	0%	0%	0%
Cashflow ^{1,3,4}	Generate cash for reinvestment and dividend payments	20%	£26.2m	100%	20%	25%
Non-financial strategic objectives ⁵	To build the foundation for future growth	20%	See note 5	CEO: 60% GFD: 75%	CEO: 12% GFD: 75%	CEO: 15% GFD: 18.8%
Total		100%			CEO: 32% GFD: 35%	CEO: 40% GFD: 43.8%

- The financial elements of the bonus are payable on a straight-line basis between each target level.
- Adjusted profit before tax (on an actual currency basis: £39.3m, constant currency basis: £42.5m) was below threshold level and so no bonus was payable in relation to this element.
- Cash flow (excluding dividends and investments in joint ventures and acquisitions: £26.2m) exceeded the maximum level and so a maximum bonus was payable in relation to this element.
- The Committee considers that the actual financial targets remain commercially sensitive and therefore are not disclosed. In the future, the Committee will disclose financial targets when they consider these concerns have been removed.
- Performance against non-financial strategic objectives related to targets set in a number of areas that included customer, people and product and process improvement. Specific targets relating to performance objectives were set at the beginning of the year and measured at the year end. In undertaking a broad assessment of performance, the Committee considered both qualitative and quantitative information when determining the extent to which the targets were achieved. Commercial targets are sensitive and therefore it is not appropriate to disclose them in this transition year. The bonus earned by the Chief Executive included (but was not limited to) progress achieved in accelerating genetic improvement and dissemination, progress in beef and dairy proprietary indices and products, developing the senior leadership capability and succession planning. The bonus earned by the Group Finance Director included (but was not limited to) the successful acquisition and the integration of Génétiporc and delivering Group-wide improvements in finance process and practices.

As noted in the Strategic Report, there has been significant progress on key strategic areas. These include the acquisition and integration of Génétiporc, improvements in genetic dissemination, PIC product differentiation, delivery of volume growth in both ABS and PIC, and improved succession and management capability.

Total bonuses earned against the targets set at the start of the year were equivalent to 40% of salary or 32% of maximum potential for Karim Bitar, and 43.8% of salary or 35% of maximum potential for Stephen Wilson. The Committee feels comfortable that these represent appropriate out-turns for the year for the two executives for the performance achieved.

In line with our policy, 25% of the bonuses earned were deferred into the Company's shares for three years.

Performance Share Awards Vesting in Relation to 2013/14 (Audited)

Karim Bitar's PSP award granted in September 2011 was subject to an EPS performance condition which is measured over the three financial years ended 30 June 2014.

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

* Growth in adjusted EPS over the three-year performance period was calculated on a simple average annual growth rate.

** A linear scale is applied when performance falls between the bands.

The Committee assessed the actual adjusted EPS for the year ended 30 June 2014 of 46.5 pence in relation to the base EPS figure for the year ended 30 June 2011 of 42.0 pence and determined an average growth rate of RPI +1% per annum. Therefore, none of the awards will vest.

Performance Share Awards Granted in 2013/14 (Audited)

The Performance Share Awards granted were as follows:

Executive	Number of shares comprising award	Face/Maximum Value of Awards at Grant Date (% salary)*	% of Award Vesting at Threshold**	Performance Period
Karim Bitar	73,107	£1,033,000 (200%)	15	01.07.13–30.06.16
Stephen Wilson	43,347	£612,500 (175%)	17.14	01.07.13–30.06.16

* The closing average share price over the three days prior to the award being granted has been used to determine the maximum face value of the awards. This was £14.13 for Karim Bitar and Stephen Wilson (award granted on 26 September 2013).

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

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

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

Tier 1 Awards

The range of targets applicable to awards with a value of 125% of salary for the Chief Executive and 100% of salary to the previous and current Group Finance Director were as follows:

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

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

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

Tier 2 Awards

The range of targets applying to an additional award with a value of 75% of salary were as follows:

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

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

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

The DSBP awards granted in relation to the 2013/14 annual bonus were as follows:

Executive	Number of shares comprising Award	Face value of Awards at Grant Date*
Karim Bitar	3,495	£49,384
Stephen Wilson	1,050	£14,837

These awards are not subject to any further performance conditions and will normally vest on 27 September 2016, subject to continued service.

* The share price used to grant awards was based on 1,413 pence, being the same value used for the grant of the 2013/14 PSP awards.

Summary of Scheme Interests (Audited)

The Directors at 30 June 2014 had the following beneficial interests in share awards and share options:

Karim Bitar

Grant Date	Award	Vesting Period	Share Price at Grant	At 30 June 2013 Number	Granted in year Number	Exercised in year Number	At 30 June 2014 Number
(1) 9 September 2011	PSP	9 September 2011 to 8 September 2014	977.83p	63,917	–	–	63,917
(2) 7 December 2012	PSP	7 December 2012 to 6 December 2015	1,369.66p	75,420	–	–	75,420
(4) 26 September 2013	PSP	26 September 2013 to 25 September 2016	1,435p	–	73,107	–	73,107
30 December 2013	DSBP	30 December 2013 to 25 September 2016	1,304p	–	3,495	–	3,495
Total				139,337	76,602	–	215,939

Stephen Wilson

Grant Date	Award	Vesting Period	Share Price at Grant	At 30 June 2013 Number	Granted in year Number	Exercised in year Number	At 30 June 2014 Number
(3) 28 February 2013	PSP	28 February 2013 to 29 February 2016	1,422.333p	43,063	–	–	43,063
(4) 26 September 2013	PSP	26 September 2013 to 25 September 2016	1,435p	–	43,347	–	43,347
30 December 2013	DSBP	30 December 2013 to 25 September 2016	1,304p	–	1,050	–	1,050
Total				43,063	44,397	–	87,460

In relation to the share awards granted in 2013, the closing average share price over the three days prior to 26 September 2013 (the grant date for the PSP awards) was used (£14.13) to determine the number of shares comprising individual awards.

The performance targets applying to (1) are as described above for Performance Share Awards vesting in relation to 2013/14. In respect of (2), (3) and (4), the targets were as per Tiers 1 and 2, Performance Share Awards granted in 2013/14 set out on page 79 (the same targets applied for awards granted in 2012, albeit based on the three-year performance period from 1 July 2012 to 30 June 2015). No further performance conditions apply to the DSBP awards.

Material Contracts

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

Payments for Loss of Office and Payments to Former Directors (Audited)

John Worby ceased to be a Director on 31 March 2013. Consistent with the terms of the relevant incentive plans, and as set out in last year's Directors' Remuneration Report he was treated as a 'good leaver' on his retirement. His outstanding long-term incentive awards granted on 10 September 2010, which were subject to performance ended 30 June 2013 vested in full. As a result, 37,680 shares were transferred to John Worby with a value of £502,274, based on the share price on the date of transfer (£13.33).

There were no payments for loss of office in the year.

Dilution

The 2014 PSP includes an aggregate dilution limit of 10% in ten years, which is lower than the 15% in ten years dilution limit for the 2004 PSP.

As an international business, the Company has offered discretionary equity incentives on a broad basis to facilitate the recruitment and retention of key employees in the wide range of locations in which it operates, where equity based incentive awards are commonly granted below levels often operated in the UK.

The current dilution under all share plans is 7.7% in ten years, which falls within the Association of British Insurers' all plans limit of 10% in ten years. Dilution within the 10% in ten years limit will be kept under periodic review.

Employee Benefit Trust

The Company has established an Employee Benefit Trust to be the custodian of any shares purchased in respect of the 2004 PSP on behalf of the Executive Directors and certain senior management. As at 30 June 2014, the trust held 146,625 ordinary shares in the Company.

Directors' Interests

The Directors who held office at 30 June 2014 had the following interests in the Company's shares:

	At 30 June 2014 Number	% of salary held*	% of shareholding guideline	Unvested DSBP awards at 30 June 2014 Number	Unvested PSP awards held at 30 June 2014 Number	At 30 June 2013 Number
Bob Lawson	7,201	n/a	n/a	n/a	n/a	5,150
Karim Bitar	40,008	85%	85%	3,495	212,444	36,963
Stephen Wilson	3,026	11%	11%	1,050	86,410	3,000
Nigel Turner	15,000	n/a	n/a	n/a	n/a	15,000
Mike Buzzacott	4,000	n/a	n/a	n/a	n/a	3,000
Barry Furr	8,000	n/a	n/a	n/a	n/a	8,000
Duncan Maskell	–	n/a	n/a	n/a	n/a	–
Total	77,235			4,545	298,854	71,113

* Based on the combined number of beneficially held shares and the net of tax DSBP awards held and the average closing share price over the three months to 30 June 2014 of 1,043.39 pence.

There were no changes in the Directors' interests between 30 June 2014 and the date of this report.

Company Share Price

The market price of the Company's shares on 30 June 2014 was 1,147 pence and the low and high share prices during the financial year were 940 pence and 1,490 pence respectively.

Total Shareholder Return

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

	Year ending 30 June					
	Richard Wood			Karim Bitar		
	2010	2011*	2012	2012**	2013	2014
Total remuneration (£000)	£2,034	£2,383	£231	£1,776	£868	£877
Annual bonus (% of max)	64%	94%	88%	77%	31%	32%
Total PSP vesting (% of max)	100%	88%	–	–	–	–

* PSP vesting relates to all awards that were tested early on cessation of employment.

** Includes payment (as previously disclosed) for loss of annual bonus (£163,000) and the value of restricted stock (£755,000) granted to compensate him for loss of value forfeit on joining Genus.

CEO Pay Compared to Genus Employees

Remuneration received (% change from 2013 to 2014)

	Salary	Benefits	Annual Bonus
CEO			4.5%
UK comparators ¹	3.2% ²	4%	3.2% ³

1 A subset of the UK workforce comprising circa 25 employees with a bonus structure based on Group performance. This is considered the most relevant comparator group for these purposes.

2 The core award for UK staff was 1.5%.

3 Estimate.

Distribution Statement

	2014	2013	% Change
Employee costs (£m)	£99.4m	£97.2m	2%
Distributions to shareholders*	£10.1m	£9.1m	10%

* Includes dividends and share buy-backs.

Executive Directors' External Appointments

Executive Directors are permitted to accept an external non-executive position with the Board's approval. Any fees received in respect of these appointments may be retained by the Executive. Stephen Wilson received £50,000 in relation to his Non-Executive Directorship at Xchanging plc for the year to 31 December 2013.

GENUS PLC

COMPANY NUMBER: 2972325

Approval

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

Nigel Turner

Chairman of the Remuneration Committee

2 September 2014



Nomination Committee Report

Chairman's Overview

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

Membership and Governance

Bob Lawson chairs the Committee. Its other members are currently Nigel Turner, Mike Buzzacott, Barry Furr, Duncan Maskell, Lykele van der Broek and Karim Bitar.

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

Activities During the Year

The Committee met once during the year, to consider the appointment of new Non-Executive Directors. We determined that two additional Non-Executive Directors were required, one with a scientific background and one with experience in agriculture.

For the scientific specialist, we looked for candidates with the following characteristics:

- a pre-eminent scientist with an advanced degree in life or molecular sciences and strong appreciation of biochemistry and genetics;
- a board-level serving or retired executive with an international and successful track record in R&D management at a leading agriculture company, a related business or in academia; and
- experience in successfully setting and implementing R&D strategy for an organisation of a similar scale and complexity.

For the agricultural specialist, we looked for candidates with the following characteristics:

- a board-level serving or retired executive and business leader, with an international and successful track record in commercial operations, general management and, particularly, innovation at a leading agriculture company;
- experience in successfully setting and implementing market and business strategy for an agriculture organisation of substantial scale and complexity; and
- experience of both developed and emerging markets.

For both roles, we wanted candidates with good all round business acumen and the proven experience, skills and knowledge to serve as a successful Non-Executive Director. A background in agriculture and farming was also positive.

Appointments were based on an objective assessment of the Group's needs, its strategy and the Board's current skills and experience. This requires us to make appointments on merit, so we have the right Board composition to direct the Group effectively.

After conducting a thorough search with the help of one of the world's leading global executive search firms, we concluded that Professor Duncan Maskell and Lykele van der Broek were the outstanding candidates for the scientific and agricultural roles respectively. Their biographies, along with information on Genus's other Board members, can be found on pages 50 and 51.

Bob Lawson
Chairman
2 September 2014



Other Statutory Disclosures**Directors**

The Directors and the time of their respective appointments are listed on pages 50 and 51.

Political Contributions

The Group does not make political contributions.

Dividend

The Board is recommending to shareholders a final dividend of 12.2 pence per ordinary share, resulting in a total dividend for the year of 17.7 pence per ordinary share, an increase of 10% for the year. It is proposed that the final dividend will be paid on 5 December 2014 to shareholders on the register at the close of business on 21 November 2014.

Capital Structure

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

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

Details of the Company's employee share schemes are set out in note 29. In connection with these schemes, the Genus plc Employee Benefit Trust holds shares in the Company from time to time and abstains from voting in respect of any such shares.

Substantial Shareholdings

As at 1 September 2014, we were aware of the following material interests in the Company's ordinary shares:

Fund Manager	Shareholding	%
Lansdowne Partners	6,045,988	9.92
Baillie Gifford & Co Limited	5,182,273	8.51
NFU Mutual	3,247,664	5.33
M&G Investments	2,864,122	4.70
Threadneedle Asset Mgt	2,545,771	4.18
Legal & General Investment Mgt	2,257,862	3.71
Allianz Global Investors Europe GmbH	2,052,768	3.37
Norges Bank Investment Mgt	1,871,732	3.07

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

Authority to Acquire the Company's Own Shares

No shares were bought back by the Company, under the authority of the shareholders' resolutions of 15 November 2013, in the period since 16 November 2013 to and the date of this report.

Going Concern

As described more fully in the Basis of Preparation note on pages 96 to 98, the Directors have a reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future. For this reason, the Board continues to adopt the going concern basis in preparing the Financial Statements.

Provision of Information to the Company's Auditor

Each of the Directors at the date of approval of this Annual Report confirms that:


- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is 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 auditor is aware of that information.

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

Appointment of Auditor

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

Approved by the Board.



Dan Hartley

Group General Counsel and Company Secretary

2 September 2014

Directors' Responsibilities Statement

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

In Preparing the Parent Company Financial Statements, the Directors are Required to:

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

In Preparing the Group Financial Statements, International Accounting Standard 1 Requires That Directors:

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

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

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

Responsibility Statement

We confirm that to the best of our knowledge:

- the Financial Statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

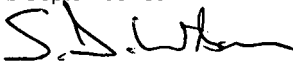
By order of the Board:



Karim Bitar

Chief Executive

2 September 2014



Stephen Wilson

Group Finance Director

2 September 2014

Independent Auditor's Report

Group Financial Statements

Independent Auditor's Report to the members of Genus plc

Opinion on financial statements of Genus plc

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 June 2014 and of the Group's profit for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union;
- the Parent Company Financial Statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation.

The financial statements comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group Statement of Changes in Equity, the Group and Parent Company Balance Sheets, the Group Statement of Cash Flows, and the related notes 1 to 51. The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRS as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company Financial Statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Going concern

As required by the Listing Rules we have reviewed the Directors' statement contained within the Other Statutory Disclosures section that the Group is a going concern. We confirm that:

- we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
- we have not identified any material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.

Risk	How the scope of our audit responded to the risk
<p>Fair value of biological assets under IAS 41 'Agriculture'</p> <p>The Group calculates the fair value of biological assets through the use of discounted cash flow models.</p> <p>The valuation models and related data inputs and assumptions require a number of management estimates as explained in note 15 to the financial statements.</p> <p>For bovine asset valuations the key assumptions include: the future demand for semen; estimated production value; expected marketable life of each bull; the discount rate applied to the future cash flows; and the percentage of bulls which are expected to be actively marketed.</p> <p>For porcine asset valuations the key assumptions include: the percentage of production animals expected to be sold; the expected sales price; expected useful life; the discount rate applied to the future cash flows; and for the pureline pigs the number of future generations from which output is attributable to the current herd.</p>	<p>Our response to the risk in this area considers the separate elements of the fair value calculations: the basis for management's estimates and judgements applied in the key assumptions; the validity of transactional data used for other inputs; and the mechanical integrity of the models themselves.</p> <p>For the bovine asset valuations, our audit work included obtaining an understanding of management's processes surrounding the compilation of the future demand forecast. We considered the appropriateness of the projected volume growth rate against historical trends and current performance, and analysed management's historical forecasting accuracy.</p> <p>For the porcine asset valuations our audit work included the procedures above for the sales projections and testing of the expected percentage of animals to be sold by reference to historical transactional data. For all other assumptions in each model we challenged the significant estimates with reference to third party or historical transactional data as appropriate.</p> <p>For both species valuation models, we used our valuation experts to provide additional challenge to the discount rates applied to the cash flows.</p> <p>We also tested the mechanical integrity of the spreadsheets used to calculate the fair values using analytical tools.</p>
<p>Valuation of pension schemes and post-retirement benefits</p> <p>The Group operates several defined benefit pension schemes, for which there is judgement in determining the IAS 19 valuation as recorded at the balance sheet date. The valuation is based on a number of assumptions as disclosed in note 28.</p>	<p>In conjunction with our actuarial specialists we have evaluated the appropriateness of management's assumptions and methodology used to value the defined benefit pension schemes by benchmarking management's assumptions to those used in the external market.</p> <p>In addition we circularised the independent actuary and investment managers responsible for managing the pension funds to confirm the source inputs into the pension valuation.</p>
<p>Genus is party to a multi-employer pension scheme and is exposed to the risk of additional</p>	<p>In response to the risk of additional liabilities for the multi-employer scheme arising from other employers, we have considered the financial strength and stability of</p>

Risk	How the scope of our audit responded to the risk
liabilities from the default of other scheme members.	remaining employers in the scheme and their ability to contribute to the deficit through a review of the most recent publicly available financial information.
<p data-bbox="113 208 596 331"><i>Accounting for the acquisition of Génétiporc</i> The acquisition of Génétiporc resulted in £5.0m of the purchase price being allocated to customer relationships and £8.9m to biological assets.</p> <p data-bbox="113 365 596 544">The determination of the fair value of these assets is a matter of management judgement. The significant assumptions include the growth rates inherent in the forecast sales generated from the acquired customer relationships; and the discount rate applied to the future cash flows.</p> <p data-bbox="113 573 596 645">The assumptions applied to the valuation of biological assets are consistent with those detailed above for other Genus animals.</p>	<p data-bbox="628 208 1453 309">We audited the fair value adjustments to the opening balance sheet. In respect of the intangible assets identified, we involved our valuation specialists in our testing of the third party intangible assets valuation model, including the valuation methodology employed and the discount rates applied.</p> <p data-bbox="628 338 1453 387">We reviewed the biological asset valuation models and performed procedures consistent with those noted above for all biological assets.</p>
<p data-bbox="113 674 596 725"><i>Impairment of goodwill and other intangible assets</i></p> <p data-bbox="113 725 596 799">There is a risk regarding potential impairment over the valuation of goodwill and intangible assets arising on historical acquisitions.</p> <p data-bbox="113 828 596 981">In management's impairment assessment there are a number of key judgements used to determine the recoverable amount, including the identification of cash-generating units, growth rates in future cash flow forecasts and discount rates applied to these forecasts.</p> <p data-bbox="113 1010 596 1088">There is also a risk regarding potential impairment of development costs capitalised in relation to specific projects.</p>	<p data-bbox="628 674 1453 826">We challenged the assumptions used by management in their annual impairment assessment by comparing the projected growth rates and forecast cash flows against historical trends achieved in the business. We analysed historical budgeting accuracy to assess the reliability of management's forecasts. We also reviewed third party market data sources used by management in their forecast models.</p> <p data-bbox="628 855 1453 956">We used valuation specialists within the audit team to challenge the discount rates applied to these cash flows by reference to market data, including the risk premium applied to each cash-generating unit. This involved benchmarking the rates against other companies operating in similar regions.</p> <p data-bbox="628 985 1453 1137">We have tested the development costs capitalised to ensure they relate to viable ongoing projects and meet the criteria for capitalisation as set out in IAS 38 'Intangible Assets'. We have reviewed management's assessment of the carrying value of costs capitalised and challenged the assumptions applied to their total project valuation model including: the projected cash flows, growth rates and discount rates applied.</p> <p data-bbox="628 1167 1453 1218">We have liaised with project managers to understand the progress and future prospects of ongoing development projects.</p>

The Audit Committee's consideration of these risks is set out in the Audit Committee Report.

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the Group to be £2.5m (2013: £2.2m), which is 7.5% of pre-tax profit before exceptional items and changes in fair value of biological assets, and below 1% of equity. We have used this measure to eliminate volatility.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.1m, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. Based on that assessment, we focused our Group audit scope on 20 components.

Ten of these were subject to a full audit, whilst the remaining ten were subject to specified audit procedures where the extent of our testing was based on our assessment of the risks of material misstatement and of the materiality of the Group's operations at those locations.

The ten entities subject to a full audit represent the principal business units and account for 69% of the Group's revenue, 62% of the Group's operating profit and 75% of the Group's net assets. They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. Our audit work at the ten entities was executed at levels of materiality applicable to each individual entity which were lower than Group materiality.

The ten entities subject to specified audit procedures account for 21% of the Group's revenue, 29% of the Group's operating profit and 19% of the Group's net assets.

At the Parent entity level we tested the consolidation process and carried out analytical procedures on the aggregated financial information of the remaining components not subject to audit or audit of specified account balances.

The Group audit team continued to follow a programme of planned visits that has been designed so that the Senior Statutory Auditor visits the most significant components each year. In years when we do not visit a significant component we will include the component audit team in our team briefing, discuss their risk assessment, and review documentation of the findings from their work.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company Financial Statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns. We have nothing to report arising from these matters.

Corporate Governance Statement

Under the Listing Rules we are also required to review the part of the Corporate Governance Statement relating to the Company's compliance with nine provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

Our duty to read other information in the Annual Report

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the Annual Report is fair, balanced and understandable and whether the Annual Report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

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

Scope of the audit of the financial statements

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



Edward Hanson (Senior Statutory Auditor)
for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor

London, United Kingdom

2 September 2014

Group Income Statement

For the year ended 30 June 2014

	Note	2014 £m	2013* £m
Revenue from continuing operations	5, 6	372.2	345.3
Adjusted operating profit from continuing operations	5	42.9	45.0
Net IAS 41 valuation movement on biological assets	15	7.5	(4.9)
Amortisation of acquired intangible assets	14	(5.8)	(5.2)
Share-based payment expense	29	(0.8)	(2.8)
		43.8	32.1
Exceptional items			
– Acquisition and integration	7	(1.8)	–
– Other (including restructuring)	7	(0.2)	(2.8)
– Pension related	7	–	7.0
Operating profit from continuing operations	8	41.8	36.3
Share of post-tax profit of joint ventures and associates	17	1.9	2.8
Net finance costs	10	(5.5)	(5.7)
Profit before tax from continuing operations		38.2	33.4
Taxation	11	(9.3)	(10.0)
Profit for the year from continuing operations		28.9	23.4
Attributable to:			
Owners of the Company		28.9	23.4
Minority interests		–	–
		28.9	23.4
Earnings per share from continuing operations	13		
Basic earnings per share		47.7p	38.8p
Diluted earnings per share		47.6p	38.3p
Non-statutory measure of profit			
Adjusted operating profit from continuing operations		42.9	45.0
Pre-tax share of profits from joint ventures and associates excluding net IAS 41 valuation movement	17	1.9	3.2
Adjusted operating profit including joint ventures and associates		44.8	48.2
Net finance costs	10	(5.5)	(5.7)
Adjusted profit before tax from continuing operations		39.3	42.5
Adjusted earnings per share from continuing operations	13		
Basic adjusted earnings per share		46.5p	49.1p
Diluted adjusted earnings per share		46.4p	48.4p

* Restated see note 2.

Group Statement of Comprehensive Income

For the year ended 30 June 2014

	Note	2014 £m	2014 £m	2013* £m	2013* £m
Profit for the year			28.9		23.4
<i>Items that may be reclassified subsequently to profit or loss</i>					
Foreign exchange translation differences		(53.9)		13.8	
Fair value movement on net investment hedges		8.6		(2.4)	
Fair value movement on cash flow hedges		0.3		0.2	
Tax relating to components of other comprehensive income	11	7.8		(3.1)	
			(37.2)		8.5
<i>Items that may not be reclassified subsequently to profit or loss</i>					
Actuarial gain/(loss) on retirement benefit obligations		4.5		(3.7)	
Tax relating to components of other comprehensive income	11	(2.5)		0.3	
			2.0		(3.4)
Other comprehensive (expense)/income for the year			(35.2)		5.1
Total comprehensive (expense)/income for the year			(6.3)		28.5
Attributable to:					
Owners of the Company			(6.3)		28.5
Minority interests			-		-
			(6.3)		28.5

* Restated see note 2.

Group Statement of Changes in Equity

	Note	Called up share capital £m	Share premium account £m	Own shares £m	Translation reserve £m	Hedging reserve £m	Retained earnings £m	Total £m	Minority interest £m	Total equity £m
Balance at 30 June 2012		6.0	112.1	(0.1)	17.1	(0.5)	143.0	277.6	0.4	278.0
Foreign exchange translation differences, net of tax		-	-	-	10.1	-	-	10.1	-	10.1
Fair value movement on net investment hedges, net of tax		-	-	-	(1.8)	-	-	(1.8)	-	(1.8)
Fair value movement on cash flow hedges, net of tax		-	-	-	-	0.2	-	0.2	-	0.2
Actuarial loss on retirement benefit obligations, net of tax*		-	-	-	-	-	(3.4)	(3.4)	-	(3.4)
<i>Other comprehensive income/(expense) for the year</i>		-	-	-	8.3	0.2	(3.4)	5.1	-	5.1
Profit for the year*		-	-	-	-	-	23.4	23.4	-	23.4
<i>Total comprehensive income for the year</i>		-	-	-	8.3	0.2	20.0	28.5	-	28.5
Recognition of share-based payments, net of tax		-	-	-	-	-	3.0	3.0	-	3.0
Issue of ordinary shares		0.1	-	-	-	-	-	0.1	-	0.1
Dividends	12	-	-	-	-	-	(9.1)	(9.1)	-	(9.1)
Balance at 30 June 2013		6.1	112.1	(0.1)	25.4	(0.3)	156.9	300.1	0.4	300.5
Foreign exchange translation differences, net of tax		-	-	-	(44.2)	-	-	(44.2)	-	(44.2)
Fair value movement on net investment hedges, net of tax		-	-	-	6.7	-	-	6.7	-	6.7
Fair value movement on cash flow hedges, net of tax		-	-	-	-	0.3	-	0.3	-	0.3
Actuarial gain on retirement benefit obligations, net of tax		-	-	-	-	-	2.0	2.0	-	2.0
<i>Other comprehensive (expense)/income for the year</i>		-	-	-	(37.5)	0.3	2.0	(35.2)	-	(35.2)
Profit for the year		-	-	-	-	-	28.9	28.9	-	28.9
<i>Total comprehensive (expense)/income for the year</i>		-	-	-	(37.5)	0.3	30.9	(6.3)	-	(6.3)
Recognition of share-based payments, net of tax		-	-	-	-	-	0.9	0.9	-	0.9
Issue of ordinary shares		-	0.1	-	-	-	-	0.1	-	0.1
Minority interest on acquisition		-	-	-	-	-	-	-	0.2	0.2
Dividends	12	-	-	-	-	-	(10.1)	(10.1)	-	(10.1)
Balance at 30 June 2014		6.1	112.2	(0.1)	(12.1)	-	178.6	284.7	0.6	285.3

* Restated see note 2.

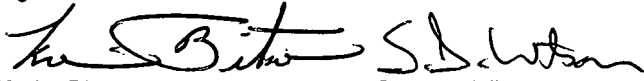
Group Balance Sheet

As at 30 June 2014

	Note	2014 £m	2013 £m
Assets			
Goodwill	14	69.9	67.8
Other intangible assets	14	64.4	68.3
Biological assets	15	208.9	224.0
Property, plant and equipment	16	40.6	45.0
Interests in joint ventures and associates	17	21.7	11.4
Available for sale investments	18	0.1	0.1
Deferred tax assets	19	4.8	20.4
Total non-current assets		410.4	437.0
Inventories	20	30.6	34.9
Biological assets	15	44.1	40.5
Trade and other receivables	21	75.1	78.9
Cash and cash equivalents	22	22.8	18.4
Income tax receivable		0.4	0.4
Asset held for sale		0.8	0.3
Total current assets		173.8	173.4
Total assets		584.2	610.4
Liabilities			
Trade and other payables	23	(53.3)	(51.7)
Interest-bearing loans and borrowings	26	(13.0)	(7.5)
Provisions	24	(1.4)	(1.1)
Obligations under finance leases	27	(1.1)	(1.2)
Current tax liabilities		(6.4)	(6.7)
Derivative financial liabilities	25	(2.6)	(0.8)
Total current liabilities		(77.8)	(69.0)
Interest-bearing loans and borrowings	26	(71.1)	(60.7)
Retirement benefit obligations	28	(58.2)	(65.0)
Provisions	24	–	(0.1)
Deferred tax liabilities	19	(90.3)	(113.1)
Derivative financial liabilities	25	–	(0.1)
Obligations under finance leases	27	(1.5)	(1.9)
Total non-current liabilities		(221.1)	(240.9)
Total liabilities		(298.9)	(309.9)
Net assets		285.3	300.5
Equity			
Called up share capital	30	6.1	6.1
Share premium account		112.2	112.1
Own shares	30	(0.1)	(0.1)
Translation reserve	30	(12.1)	25.4
Hedging reserve	30	–	(0.3)
Retained earnings		178.6	156.9
Equity attributable to owners of the Company		284.7	300.1
Minority interest		0.6	0.4
Total equity		285.3	300.5

The Financial Statements were approved by the Board of Directors on 2 September 2014.

Signed on behalf of the Board of Directors

Handwritten signatures of Karim Bitar and Stephen Wilson. Karim Bitar's signature is on the left, and Stephen Wilson's signature is on the right.

Karim Bitar
Chief Executive

Stephen Wilson
Group Finance Director

Group Statement of Cash Flows

For the year ended 30 June 2014

	Note	2014 £m	2013 £m
Net cash flow from operating activities	31	32.3	24.0
Cash flows from investing activities			
Dividends received from joint ventures and associates		0.9	0.6
Acquisition of subsidiary – Génétiporc	37	(20.4)	–
Purchase of trade and assets – Génétiporc	37	(2.0)	–
Acquisition of investment in joint venture	17	(11.2)	–
Acquisition of subsidiary – PIC Italia		(0.5)	–
Purchase of property, plant and equipment		(5.1)	(6.7)
Purchase of intangible assets		(1.5)	(1.9)
Proceeds from sale of property, plant and equipment		–	1.1
Proceeds from sale of assets held for sale		0.3	–
Net cash outflow from investing activities		(39.5)	(6.9)
Cash flows from financing activities			
Drawdown of borrowings		48.0	20.8
Repayment of borrowings		(29.2)	(26.3)
Payment of finance lease liabilities		(1.4)	(1.3)
Equity dividends paid		(10.1)	(9.1)
Issue of ordinary shares		0.1	0.1
Debt issue costs		(0.8)	–
Increase/(decrease) in bank overdrafts		6.4	(2.0)
Net cash inflow/(outflow) from financing activities		13.0	(17.8)
Net increase/(decrease) in cash and cash equivalents		5.8	(0.7)
Cash and cash equivalents at start of the year		18.4	18.6
Net increase/(decrease) in cash and cash equivalents		5.8	(0.7)
Cash acquired on acquisition		0.4	–
Effect of exchange rate fluctuations on cash and cash equivalents		(1.8)	0.5
Total cash and cash equivalents at 30 June	22	22.8	18.4

Notes to the Group Financial Statements

For the year ended 30 June 2014

1. Reporting entity

Genus plc (the 'Company') is a company incorporated in the United Kingdom under the Companies Act 2006. Its registered office is Belvedere House, Basing View, Basingstoke, Hampshire RG21 4HG. The Group Financial Statements for the year ended 30 June 2014 comprise the Company and its subsidiaries (together referred to as the 'Group'). We have used the equity method to account for the Group's interests in joint ventures and associates. Genus at a Glance on pages 2 and 3 explains the Group's operations and principal activities.

2. Basis of preparation

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

Unless otherwise stated, we have consistently applied the significant accounting policies set out below to all periods presented in these Group Financial Statements.

We reclassified certain comparative amounts in 2013, to conform to the current year's presentation, as described in the relevant notes.

Adoption of the amendments to IAS 19

We have adopted the amendments to IAS 19 for the year ended 30 June 2014, requiring us to restate some amounts for the prior year. The effect on key financial information is described below:

Consolidated income statement and statement of comprehensive income:

	Year ended 30 June 2013		
	As reported £m	Adjustments £m	New basis £m
Revenue	345.3	–	345.3
Operating profit	37.2	(0.9)	36.3
Net finance costs	(1.9)	(3.8)	(5.7)
Profit before tax	38.1	(4.7)	33.4
Profit for the financial period	27.0	(3.6)	23.4
Other comprehensive income	1.5	3.6	5.1
Total comprehensive income for the period	28.5	–	28.5
Adjusted basic earnings per share	55.0p	(5.9p)	49.1p
Basic earnings per share	44.7p	(5.9p)	38.8p

Under the revised standard the expected return on plan assets in excess of the discount rate has been moved to the Group Statement of Comprehensive Income, increasing net finance costs. Administration expenses in respect of pension schemes are now included within operating profit, rather than offset against the return on plan assets. This restatement has resulted in no net effect on the Group Balance Sheet or the Group Statement of Cash Flows.

Functional and presentation currency

We present the Group Financial Statements in Sterling, which is the Company's functional and presentational currency. All financial information presented in Sterling has been rounded to the nearest £0.1 million.

Basis of measurement

We prepare the Group Financial Statements under the historical cost convention, except for our biological assets and derivative financial instruments. In accordance with IFRS, we measure:

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

Use of estimates

Preparing financial statements requires management to make judgements, estimates and assumptions that affect our application of accounting policies and our reported assets, liabilities, income and expenses. Our actual results may differ from these estimates. We review our estimates and underlying assumptions on an ongoing basis, and recognise revisions to accounting estimates in the period in which we revise the estimate and in any future periods affected.

Note 4 provides information about significant areas of estimation uncertainty and the critical judgements we made in applying accounting policies that have the most effect on the amounts we recognised in the financial statements.

Going concern

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

At 30 June 2014 the Group had net debt of £63.9m (2013: £52.9m) and undrawn committed borrowing facilities of £55.4m. The Group's credit facilities at the balance sheet date comprised a £65m multi-currency revolving credit facility, a US\$100m revolving credit facility and an amortising US\$35m term loan, repayable in instalments by 15 September 2017. We do not expect the financial covenants on these facilities to prevent the Group making further use of the facilities if required. This, together with the maturity profile of debt, gives the Directors confidence that the Group has sufficient financial resources for the foreseeable future. As a consequence, the Directors

believe that the Company is well placed to manage its business despite current uncertainties in the economic environment.

Basis of consolidation

Subsidiaries are entities the Group controls. We have control when we have the power to govern the entity's financial and operating policies, so we benefit from its activities. In assessing control, we take into account potential voting rights that we can currently exercise or convert. We fully consolidate the results of subsidiaries we acquire from the date that control transfers to the Group. We cease consolidating the results of subsidiaries we sell from the date that control passes.

Associates are 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 it ceases. When our share of losses exceeds our interest in an associate, we reduce the carrying amount to nil and stop recognising further losses, except to the extent that the Group has incurred legal or constructive obligations or made payments on an associate's behalf.

Joint ventures are entities over whose activities we have joint control, under a contractual agreement. The Group Financial Statements include the Group's share of profit or loss arising from joint ventures.

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

Non-GAAP measures – adjusted operating profit, adjusted profit before tax and adjusted earnings per share

Adjusted operating profit, adjusted operating profit before tax from continuing operations and adjusted earnings per share exclude the net IAS 41 valuation movement on biological assets, amortisation of acquired intangible assets, share-based payment expense, exceptional items and other gains and losses.

We believe these non-GAAP measures provide shareholders with useful information about the Group's trading performance. The reconciliation between operating profit from continuing operations and adjusted operating profit from continuing operations is shown on the face of the Group Income Statement.

Foreign currency

We record foreign currency transactions in the relevant Group entity's functional currency, at the exchange rate on the transaction date. At each balance sheet date, we retranslate monetary assets and liabilities denominated in foreign currencies at the exchange rate on the balance sheet date. We recognise the foreign exchange differences arising on retranslation in the Group Income Statement.

When non-monetary assets and liabilities are measured at historical cost in a foreign currency, we translate them at the exchange rate at the transaction date. When non-monetary assets and liabilities are stated at fair value in a foreign currency, we translate them at the prevailing exchange rate on the date we determined the fair value.

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

When exchange differences arise from translating foreign operations into Sterling, or from the fair value movement of related effective hedges, we take them to the foreign currency translation reserve. When we dispose of the foreign operation, we release these differences to the income statement.

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

The principal exchange rates were as follows:

	Average			Closing		
	2014	2013	2012	2014	2013	2012
US Dollar/£	1.64	1.57	1.59	1.71	1.52	1.57
Euro/£	1.20	1.21	1.19	1.25	1.17	1.24
Brazilian Real/£	3.75	3.22	2.86	3.77	3.35	3.17
Mexican Peso/£	21.44	20.16	20.90	22.18	19.76	21.06

3. Significant accounting policies

Business combinations

We use the purchase method to account for all business combinations. The cost of acquisition is the aggregate of the fair value at the date of exchange of assets we give, liabilities we incur or assume, and equity instruments we issue in exchange for control of the acquiree. We recognise acquisition related costs in the profit and loss as we incur them.

We recognise the acquiree's identifiable assets, liabilities and contingent liabilities, which meet the conditions for recognition under IFRS 3, at their fair values at the acquisition date. The exceptions are 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 we recognise and measure at fair value less costs to sell.

Goodwill

When we acquire a subsidiary, associate or joint venture, the goodwill arising is the excess of the acquisition cost, excluding transaction costs, over our interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Identifiable assets include intangible assets which could be sold separately or which arise from legal rights, regardless of whether those rights are separable.

We state goodwill at cost less any accumulated impairment losses. We allocate goodwill to cash-generating units, which are the

smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. We do not amortise goodwill but we do test it annually for impairment. For associates, we include the carrying amount of goodwill in the carrying amount of our investment in the associate.

IAS 21 requires us to treat the following as assets and liabilities of the acquired entity rather than of the acquiring entity:

- goodwill arising on acquisition of a foreign operation; and
- any fair value adjustments we make on acquisition to the carrying amounts of the acquiree's assets and liabilities.

We therefore express them in the foreign operation's functional currency and retranslate them at the balance sheet date.

Research and development

We undertake research with the aim of gaining new scientific or technical knowledge, and recognise this expenditure in the income statement as we incur it.

The Group constantly monitors its research activities. When research projects achieve technical feasibility and are commercially viable, our policy is to capitalise further development costs in accordance with IAS 38.

Our development activities include developing and maintaining our porcine genetic nucleus herd and our bovine pre-stud herds. We do not capitalise development expenditure separately for these herds, as their fair value is included in the fair value of the Group's biological assets, in accordance with IAS 41.

We capitalise other development costs within intangible assets when the criteria of IAS 38 are met.

We disclose the costs of research and herd development activities, as required by IAS 38.

Exceptional items

The Group presents items as exceptional when the Directors believe them to be exceptional because of their size or incidence.

Intangible assets

Intangible assets that we have acquired in a business combination since 1 April 2005 are identified and recognised separately from goodwill, where they meet the definition of an intangible asset and we can reliably measure their fair values. Their cost is their fair value at the acquisition date.

After their initial recognition, we report these intangible assets at cost less accumulated amortisation and accumulated impairment losses. This is the same basis as for intangible assets acquired separately.

The estimated useful lives for intangible assets are as follows:

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

Intangible assets acquired separately

We carry intangible assets acquired other than through a business combination at cost less accumulated amortisation and any impairment loss. We charge amortisation on a straight-line basis over their estimated useful lives, and review the useful life and amortisation method at the end of each financial year, accounting for the effect of any changes in estimate on a prospective basis.

Impairment

We review the carrying amounts of our tangible and intangible assets at each balance sheet date, to determine whether there is any indication of impairment. If any indication exists, we estimate the asset's recoverable amount.

For goodwill, and tangible and intangible assets that are not yet available for use, we estimate the recoverable amount at each balance sheet date. The recoverable amount is the greater of their net selling price and value in use. In assessing value in use, we discount the estimated future cash flows to their present value, using a pre-tax discount rate of 11.1% (2013: 11.4%), which is the Group's weighted average cost of capital. For some countries we add a premium to this rate, to reflect the risk attributable to that country. If the asset does not generate largely independent cash inflows, we determine the recoverable amount for the cash-generating unit ('CGU') that the asset belongs to.

We recognise an impairment loss in the income statement whenever the carrying amount of an asset or its CGU exceeds its recoverable amount.

When we recognise an impairment loss in respect of a CGU, we first allocate it to reduce the carrying amount of any goodwill allocated to CGUs, and then apply any remaining loss to reduce the carrying amount of the unit's other assets on a pro rata basis.

Reversals of impairment

We reverse an impairment loss in respect of assets other than goodwill when the impairment loss may no longer exist and we have changed the estimates we used to determine the recoverable amount.

We only reverse an impairment loss to the extent that the asset's carrying amount does not exceed the carrying amount it would have had, net of depreciation or amortisation, if we had not recognised the impairment loss.

Biological assets and inventories

The Group's principal activity during the period was the global application of quantitative genetics and biotechnology to animal breeding. We use these techniques to identify and select animals with the genes responsible for superior milk and meat, high health and performance traits. We sell breeding animals and semen to customers, who use them to produce offspring which yield greater production efficiency, milk and meat quality, for the global dairy and meat supply chain.

In bovine, we use research and development to identify genetically superior bulls in a number of breeds, primarily the Holstein dairy breed. Each selected bull has its performance measured against its peers, by using genomic evaluations and progeny testing of its

daughters' performance. We collect and freeze semen from the best bulls, to satisfy our customers' demand. Farmers use semen from dairy breeds to breed replacement milking stock. They use the semen we sell from beef breeds in either specialist beef breeding herds, for multiplying breeding bulls for use in natural service, or on dairy cows to produce animals to be reared for meat.

We hold our bovine biological assets for long-term internal use and classify them as non-current assets. We transfer bull semen to inventory at its fair value at the point of harvest, which becomes its deemed cost under IAS 2. We state our inventories at the lower of this deemed cost and net realisable value.

Sorting semen is a production process rather than a biological process. As a result, we transfer semen inventory into sexed semen production at its fair value at the point of harvest, less the cost to sell, and it becomes a component of the production process. We carry sexed semen in finished goods at production cost.

In porcine, we maintain and develop a central breeding stock (the 'nucleus herd'), to provide genetically superior animals. These genetics help make farmers and food processors more profitable, by increasing their output of consistently high-quality products, which yield higher value. So we can capitalise on our intellectual property, we outsource the vast majority of our pig production to our global multiplier network. We sell the offspring or semen we obtain from animals in the nucleus herd to customers for use in commercial farming. Porcine semen is sold fresh and has a short life when frozen.

Pig sales generally occur in one of two ways: 'upfront' and 'royalty'. Under upfront sales, we receive the full fair value of the animal at point we transfer it to the customer. Under royalty sales, the pig is regarded as comprising two separately identifiable components: its carcass and its genetic potential. We receive the initial consideration, which is approximately the animal's carcass value, at the point we transfer the pig to the customer. We retain our interest in the pig's genetic potential and receive royalties for the customer's use of this genetic potential.

The breeding animal biological assets we own, and our retained interest in the biological assets we have sold under royalty contracts, are recognised and measured at fair value at each balance sheet date. We recognise changes in fair value in the income statement, within operating profit for the period.

We classify the porcine biological assets we are using as breeding animals as non-current assets and carry them at fair value. The porcine biological assets we are holding for resale, which are the offspring of the breeding herd, are carried at fair value and classified as current assets. We split our retained interest in the genetics from royalty sales between current and non-current assets, based on the remaining expected life of the animals.

Determination of fair values – biological assets

IAS 41 'Agriculture' requires us to show the carrying value of biological assets in the Group Balance Sheet. We determine this carrying value according to IAS 41's provisions and show the net valuation movement in the income statement. There are important differences in how we value our bovine and porcine assets, as explained below.

Bovine – we base the fair value of proven bulls, bulls with a genomic evaluation and bulls on test, on the net cash flows we expect to receive from selling their semen, discounted at a current market-determined pre-tax rate. Proven bulls are those we have evaluated and whose semen we actively market. Genomic bulls are those we market on their estimated genetic value. We adjust the fair value of the bovine herd and semen inventory we manage where a third party has a share in semen sales from a particular bull. The significant assumptions determining the fair values are the expected future demand for semen, estimated production value, each bull's expected marketable life and, for bulls on test, the percentage whose production we expect to actively market. In assessing the sales price, we use independent statistical data for the bulls. This data is produced three times a year in all our major markets. In addition, we estimate which markets we will sell the semen in, as well as domestic and export prices. Bulls that have not yet entered our testing programme have a fair value equivalent to their acquisition and rearing costs.

Porcine – the fair values of porcine biological assets includes the animals we own entirely and our retained interest in the genetics of animals we have sold under royalty arrangements. The fair value of animals we own is calculated using the animals' average live weights, plus a premium where we believe that their genetics make them saleable. We base the live weight value and the genetic premium on recent transaction prices we have achieved. The significant assumptions in determining fair values are the breeding animals' expected life, the percentage of production animals that are saleable as breeding animals, and the expected sales prices. For our retained interest in the genetics of animals sold under royalty contracts, we base the initial fair value on the fair values we achieved in recent direct sales of similar animals, less the amount we received upfront for the carcass element. We then remeasure the fair value of our retained interest at each reporting date. The significant assumption in determining the fair value of the retained interest is the animals' expected life.

We value the pigs in our pure line herds, which are the repository of our proprietary genetics, as a single unit of account. We do this using a discounted cash flow model, applied to the herds' future outputs at current prices. The significant assumptions we make are the number of future generations attributable to the current herds, the fair value prices we achieve on sales, the animals' expected useful lifespan and productivity, and the discount rate.

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

To manage commercial risk, a very large part of our porcine business model involves selling pigs to farmers ('multipliers') who produce piglets on farms we neither manage nor control. We have the option, but not the obligation, to buy the offspring at slaughter market value plus a premium. Because the offspring have superior genetics, we can then sell them to other farmers at a premium.

We do not recognise the right to purchase offspring on the balance sheet, as we enter into the contracts and continue to hold them for the purpose of receiving non-financial items (the offspring), in accordance with our expected purchase requirements. This means the option is outside the scope of IAS 39. We do not recognise the offspring as biological assets under IAS 41, as we do not own or control them.

Property, plant and equipment

We state property, plant and equipment 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, we account for them separately.

We charge depreciation to the income statement on a straight-line basis, over the estimated useful lives of each part of an asset. The estimated useful lives are as follows:

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

We do not depreciate land and assets not available for use.

Trade and other receivables

We state trade and other receivables at their nominal amount less any impairment losses. If there is a material difference between the nominal amount and the present value, we state the trade or other receivable at its present value.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances.

Bank overdrafts that are repayable on demand form an integral part of our cash management. We only include them in cash and cash equivalents in the statement of cash flows.

Interest-bearing loans and borrowings

We initially recognise interest-bearing loans and borrowings at their fair value, less attributable transaction costs. After this initial recognition, we state them at amortised cost and recognise any difference between the cost and redemption value in the income statement over the borrowings' expected life, on an effective interest rate basis.

Provisions

We recognise a provision in the balance sheet when an event results in the Group having a current legal or constructive obligation, and it is probable that we will have to settle the obligation through an outflow of economic benefits. If the effect is material, we discount provisions to their present value.

Revenue

Revenue is 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 ancillary products, which we recognise when risks and rewards transfer to the customer. This is either when we ship to customers or on delivery, depending on the terms of sale.
- Royalties, which we recognise when receivable. We receive royalty payments 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 the animals born.
- Revenue from consulting and other services, which represent the amounts we charged for services we provided during the year, including recoverable expenses but excluding value added tax. We recognise services provided but not yet billed as revenue, based on a fair value assessment of the work we have delivered and our contractual right to receive payment. Where unbilled revenue is contingent on a future event, we do not recognise any revenue until the event occurs.

Leases

We classify leases as finance leases whenever the lease terms transfer substantially all the risks and rewards of ownership to us. All other leases are operating leases.

We recognise the assets we hold under finance leases at their fair value or, if lower, at the present value of the minimum lease payments, each of which we determine at the start of the lease. We include our corresponding liability in the balance sheet, as a finance lease obligation.

We apportion lease payments between finance charges and a reduction in our lease obligation, so we achieve a constant rate of interest on the remaining liability. We recognise finance charges directly in the income statement, unless they are directly attributable to qualifying assets, in which case we capitalise them in accordance with our general policy on borrowing costs (see below).

For operating leases, we charge the rentals payable, and any incentives we receive to enter into an operating lease, to the income statement on a straight-line basis over the lease term.

Finance costs

We recognise interest income and interest payable in the income statement as they accrue. We recognise dividend income in the income statement on the date the entity's right to receive payments is established.

Qualifying assets are those that necessarily take a substantial period of time to get ready for their intended use or sale. Finance costs that are directly attributable to constructing a qualifying asset are added to the asset's cost, until the asset is substantially ready for its intended use or sale.

We recognise other borrowing costs in the income statement in the period in which we incur them.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. We recognise tax in the income statement, unless:

- it relates to items we have recognised directly in equity, in which case we recognise it in equity; or
- it arises as a fair value adjustment in a business combination.

We provide for current tax, including UK corporation tax and foreign tax, at the amounts we expect to pay (or recover), using the tax rates and the laws enacted or substantively enacted at the balance sheet date, together with any adjustments to tax payable in respect of previous years.

Deferred tax is tax we expect to pay or recover due to differences between the carrying amounts of our assets and liabilities in our financial statements and the corresponding tax bases used in calculating our taxable profit. We account for deferred tax using the balance sheet liability method.

We generally recognise deferred tax liabilities for all taxable temporary differences, and deferred tax assets to the extent that we will

probably have taxable profits to utilise deductible temporary differences against. We do not recognise these assets and liabilities if the temporary difference arises from:

- our initial recognition of goodwill; or
- our initial recognition of other assets and liabilities in a transaction (other than a business combination) that affects neither our taxable profit nor our accounting profit.

We recognise deferred tax liabilities for taxable temporary differences arising on our investments in subsidiaries and associates, and interests in joint ventures, except where we can control the reversal of the temporary difference, and it is probable that it will not reverse in the foreseeable future.

We calculate deferred tax at the tax rates we expect to apply in the period when we settle the liability or realise the asset. We charge or credit deferred tax in the income statement, except when it relates to items we have charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Share-based payments

In accordance with IFRS 2, we recognise the fair value of share awards and options granted as an employee expense, with a corresponding increase in equity. We measure the fair value at the grant date and spread it over the vesting period of each option. We use a binomial valuation model to measure the fair value of options, and a Black-Scholes valuation model to measure the fair value of share awards. We adjust the amount we recognise as an expense, to reflect the estimated performance against non-market related conditions and the number of share awards and options that actually vest at the end of the vesting period.

Treasury shares

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

Retirement benefit obligations

Defined contribution pension schemes

A number of our employees are members of defined contribution pension schemes. We charge contributions to the income statement as they become payable under the scheme rules. We show differences between the contributions payable and the amount we have paid as either accruals or prepayments in the balance sheet. The schemes' assets are held separately from those of the Group.

Defined benefit pension schemes

The Group operates defined benefit pension schemes for some of its employees. These schemes are closed to new members. We calculate our net obligation separately for each scheme, by estimating the amount of future benefit that employees have earned, in return for their service to date. We discount that benefit to determine its present value, and deduct the fair value of the plan's assets (at bid price). The liability discount rate we use is the market yield at the balance sheet date on high-quality corporate bonds, with terms to maturity approximating our pension liabilities. Qualified actuaries perform the calculations, using the projected unit market method.

We recognise actuarial gains and losses directly into equity in the period in which they occur, through the Group Statement of Changes in Equity. Actuarial gains and losses include the difference between the expected and actual return on scheme assets and experience gains and losses on scheme liabilities.

We recognise pension costs evenly over the service lives of the employees concerned. We allocate any difference between the actuarial value of assets and the actuarial value of liabilities over the average remaining service lives of current employees.

The retirement benefit obligations referred to in note 28 include those relating to the Milk Pension defined benefit scheme. Genus and the other participating employers are jointly and severally liable for the scheme's obligations. We account for our section of the scheme and our share of any orphan assets and liabilities, and provide for any amounts we believe we will have to pay under our joint and several liability. The joint and several liability also means we have a contingent liability for the scheme's obligations that we have not accounted for.

Under the joint and several liability, we initially recognise any changes in our share of orphan assets and liabilities in the income statement. After this initial recognition, any actuarial gains and losses in the orphan assets and liabilities are recognised directly into equity through the Group Statement of Changes in Equity, in the period in which they occur.

Derivative financial instruments and hedging activities

The Group uses interest rate swaps to hedge interest rate risk, forward exchange contracts to manage foreign exchange risk and forward commodity contracts to manage commodity price risk.

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

The fair values of forward exchange contracts and forward commodity contracts are their quoted market price at the balance sheet date, which is the present value of the quoted forward price.

Cash flow hedges

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

If we hedge a forecast transaction that subsequently results in our recognising a financial asset or liability, we recycle the associated gains and losses that we had recognised in equity in the Group Income Statement. We do this in the same period or periods that the asset or liability affects the Group Income Statement, which are the periods when we recognise the interest income or expense.

If we expect a hedged forecast transaction to occur but the hedging instrument has expired, been sold, terminated or exercised, or we have revoked the designation of the hedge relationship, then the cumulative gain or loss at that point remains in equity and we recognise it in accordance with the above policy when the transaction occurs. If we no longer expect the hedged transaction to take place, we immediately recognise in the Group Income Statement the cumulative unrealised gain or loss recognised in equity.

Net investment hedges

Where we have designated a derivative financial instrument as hedging the variability of the net assets of an overseas subsidiary, which arises from the spot or forward exchange rate translation risk associated with the subsidiary's functional currency, we recognise the effective part of any gain or loss on the instrument 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 we revoke designation of the hedge relationship, the cumulative gain or loss at that point remains in equity until we dispose of the investment it relates to.

We only apply net investment hedge accounting in the Group Financial Statements.

New standards and interpretations

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

- Amendments to IAS 19 'Employee Benefits', IFRS 1 'Government Loans', and IFRS 7 'Disclosures – Offsetting Financial Assets and Financial Liabilities';
- IFRS 10 'Consolidated Financial Statements', IFRS 11 'Joint Arrangements', IFRS 12 'Disclosure of Interests in Other Entities', IFRS 13 'Fair Value Measurement'; and
- IAS 27 (2011) 'Separate Financial Statements' and IAS 28 (2011) 'Investments in Associates and Joint Ventures', 'Improvements to IFRS 2009–2011 Cycle', 'Consolidated Financial Statement, Joint Arrangements and Disclosure of Interest in Other Entities: Transition Guidance' and IFRIC 20 'Stripping Costs in the Production Phase of a Surface Mine'.

Except for the amendments to IAS 19, there has been no significant impact on the results or disclosures for the current period from the adoption of these new standards and interpretations.

New standards and interpretations not yet adopted

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

- IFRS 9 'Financial Instruments', IFRS 15 'Revenue from Contracts with Customers';
- IAS 32 'Offsetting Financial Assets and Financial Liabilities' and
- IFRIC 21 'Levies'.

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

- IFRS 9 'Financial Instruments', which will introduce a number of changes in the presentation of financial instruments.

Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

4. Significant areas of judgement and determination of fair values

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

Determination of the fair value of biological assets

Determining the fair values of our bovine and porcine biological assets requires significant judgement and assumptions.

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

Porcine: The key judgements and assumptions are in respect of the animals' useful lifespan, the proportion that go to slaughter, the mix of boars and gilts and, in the case of the animals in the pure line herds, the number of future generations attributable to the current herds, the fair value prices achieved on sales, the animals' expected useful lifespan and productivity, and the discount rate we apply. See note 15.

Fair value of assets and liabilities on business combinations

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

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

Impairment of goodwill, intangible and tangible assets

Determining whether goodwill, intangible and tangible assets are impaired requires us to consider any specific impairment indicators and to estimate the value in use of the cash-generating units to which we have allocated goodwill, intangible and tangible assets. The value in use calculation requires us to estimate the future cash flows arising from the cash-generating unit and the appropriate discount rate, in order to calculate present value. See note 14.

Recognition of deferred tax assets

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

Defined benefit pension scheme

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

Share-based payments

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

5. Segmental information

The Group presents its segmental information on the basis that the chief operating decision maker regularly reviews for assessing our business performance and allocating resources.

Our business is not highly seasonal and our customer base is diversified, with no individual customer generating more than 2% of revenue.

Revenue

	2014 £m	2013 £m
Genus PIC	152.8	133.5
Genus ABS	157.4	146.8
Genus Asia	46.5	55.5
Research and Development		
Research	-	-
Porcine Product Development	15.5	9.5
Bovine Product Development	-	-
	15.5	9.5
	372.2	345.3

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

Operating profit

	2014 £m	2013 £m
Genus PIC	50.0	48.2
Genus ABS	24.2	22.8
Genus Asia	6.8	12.3
Research and Development		
Research	(3.1)	(2.7)
Porcine Product Development	(13.0)	(14.7)
Bovine Product Development	(11.6)	(10.6)
	(27.7)	(28.0)
Segment operating profit	53.3	55.3
Central costs	(10.4)	(10.3)
Adjusted operating profit	42.9	45.0

Other segment information

	Depreciation		Amortisation		Additions to non-current assets	
	2014 £m	2013 £m	2014 £m	2013 £m	2014 £m	2013 £m
Genus PIC	0.4	0.4	5.8	5.2	0.5	0.4
Genus ABS	1.2	1.3	0.6	0.6	1.9	2.1
Genus Asia	0.4	0.5	-	-	0.3	0.5
Research and Development						
Research	-	-	-	-	0.2	0.8
Porcine Product Development	1.7	1.9	-	-	0.7	0.9
Bovine Product Development	0.1	0.1	-	-	2.5	3.3
	1.8	2.0	-	-	3.4	5.0
Segment total	3.8	4.2	6.4	5.8	6.1	8.0
Central	1.3	1.1	-	-	1.7	2.6
Total	5.1	5.3	6.4	5.8	7.8	10.6

	Segment assets		Segment liabilities	
	2014 £m	2013 £m	2014 £m	2013 £m
Genus PIC	198.6	194.6	(41.4)	(45.4)
Genus ABS	107.3	118.5	(32.5)	(28.1)
Genus Asia	38.6	36.5	(7.7)	(9.0)
Research and Development				
Research	1.2	1.1	(0.8)	-
Porcine Product Development	86.1	80.6	(35.0)	(36.8)
Bovine Product Development	149.0	166.3	(45.9)	(51.6)
	236.3	248.0	(81.7)	(88.4)
Segment total	580.8	597.6	(163.3)	(170.9)
Central	3.4	12.8	(135.6)	(139.0)
Total	584.2	610.4	(298.9)	(309.9)

Other exceptional items of £2.0m expense (2013: £4.2m gain), relate to Genus PIC and our central segment. Note 7 provides details of these exceptional items.

We consider share-based payments on a Group-wide basis and do not allocate them to reportable segments.

Geographical information

The Group's revenue by geographical segments is analysed below:

Revenue

	2014 £m	2013 £m
North America	153.7	127.5
Latin America	50.2	47.9
Europe	121.8	114.4
Asia	46.5	55.5
	372.2	345.3

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

	2014 £m	2013 £m
North America	261.2	274.8
Latin America	45.2	40.8
Europe	84.8	82.3
Asia	14.4	18.7
	405.6	416.6

6. Revenue

	2014 £m	2013 £m
Sale of animals, semen and veterinary products	297.7	275.1
Royalties	67.1	62.4
Consulting services	7.4	7.8
	372.2	345.3
Interest income (see note 10)	0.2	0.1
Total	372.4	345.4

7. Exceptional items

Operating (expenses)/income:

	2014 £m	2013 £m
Acquisition and integration	(1.8)	–
Other (including restructuring)	(0.2)	(2.8)
Release of pension provision	–	7.0
Other exceptional items	(2.0)	4.2

During the period, £1.8m of expenses were incurred in relation to the acquisition and integration, principally of Génétiporc. See note 37.

Included within Other was £0.8m of income, net of legal fees, which relates to a cash settlement received in the period from a long standing legal claim. Also included is £0.6m of legal fees related to an action by Genus against Sexing Technologies.

During the prior year, the multi-employer Milk Pension Fund triennial valuation as at 31 March 2012 was completed and a new funding agreement between the employers was agreed. In addition, two participating employers exited the scheme and made cash payments of £31m. These changes gave rise to an exceptional credit of £7.0m. Also in the prior year, we incurred a restructuring charge of £2.8m that related principally to a refocusing of the European porcine business as it continued to reduce direct farm operations, whilst widening its restructuring programme in line with the Group's global strategy.

8. Operating profit

Operating costs comprise:

	2014 £m	2013* £m
Cost of sales excluding net IAS 41 valuation movement on biological assets and amortisation of multiplier contract intangible assets	(167.6)	(140.4)
Net IAS 41 valuation movement on biological assets	7.5	(4.9)
Amortisation of multiplier contract intangible assets	(0.2)	(0.2)
Cost of goods	(160.3)	(145.5)
Other cost of sales	(79.6)	(77.5)
Amortisation of customer relationship intangible assets	(3.0)	(3.0)
Cost of sales	(82.6)	(80.5)
Research and Development expenditure	(27.7)	(28.0)
Amortisation of technology intangible assets	(2.6)	(2.0)
Research and Development costs	(30.3)	(30.0)
Administrative expenses	(53.8)	(53.8)
Share-based payment expense	(0.8)	(2.8)
Amortisation of software	(0.6)	(0.6)
Exceptional items within administrative expenses	(2.0)	4.2
Total administrative expenses	(57.2)	(53.0)
Total operating costs	(330.4)	(309.0)

* Restated see note 2.

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

	2014 £m	2013 £m
Net foreign exchange losses	0.1	0.1
Depreciation of owned fixed assets	4.2	4.3
Depreciation of assets held under finance leases and hire purchase contracts	0.9	1.0
Loss/(gain) on disposal of fixed assets	0.2	(0.3)
Operating lease rentals		
– plant and machinery	2.3	0.9
– other	4.0	6.3
Employee costs (see note 9)	99.4	97.2
Cost of inventories recognised as an expense	71.2	58.7

Auditor's remuneration is as follows:

	2014 £m	2013 £m
Fees payable to the Company's auditor for the audit of the Company's Annual Report and Financial Statements	0.1	0.1
Fees payable to the Company's auditor and associates for the audit of the Company's subsidiaries	0.5	0.5
Total audit fees	0.6	0.6
Tax services	0.3	0.2
Other services	–	0.2
Total non-audit fees	0.3	0.4
Total fees to the Group's auditor	0.9	1.0
Fees payable to other auditors of Group companies	–	–

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

9. Employee costs

Employee costs, including Directors' remuneration amounted to:

	2014 £m	2013 £m
Wages and salaries	89.7	86.4
Social security costs	6.8	6.7
Contributions to defined contribution pension plans	2.0	1.8
Expenses/(income) related to defined benefit pension plans	–	(0.1)
Share-based payment expense (excluding NI)	0.9	2.4
	99.4	97.2

The average monthly number of full time equivalent employees, including Executive Directors, was as follows:

	2014 Number	2013* Number
Genus PIC	515	504
Genus ABS	1,289	1,267
Genus Asia	377	397
Research and Development	93	90
Central	40	32
	2,314	2,290

Included in the totals above:

UK	707	700
----	-----	-----

* Restated see note 2.

The Directors' Remuneration Report sets out details of the Directors' remuneration, pensions and share options.

10. Net finance costs

	2014 £m	2013* £m
Interest payable on bank loans and overdrafts	(1.7)	(1.6)
Amortisation of debt issue costs	(0.4)	(0.5)
Other interest payable	(0.2)	(0.1)
Net interest cost in respect of pension scheme liabilities	(2.9)	(3.1)
Net interest cost on derivative financial instruments	(0.5)	(0.5)
Total interest expense	(5.7)	(5.8)
Interest income on bank deposits	0.2	0.1
Total interest income	0.2	0.1
Net finance costs	(5.5)	(5.7)

* Restated see note 2.

11. Income tax expense

	2014 £m	2013 £m
Current tax expense		
Current period	10.8	12.3
Adjustment for prior periods	(0.7)	(0.3)
Total current tax expense in the Group Income Statement	10.1	12.0
Deferred tax income		
Origination and reversal of temporary differences (see note 19)	(1.0)	(2.0)
Adjustment for prior periods	0.2	–
Total deferred tax income in the Group Income Statement	(0.8)	(2.0)
Total income tax expense excluding share of income tax of equity accounted investees	9.3	10.0
Share of income tax of equity accounted investees	0.7	0.6
Total income tax expense in the Group Income Statement	10.0	10.6

Reconciliation of effective tax rate

	2014 %	2014 £m	2013 %	2013 £m
Profit before tax		38.2		33.4
Income tax at UK corporation tax of 22.5% (2013: 23.75%)	22.50	8.6	23.75	7.9
Effect of tax rates in foreign jurisdictions	14.10	5.4	9.30	3.1
Non-deductible expenses	0.50	0.2	3.30	1.1
Tax exempt income and incentives	(3.40)	(1.3)	(6.60)	(2.2)
Change in tax rate	(6.30)	(2.4)	(2.40)	(0.8)
Movements in recognition of tax losses	1.60	0.6	3.60	1.2
Change in unrecognised temporary differences	(1.30)	(0.5)	1.70	0.6
Tax over provided in prior periods	(1.00)	(0.4)	(0.90)	(0.3)
Tax on undistributed reserves	(0.50)	(0.2)	–	–
Total income tax expense in the Group Income Statement	26.20	10.0	31.75	10.6

The tax rate for the year depends on our mix of profits by country, particularly the high proportion of profits we generate in North America, and our ability to recognise deferred tax assets in respect of losses in some of our smaller territories.

The tax (credit)/expense attributable to exceptional items is £(0.3)m (2013: £1.3m).

Income tax recognised directly in equity

Tax in relation to:

	2014 £m	2013 £m
Foreign exchange differences on long-term intra-Group currency loans	0.2	(0.2)
Gain on financial instruments	–	0.1
Actuarial movement on retirement benefit obligations	2.5	(0.3)
Translation of biological assets, intangible assets and finance leases	(8.0)	3.2
Income tax on income and expense recognised directly in equity	(5.3)	2.8
Share-based payment expense	(0.1)	(0.6)
Total income tax recognised directly in equity	(5.4)	2.2

12. Dividends

Amounts recognised as distributions to equity holders in the year:

	2014 £m	2013 £m
Final dividend		
Final dividend for the year ended 30 June 2012 of 10.1 pence per share	–	6.1
Final dividend for the year ended 30 June 2013 of 11.1 pence per share	6.7	–
Interim dividend		
Interim dividend for the year ended 30 June 2013 of 5.0 pence per share	–	3.0
Interim dividend for the year ended 30 June 2014 of 5.5 pence per share	3.4	–
	10.1	9.1

The Directors have proposed a final dividend of 12.2 pence per share for 2014. This is subject to shareholders' approval at the Annual General Meeting and we have therefore not included it as a liability in these financial statements.

13. Earnings per share

Basic earnings per share from continuing operations

	2014	2013*
Basic earnings per share	47.7p	38.8p

The calculation of basic earnings per share from continuing operations for the year ended 30 June 2014 is based on the profit attributable to ordinary shareholders from continuing operations of £28.9m (2013: £23.4m) and a weighted average number of ordinary shares outstanding of 60,592,000 (2013: 60,344,000), which is calculated as follows:

Weighted average number of ordinary shares (basic)

	2014 000s	2013 000s
Issued ordinary shares at start of the year	60,649	60,296
Effect of own shares held	(239)	(204)
Shares issued on exercise of stock options	41	100
Shares issued in relation to employee benefit trust	141	152
Weighted average number of ordinary shares in year	60,592	60,344

Diluted earnings per share from continuing operations

	2014	2013*
Diluted earnings per share	47.6p	38.3p

The calculation of diluted earnings per share from continuing operations for the year ended 30 June 2014 is based on profit attributable to ordinary shareholders from continuing operations of £28.9m (2013: £23.4m) and a weighted average number of ordinary shares outstanding, after adjusting for the effects of all potential dilutive ordinary shares of 60,713,000 (2013: 60,952,000), which is calculated as follows:

Weighted average number of ordinary shares (diluted)

	2014 000s	2013 000s
Weighted average number of ordinary shares (basic)	60,592	60,344
Dilutive effect of share options	121	608
Weighted average number of ordinary shares for the purposes of diluted earnings per share	60,713	60,952

Adjusted earnings per share from continuing operations

	2014	2013*
Adjusted earnings per share	46.5p	49.1p
Diluted adjusted earnings per share	46.4p	48.4p

Adjusted earnings per share is calculated on profit before net IAS 41 valuation movement on biological assets, amortisation of acquired intangible assets, share-based payment expense and exceptional items after charging taxation associated with those profits, of £28.2m (2013: £29.6m), which is calculated as follows:

	2014 £m	2013* £m
Profit before tax from continuing operations	38.2	33.4
Add/(deduct):		
Net IAS 41 valuation movement on biological assets	(7.5)	4.9
Amortisation of acquired intangible assets	5.8	5.2
Share-based payment expense	0.8	2.8
Pension related	–	(7.0)
Acquisition and integration	1.8	–
Other (including restructuring)	0.2	2.8
Net IAS 41 valuation movement on biological assets in joint ventures and associates	(0.7)	(0.2)
Tax on joint ventures and associates	0.7	0.6
Adjusted profit before tax	39.3	42.5
Adjusted tax charge	(11.1)	(12.9)
Adjusted profit after taxation	28.2	29.6
Effective tax rate on adjusted profit	28.2%	30.4%

* Restated see note 2.

14. Intangible assets

	Porcine genetics technology £m	Multiplier contracts £m	Customer relationships £m	Separately identified acquired intangible assets £m	Software £m	Other £m	Total £m	Goodwill £m
Cost								
Balance at 1 July 2012	40.4	3.7	53.8	97.9	6.6	4.8	109.3	66.4
Additions	–	–	–	–	–	1.9	1.9	–
Effect of movements in exchange rates	–	0.2	1.5	1.7	0.1	–	1.8	1.4
Balance at 30 June 2013	40.4	3.9	55.3	99.6	6.7	6.7	113.0	67.8
Additions	–	–	–	–	–	1.5	1.5	–
Acquisition	2.4	–	2.6	5.0	–	–	5.0	7.6
Effect of movements in exchange rates	(0.1)	(0.4)	(6.5)	(7.0)	(0.2)	–	(7.2)	(5.5)
Balance at 30 June 2014	42.7	3.5	51.4	97.6	6.5	8.2	112.3	69.9
Amortisation and impairment losses								
Balance at 1 July 2012	13.2	1.4	20.9	35.5	2.6	–	38.1	–
Amortisation for the year	2.0	0.2	3.0	5.2	0.6	–	5.8	–
Effect of movements in exchange rates	–	0.1	0.7	0.8	–	–	0.8	–
Balance at 30 June 2013	15.2	1.7	24.6	41.5	3.2	–	44.7	–
Amortisation for the year	2.3	0.2	3.3	5.8	0.6	–	6.4	–
Effect of movements in exchange rates	–	(0.2)	(3.0)	(3.2)	–	–	(3.2)	–
Balance at 30 June 2014	17.5	1.7	24.9	44.1	3.8	–	47.9	–
Carrying amounts								
At 30 June 2014	25.2	1.8	26.5	53.5	2.7	8.2	64.4	69.9
At 30 June 2013	25.2	2.2	30.7	58.1	3.5	6.7	68.3	67.8
At 30 June 2012	27.2	2.3	32.9	62.4	4.0	4.8	71.2	66.4

Additions in the year to intangible assets of £1.5m relates to costs capitalised in respect of a development project.

Impairment testing for cash-generating units ('CGU') containing goodwill

To test impairment, we allocate goodwill to our operating segments. These are the lowest level within the Group at which we monitor goodwill for internal management purposes.

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

	2014 £m	2013 £m
Genus PIC	47.1	44.5
Genus ABS	15.8	16.1
Genus Asia	7.0	7.2
	69.9	67.8

We test goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

We determine the recoverable amount of our CGUs by using value in use calculations. The key assumptions for these calculations relate to discount rates, growth rates, expected changes to selling prices and direct costs. We have estimated the discount rate using the Group's weighted average cost of capital ('WACC'). Our estimates of changes in selling prices and direct costs are based on past experience and our expectations of future changes in the market.

We prepare cash flows for the next five years derived from our most recent financial and strategic plans approved by management, and extrapolate cash flows beyond this period using estimated growth rates.

We have applied annual growth rates ranging from 0% to 40% to cash flows in the five year financial and strategic planning period.

A growth rate of 2.5% (2013: 2.5%) has been used to extrapolate cash flows beyond this period.

The post-tax WACC of 8.0% (2013: 8.0%) we applied to our cash flow projections equates to a pre-tax rate of approximately 11.1% (2013: 11.4%). We risk adjusted the discount rate on a country basis adding between 0% and 16% to the WACC as appropriate.

Genus PIC and Genus ABS CGUs are deemed to be significant. The individual country assumptions used to determine value in use for these CGUs are:

	Adjusted discount rate		Short-term growth rates (CAGR)		Long-term growth rates	
	2014	2013	2014	2013	2014	2013
Genus PIC	11%–14%	11%–13%	3%–15%	0%–15%	2.5%	2.5%
Genus ABS	11%–26%	11%–13%	3%–33%	2%–13%	2.5%	2.5%

Sensitivity to changes in assumptions

We believe that no reasonable potential change in any of the above key assumptions would cause the carrying value of any unit to exceed its recoverable amount.

15. Biological assets

Fair value of biological assets

	Bovine £m	Porcine £m	Total £m
Non-current biological assets	152.2	70.8	223.0
Current biological assets	–	36.8	36.8
Balance at 30 June 2012	152.2	107.6	259.8
Increases due to purchases	5.4	89.0	94.4
Decreases attributable to sales	–	(131.2)	(131.2)
Decrease due to harvest	(27.2)	(9.4)	(36.6)
Changes in fair value less estimated sale costs	12.2	57.5	69.7
Effect of movements in exchange rates	4.4	4.0	8.4
Balance at 30 June 2013	147.0	117.5	264.5
Non-current biological assets	147.0	77.0	224.0
Current biological assets	–	40.5	40.5
Balance at 30 June 2013	147.0	117.5	264.5
Increases due to purchases	5.6	102.5	108.1
Decreases attributable to sales	–	(153.2)	(153.2)
Decrease due to harvest	(33.3)	(11.0)	(44.3)
Changes in fair value less estimated sale costs	24.5	75.0	99.5
Acquisition of Génétiporc (see note 37)	–	8.9	8.9
Effect of movements in exchange rates	(15.2)	(15.3)	(30.5)
Balance at 30 June 2014	128.6	124.4	253.0
Non-current biological assets	128.6	80.3	208.9
Current biological assets	–	44.1	44.1
Balance at 30 June 2014	128.6	124.4	253.0

Bovine biological assets include £3.6m (2013: £3.2m) representing the fair value of bulls owned by third parties but managed by the Group, net of expected future payments to such third parties and are therefore treated as assets held under finance leases.

There are no movements in the carrying value of the bovine biological assets in respect of sales or other changes during the year.

The current market determined post-tax rate used to discount expected future net cash flows from the sale of bull semen is the Group's weighted average cost of capital. This has been assessed as 8.0% (2013: 8.0%).

Decreases due to harvest represent the semen extracted from the biological assets. Inventories of such semen are shown as biological asset harvest in note 20.

Porcine biological assets include £46.2m (2013: £36.9m) 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 £80.7m (2013: £73.0m) in respect of these contracts comprising £13.6m (2013: £10.6m) on initial transfer of animals to customers and £67.1m (2013: £62.4m) in respect of royalties received. Decreases attributable to sales during the period of £153.2m (2013: £131.2m) include £32.8m (2013: £28.9m) in respect of the reduction in fair value of the retained interest in the genetics of animals sold under royalty contracts.

For pure line porcine herds, the net cash flows from the expected output of the herds are discounted at the Group's required rate of return adjusted for the greater risk implicit in including output from future generations. This adjusted rate has been assessed as 11.0% (2013: 11.0%). The number of future generations which have been taken into account is seven (2013: seven) and their estimated useful lifespan is 1.4 years (2013: 1.4 years).

Included in increases due to purchases is the aggregate gain arising during the period on initial recognition of biological assets in respect of multiplier purchases £34.1m (2013: £28.9m).

Year ended 30 June 2014

	Bovine £m	Porcine £m	Total £m
Net IAS 41 valuation movement on biological assets*			
Changes in fair value of biological assets	24.5	75.0	99.5
Inventory transferred to cost of sales at fair value	(30.7)	(11.0)	(41.7)
Biological assets transferred to cost of sales at fair value	–	(50.3)	(50.3)
	(6.2)	13.7	7.5

Year ended 30 June 2013

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

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

Fair value measurement

All of the biological assets fall under level 3 of the hierarchy defined in IFRS 13.

Unobservable inputs

	2014	2013	Sensitivity
Bovine			
Long-term growth rate in volumes	3%	4%	1% decrease in the growth rate would result in approximately a £3.5m reduction in value
Weighted average cost of capital	8%	8%	1% increase in the discount rate would result in approximately a £4.0m reduction in value
Porcine			
Weighted average cost of capital	8%–11%	8%–11%	1% increase in the discount rate would result in approximately a £1.6m reduction in value

Significant increases/(decreases) in any of those inputs in isolation would result in a significantly lower/(higher) fair value measurement. These assumptions vary significantly across different countries and species.

Additional information

	2014	2013
Bovine		
<i>Quantities at period end</i>		
Number of proven bulls	315	282
Number of genomic bulls	116	84
<hr/>		
Total number of marketable bulls	431	366
Number of doses of semen in inventory	8.7m	8.8m
Total number of bulls in development	1,620	1,648
<i>Amounts during the year</i>		
Fair value of agricultural produce – semen, harvested during the period	£33.3m	£27.2m
Porcine		
<i>Quantities at period end</i>		
Number of pigs (existing – own farms)	137,055	136,201
Number of pigs acquired with Génétiporc	40,874	–
<hr/>		
Number of pigs (own farms)	177,929	136,201
Number of pigs despatched on a royalty basis and valued at fair value	51,176	40,560
<i>Amounts during the year</i>		
Fair value of agricultural produce – semen, harvested during the period	£11.0m	£9.4m

16. Property, plant and equipment

	Land and buildings £m	Plant, motor vehicles and equipment £m	Total £m
Cost or deemed cost			
Balance at 1 July 2012	35.2	35.3	70.5
Additions	2.3	6.4	8.7
Disposals	(1.6)	(2.5)	(4.1)
Effect of movements in exchange rates	0.9	1.0	1.9
Balance at 30 June 2013	36.8	40.2	77.0
Additions	1.5	4.8	6.3
Acquisition (see note 37)	–	0.2	0.2
Disposals	(0.3)	(1.2)	(1.5)
Reclassified as held for sale	(1.0)	–	(1.0)
Effect of movements in exchange rates	(5.0)	(5.1)	(10.1)
Balance at 30 June 2014	32.0	38.9	70.9
Depreciation and impairment losses			
Balance at 1 July 2012	10.8	18.0	28.8
Depreciation for the year	1.9	3.4	5.3
Disposals	(1.1)	(2.1)	(3.2)
Effect of movements in exchange rates	0.5	0.6	1.1
Balance at 30 June 2013	12.1	19.9	32.0
Depreciation for the year	1.7	3.4	5.1
Disposals	(0.2)	(1.1)	(1.3)
On assets reclassified as held for sale	(0.2)	–	(0.2)
Effect of movements in exchange rates	(2.1)	(3.2)	(5.3)
Balance at 30 June 2014	11.3	19.0	30.3
Carrying amounts			
At 30 June 2014	20.7	19.9	40.6
At 30 June 2013	24.7	20.3	45.0
At 30 June 2012	24.4	17.3	41.7

Leased plant and machinery

At 30 June 2014 plant, motor vehicles and equipment included assets held under finance leases with a carrying value of £5.6m (2013: £6.2m, 2012: £4.7m). The associated depreciation charge for the year was £0.9m (2013: £1.0m, 2012: £0.6m).

17. Equity accounted investees

The Group's share of profit after tax in its equity accounted investees for the year was £1.9m (2013: £2.8m).

The carrying value of the investment is reconciled as follows:

	2014 £m	2013 £m
Balance at 1 July	11.4	9.2
Share of post-tax profits of joint ventures and associate retained	1.9	2.8
Dividends received	(0.9)	(0.6)
Addition – investment in Besun joint venture	8.8	–
Additional investment Agroceres – PIC Genética de Suinos Ltda	2.4	–
Effect of other movements including exchange rates	(1.9)	–
Balance at 30 June	21.7	11.4

During the year the Group acquired a 49% shareholding in Besun for £8.8m and along with the other joint venture partner increased its investment in Agrocères – PIC Genética de Suínos Ltda by £2.4m to fund its share of the acquisition of Génétiporc do Brasil.

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

Year ended 30 June 2014

Net assets	Ownership	Current assets £m	Non-current assets £m	Biological assets £m	Total assets £m	Current liabilities £m	Total liabilities £m	Net assets £m
Agrocères – PIC Genética de Suínos Ltda [Brazil]	49%	3.3	7.4	3.1	13.8	(1.3)	(1.3)	12.5
Hybridschweine Cooperations GmbH [Germany]	50%	0.2	–	–	0.2	–	–	0.2
Humei Pig Improvement Co., Ltd [China]	50%	1.3	–	–	1.3	–	–	1.3
Shaanxi PIC Pig Improvement Limited Company [China]	49%	7.1	–	0.6	7.7	–	–	7.7
		11.9	7.4	3.7	23.0	(1.3)	(1.3)	21.7

Income statement	Ownership	Revenue £m	Net IAS 41 valuation movement on biological assets £m	Expenses £m	Operating profit £m	Taxation £m	Profit after tax £m
Agrocères – PIC Genética de Suínos Ltda [Brazil]	49%	12.8	0.1	(10.2)	2.7	(0.7)	2.0
Hybridschweine Cooperations GmbH [Germany]	50%	6.0	–	(5.9)	0.1	–	0.1
Humei Pig Improvement Co., Ltd [China]	50%	2.3	–	(2.6)	(0.3)	–	(0.3)
Shaanxi PIC Pig Improvement Limited Company [China]	49%	1.7	0.6	(2.2)	0.1	–	0.1
		22.8	0.7	(20.9)	2.6	(0.7)	1.9

Year ended 30 June 2013

Net assets	Ownership	Current assets £m	Non-current assets £m	Biological assets £m	Total assets £m	Current liabilities £m	Total liabilities £m	Net assets £m
Agrocères – PIC Genética de Suínos Ltda [Brazil]	49%	3.5	3.6	3.1	10.2	(1.1)	(1.1)	9.1
Hybridschweine Cooperations GmbH [Germany]	50%	0.2	–	–	0.2	–	–	0.2
Humei Pig Improvement Co., Ltd [China]	50%	2.1	–	–	2.1	–	–	2.1
		5.8	3.6	3.1	12.5	(1.1)	(1.1)	11.4

Income statement	Ownership	Revenue £m	Net IAS 41 valuation movement on biological assets £m	Expenses £m	Operating profit £m	Taxation £m	Profit after tax £m
Agrocères – PIC Genética de Suínos Ltda [Brazil]	49%	10.5	0.2	(8.3)	2.4	(0.6)	1.8
Hybridschweine Cooperations GmbH [Germany]	50%	5.6	–	(5.5)	0.1	–	0.1
Humei Pig Improvement Co., Ltd [China]	50%	3.0	–	(2.1)	0.9	–	0.9
		19.1	0.2	(15.9)	3.4	(0.6)	2.8

18. Available for sale investments

	2014 £m	2013 £m
Fair value	0.1	0.1

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

19. Deferred tax assets and liabilities

Unrecognised deferred tax assets and liabilities

At the balance sheet date, the Group has unused tax losses which are available for offset against future profits, with a potential tax benefit of £12.4m (2013: £13.3m). We have recognised a deferred tax asset in respect of £1.0m (2013: £0.5m) of these benefits. We have not recognised a deferred tax asset in respect of the remaining £11.4m (2013: £12.8m), due to uncertainty about the availability of future taxable profits in the relevant jurisdictions.

We have not recognised deferred tax liabilities totalling £4.2m (2013: £4.3m) for the withholding tax and other taxes that would be payable on the unremitted earnings of certain overseas subsidiaries. This is because we can control the timing and reversal of these differences and it is probable that the differences will not reverse in the foreseeable future.

Recognised deferred tax assets and liabilities

We have offset deferred tax assets and liabilities above, to the extent that they arise in the same tax jurisdiction.

The following is the analysis of the deferred tax balances:

	2014 £m	2013 £m
Deferred tax assets	(4.8)	(20.4)
Deferred tax liabilities	90.3	113.1
	85.5	92.7

The Finance Act 2013 reduced the main rate of UK corporation tax from 23% to 21% from 1 April 2014 and from 21% to 20% from 1 April 2015. UK deferred tax assets and liabilities are stated at 20%, unless the reversal is expected in the year to 30 June 2015 when they have been reflected at 21%.

Movement in net deferred tax liabilities during the year

	Balance brought forward 1 July 2013 £m	Recognised in income statement £m	Changes in tax rate recognised in income statement £m	Prior year adjustments recognised in income statement £m	Recognised in equity £m	Foreign exchange difference £m	Balance carried forward 30 June 2014 £m
Property, plant and equipment	5.5	(0.5)	–	–	–	(0.6)	4.4
Intangible assets	20.5	(0.5)	(0.7)	–	(0.8)	(0.9)	17.6
Biological assets	87.7	3.1	(2.0)	–	(7.2)	–	81.6
Financial instruments	(0.1)	0.1	–	–	–	–	–
Retirement benefit obligations	(15.1)	0.3	–	–	2.5	0.2	(12.1)
Share-based payments	(1.6)	0.3	–	–	0.2	–	(1.1)
Short-term timing differences	(3.7)	(0.8)	0.2	0.2	(0.1)	0.3	(3.9)
Tax loss carry-forwards	(0.5)	(0.5)	–	–	–	–	(1.0)
	92.7	1.5	(2.5)	0.2	(5.4)	(1.0)	85.5

	Balance brought forward 1 July 2012 £m	Recognised in income statement £m	Changes in tax rate recognised in income statement £m	Prior year adjustments recognised in income statement £m	Recognised in equity £m	Foreign exchange difference £m	Balance carried forward 30 June 2013 £m
Property, plant and equipment	5.9	(0.4)	–	–	–	–	5.5
Intangible assets	21.4	(0.8)	(0.4)	–	0.3	–	20.5
Biological assets	86.0	(1.5)	(0.4)	0.8	2.8	–	87.7
Financial instruments	(0.2)	–	–	–	0.1	–	(0.1)
Retirement benefit obligations	(16.3)	1.5	–	–	(0.3)	–	(15.1)
Share-based payments	(1.6)	–	–	–	–	–	(1.6)
Short-term timing differences	(2.9)	(0.4)	–	(0.5)	–	0.1	(3.7)
Tax loss carry-forwards	(0.6)	0.4	–	(0.3)	–	–	(0.5)
	91.7	(1.2)	(0.8)	–	2.9	0.1	92.7

20. Inventories

	2014 £m	2013 £m
Biological assets harvest classed as inventories	22.5	24.5
Raw materials and consumables	1.1	0.8
Goods held for resale	7.0	9.6
	30.6	34.9

21. Trade and other receivables

	2014 £m	2013 £m
Trade receivables	63.4	63.6
Other debtors	5.2	9.9
Prepayments and accrued income	3.9	3.9
Other taxes and social security	2.6	1.5
	75.1	78.9

Trade receivables

The average credit period our customers take on the sales of goods is 62 days (2013: 67 days). We do not charge interest on receivables for the first 30 days from the date of the invoice. We provide for all receivables based upon knowledge of the customer and historical experience, and estimate irrecoverable amounts by reference to past default experience.

No customer represents more than 5% of the total balance of trade receivables (2013: nil).

At 30 June 2014 £44.9m (2013: £45.3m) of trade receivables were not yet due for payment.

Included in the Group's trade receivables balance are debtors with a carrying amount of £18.7m (2013: £18.7m) which are past due at the reporting date but which we have not provided for, as there has been no significant change in credit quality and we consider the amounts are recoverable. The Group does not hold any collateral over these balances. The average age of these receivables is 60 days (2013: 65 days).

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

	2014 £m	2013 £m
0–30 days	9.8	8.3
31–90 days	4.7	6.2
91–180 days	2.5	2.3
Over 180 days	1.7	1.9
	18.7	18.7

The Directors consider that the carrying amount of trade and other receivables approximates their fair value. At 30 June 2014, trade receivables are shown net of an allowance for doubtful debts of £3.2m (2013: £3.1m).

Movement in the allowance for doubtful debts

	2014 £m	2013 £m
Balance at the beginning of the year	3.1	3.5
Impairment losses recognised	1.5	0.6
Amounts written off as uncollectible	(0.4)	(0.6)
Impairment losses reversed	(0.7)	(0.5)
Effect of movements in exchange rates	(0.3)	0.1
Balance at the end of the year	3.2	3.1

In determining the recoverability of a trade receivable, we consider any change in the receivable's credit quality from the date we initially granted credit up to the reporting date. The concentration of credit risk is limited, as our customer base is large and unrelated.

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

Receivables denominated in currencies other than Sterling comprise £21.3m of receivables denominated in US Dollars (2013: £18.3m), £14.0m of receivables denominated in Euros (2013: £10.4m) and £23.9m of receivables denominated in other currencies (2013: £19.7m).

Other debtors

Included within other debtors is £nil (2013: £3.4m) which relates to the Besun joint venture farm stocking.

22. Cash and cash equivalents

	2014 £m	2013 £m
Bank balances	22.8	18.4

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

Included within bank balances above is £4.9m (2013: £1.5m) which is subject to certain local restrictions. The majority is held in China for future investment.

23. Trade and other payables

	2014 £m	2013 £m
Trade payables	16.8	18.1
Other payables and accrued expenses	31.7	29.0
Other taxes and social security	4.8	4.6
	53.3	51.7

Payables denominated in currencies other than Sterling comprise £12.2m of payables denominated in US Dollars (2013: £11.8m), £10.4m of payables denominated in Euros (2013: £10.1m) and £13.7m of payables denominated in other currencies (2013: £19.4m). The carrying values of these liabilities are a reasonable approximation of their fair values.

24. Provisions

	Onerous property leases £m	Other provisions £m	Total £m
Balance at 30 June 2012	1.3	1.2	2.5
Additional provision in the year	–	0.2	0.2
Utilisation of provision	(0.3)	(1.0)	(1.3)
Release of provision	(0.3)	–	(0.3)
Unwinding of discount	0.1	–	0.1
Balance at 30 June 2013	0.8	0.4	1.2
Additional provision in the year	–	0.8	0.8
Utilisation of provision	(0.1)	(0.3)	(0.4)
Release of provision	(0.2)	–	(0.2)
Balance at 30 June 2014	0.5	0.9	1.4

	2014 £m	2013 £m
Current	1.4	1.1
Non-current	–	0.1
Balance at 30 June	1.4	1.2

The onerous property provision represents the discounted future costs of properties not occupied by the Group. We computed these costs net of risk-weighted rental income and, where necessary, dilapidation and letting expenses, and expect to utilise the provision over the next year.

25. Financial instruments

Capital risk management

The Group manages its capital to ensure that Group entities can continue as a going concern, while maximising the return to stakeholders by optimising our debt and equity balance. The Group's capital structure consists of debt, which includes the borrowings disclosed in note 26, cash and cash equivalents, and equity attributable to equity holders of the Parent, comprising issued capital, reserves and retained earnings as disclosed in note 30.

Gearing ratio

The Group keeps its capital structure under review. The gearing ratio at the year end is as follows:

	2014 £m	2013 £m
Debt	86.7	71.3
Cash and cash equivalents	(22.8)	(18.4)
Net debt	63.9	52.9
Equity	285.3	300.5
Net debt to equity ratio	22%	18%

Debt is defined as long and short-term borrowings, as detailed in note 26.

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

Externally imposed capital requirement

The Group is not subject to externally imposed capital requirements.

Significant accounting policies

Details of the significant accounting policies and methods adopted are disclosed in note 3 to the financial statements.

We have categorised financial instruments held at valuation into a three-level fair value hierarchy, based on the priority of the inputs to the valuation technique in accordance with IFRS 7. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure fair value fall within different levels of the hierarchy, we base the category level on the lowest priority level input that is significant to the fair value measurement of the instrument in its entirety. We have estimated the fair values of the Group's outstanding interest rate swaps by calculating the present value of future cash flows, using appropriate market discount rates, representing Level 2 fair value measurements as defined by IFRS 7. We have not categorised any financial instruments as Level 1 or Level 3.

Categories of financial instruments

	Carrying value	
	2014 £m	2013 £m
Financial assets		
Assets held for sale	0.8	0.3
Trade receivables and other debtors (excluding prepayments)	71.2	75.0
Cash and cash equivalents	22.8	18.4
Financial liabilities		
Trade payables and other creditors	(53.3)	(51.7)
Derivative instruments in designated hedge accounting relationships	(0.2)	(0.5)
Loans and overdrafts	(84.1)	(68.2)
Leasing obligations	(2.6)	(3.1)
Derivative instruments in non-designated hedge accounting relationships	(2.4)	(0.4)

Financial risk management objectives

The Group's Corporate Treasury function provides services to the business, co-ordinates our access to domestic and international financial markets, and monitors and manages the financial risks relating to the Group's operations, through internal risk reports that 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.

We seek to minimise the effects of these risks by hedging them using derivative financial instruments. Our use of financial derivatives is governed by 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. The Board of Directors regularly reviews our compliance with policies and exposure limits. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Key financial risks and exposures are monitored through a monthly report to the Board of Directors, together with an annual Board review of corporate treasury matters.

Financial risk

The principal financial risks our activities expose us to are risks of changes in foreign currency exchange rates, interest rates and commodity prices. We use derivative financial instruments to manage our exposure to interest rate, foreign currency risk and commodity price risk, including:

- forward foreign exchange contracts, to hedge the exchange rate risk arising on the sale of goods and purchase of supplies in foreign currencies;
- interest rate swaps, to mitigate the risk of rising interest rates; and
- forward commodity contracts, to hedge commodity price risk.

Foreign currency risk management

We undertake transactions denominated in foreign currencies. We manage any exposures to exchange rate fluctuations within approved policy parameters, by using 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	
	2014 £m	2013 £m	2014 £m	2013 £m
US Dollar (including leases)	(75.8)	(66.3)	1.0	5.3
Euro	(4.8)	(4.9)	–	1.4
Russian Rouble	–	–	0.6	–

Foreign currency sensitivity analysis

The Group is mainly exposed to movement in the US Dollar, Euro, Brazilian Real and Mexican Peso exchange rates.

The following table details the Group's sensitivity to a 10% increase and decrease in Sterling against these currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents our assessment of a significant change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. It includes external loans, as well as loans to foreign operations within the Group where the loan is denominated in a currency other than the lender or borrower's currency. A positive number below indicates an increase in profit when Sterling weakens against the relevant currency. A strengthening of Sterling against the relevant currency would produce an equal but opposite impact on profit, and the balances below would be negative. The impact on other equity is minimal, due to the net investment hedging in place.

	Euro currency impact		US Dollar currency impact	
	2014 £m	2013 £m	2014 £m	2013 £m
10% currency movement				
Profit or loss	0.7	0.8	2.4	2.4

	Brazilian Real currency impact		Mexican Peso currency impact	
	2014 £m	2013 £m	2014 £m	2013 £m
10% currency movement				
Profit or loss	0.6	0.7	0.8	0.8

Forward foreign exchange contracts

The Group's policy is 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 2014	Foreign currency 2014	Contract value		Fair value	
			2014 £m	2013 £m	2014 £m	2013 £m
Outstanding contracts						
Buy USD	n/a	USD	–	(1.5)	–	–
Buy RON	n/a	RON	–	(0.2)	–	–
Buy MXN	n/a	MXN	–	(0.6)	–	–
Sell CNY	10.32	CNY	0.6	–	–	–
Sell PLN	5.18	PLN	0.7	0.8	–	–
Buy Euro	0.80	EUR	(2.0)	(1.6)	–	–
Buy CAD/Sell USD	1.09	CAD	(3.6)	(0.1)	–	–
Buy USD/Sell AUD	n/a	AUD	–	0.1	–	–
Buy USD/Sell ARS	8.68	ARS	0.3	0.3	–	–
Buy USD/Sell BRL	2.27	BRL	0.9	–	–	–
Buy USD/Sell CLP	n/a	CLP	–	0.1	–	–
Buy USD/Sell COP	1902	COP	0.4	0.3	–	–
Buy USD/Sell Euro	1.36	EUR	0.3	0.4	–	–
Buy USD/Sell CNY	6.19	CNY	0.9	1.3	–	–
Buy MXN/Sell USD	n/a	MXN	–	(2.5)	–	(0.1)
					–	(0.1)

Interest rate risk management

The Group is exposed to interest rate risk, as Group entities borrow funds at both fixed and floating interest rates. We manage this risk centrally, by maintaining an appropriate mix between fixed and floating rate borrowings, using interest rate swaps. We regularly review our hedging activities, to align with our interest rate views and defined risk appetite, thereby ensuring we apply optimal hedging strategies to minimise the adverse impact of fluctuations in interest expense through different interest rate cycles.

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

Interest rate sensitivity analysis

We have determined the sensitivity analyses below based on the Group's exposure to interest rates for both derivatives and non-derivative instruments, at the balance sheet date. For floating rate liabilities, we prepared the analysis assuming the liability outstanding at the balance sheet date was outstanding for the whole year. A 1.0% increase or decrease is used when reporting interest rate risk internally to key management personnel and is our assessment of a significant change in interest rates.

If interest rates had been 1.0% higher or lower and all other variables were held constant, the Group's profit for the year ended 30 June 2014 would decrease or increase by £0.5m (2013: decrease/increase by £0.3m). This impact is smaller than would otherwise be the case due to the effects of fixed rate hedging.

Interest rate swap contracts

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. These contracts enable us to mitigate the risk of changing interest rates on the cash flow exposures on the variable rate debt we hold. We determine the fair value of interest rate swaps at the reporting date by discounting the future cash flows, using the yield curves at the reporting date and the credit risk inherent in the contract. This fair value 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

	Average contract fixed interest rate		Notional principal amount		Fair value	
	2014 %	2013 %	2014 £m	2013 £m	2014 £m	2013 £m
Outstanding receive floating pay fixed contracts						
USD interest rate swaps						
Within one year	1.42	–	17.5	–	(0.2)	–
Two to five years	0.64	1.39	35.0	39.6	–	(0.5)

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

Interest rate swap contracts that exchange floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges, to reduce our cash flow exposure resulting from variable interest rates on borrowings. The interest rate swaps and the interest payments on the loan occur simultaneously and we recognise the amount deferred in equity in profit or loss, over the period that the floating rate interest payments on debt impact profit or loss.

Commodity hedges

The Group hedges both feed and slaughter exposures by using the Chicago Mercantile Exchange ('CME') lean hog, corn, soybean meal and winter wheat commodity futures.

	Average price		Notional principal amount		Fair value	
	2014 US\$	2013 US\$	2014 £m	2013 £m	2014 £m	2013 £m
Commodity hedge						
Open contracts from July 2014 to June 2015						
Lean hog futures	0.83	n/a	8.9	n/a	(2.0)	n/a
Corn	4.68	n/a	(2.2)	n/a	(0.2)	n/a
Soybean meal	351	n/a	(1.4)	n/a	0.1	n/a
Winter wheat	6.39	n/a	(0.5)	n/a	–	n/a
Open contracts from July 2013 to June 2014						
Lean hog futures	0.91	0.86	1.2	10.6	(0.1)	(0.1)
Corn	5.27	5.82	(0.3)	(3.0)	(0.1)	(0.3)
Soybean meal	368	379	(0.3)	(1.8)	(0.1)	–
Winter wheat	7.72	8.18	0.1	(0.6)	–	–
			5.5	5.2	(2.4)	(0.4)

Credit risk management

Credit risk is the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the Group. We have a policy of only dealing with creditworthy counterparties. We regularly monitor our exposure and the credit ratings of our counterparties, 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. We carry out ongoing credit evaluation on the financial condition of accounts receivable.

Liquidity risk management

Ultimate responsibility for managing liquidity risk rests with the Board of Directors. We manage this risk by maintaining adequate reserves and banking facilities, by continuously monitoring forecast and actual cash flows and by matching the maturity profiles of financial assets and liabilities.

Liquidity and interest risk tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities, excluding trade payables and other creditors. We have drawn up these tables based on the undiscounted cash flows of financial liabilities, using the earliest date on which we can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate %	Less than 1 month £m	1-3 months £m	3 months to 1 year £m	1-5 years £m	5+ years £m	Total £m
2014							
Variable interest rate instruments	1.6	7.5	3.2	4.9	76.7	–	92.3
2013							
Variable interest rate instruments	1.8	1.3	3.7	5.4	65.2	–	75.6

The following table details the Group's expected maturity for other non-derivative financial assets, excluding trade receivables and other debtors. We have drawn up these tables based on the undiscounted contractual maturities of the assets, including interest we will earn on them, except where we expect the cash flow to occur in a different period.

	Weighted average effective interest rate %	Less than 1 month £m	1-3 months £m	3 months to 1 year £m	1-5 years £m	5+ years £m	Total £m
2014							
Variable interest rate instruments	0.82	20.7	2.1	–	–	–	22.8
2013							
Variable interest rate instruments	0.7	15.9	2.5	–	–	–	18.4

The Group has financing facilities with a total unused amount of £55.4m (2013: £63.7m) at the balance sheet date. We expect to meet our other obligations from operating cash flows and the proceeds of maturing financial assets. We expect to reduce the debt to equity ratio as borrowings decrease through repayment from operating cash flows.

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

	Less than 1 month £m	1-3 months £m	3 months to 1 year £m	1-5 years £m	5+ years £m	Total £m
2014						
Interest rate swaps	–	(0.1)	(0.2)	0.1	–	(0.2)
2013						
Interest rate swaps	–	(0.1)	(0.3)	(0.1)	–	(0.5)

26. Loans and borrowings

	2014 £m	2013 £m
Non-current liabilities		
Unsecured bank loans	71.1	60.7
Obligations under finance leases	1.5	1.9
	72.6	62.6
Current liabilities		
Unsecured bank loans and overdrafts	13.0	7.5
Obligations under finance leases	1.1	1.2
	14.1	8.7
Total interest-bearing liabilities	86.7	71.3

Terms and debt repayment schedule

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

	Currency	Interest rate	2014 £m	2013 £m
Revolving credit facility and overdraft	GBP	1.7%	6.5	0.7
Revolving credit facility and term loan and overdraft	USD	1.4%	73.0	62.6
Revolving credit facility and overdraft	EUR	1.6%	4.0	4.3
Finance lease liabilities	USD	5.0%	2.6	3.1
Unsecured bank borrowings	Other	0%	0.6	0.6
Total interest-bearing liabilities			86.7	71.3

The above revolving credit facilities are unsecured.

Information about the Group's exposure to interest rate and foreign currency risk is shown in note 25.

	2014 £m	2013 £m
Loans and borrowings (excluding finance leases) comprise amounts falling due:		
In one year or less or on demand	13.4	8.0
In more than one year but not more than two years	5.9	6.6
In more than two years but not more than five years	65.7	54.2
	85.0	68.8
Less: unamortised issue costs	(0.9)	(0.6)
	84.1	68.2
Current liabilities	(13.0)	(7.5)
Non-current liabilities	71.1	60.7

The Group's credit facilities at the balance sheet date comprised a £65m multi-currency revolving credit facility, a US\$100m revolving credit facility and an amortising US\$35m term loan, repayable in instalments by 15 September 2017.

As part of its interest rate strategy, the Company has entered into interest rate swaps to hedge floating LIBOR rates. As a result, bank loan and overdrafts include borrowings of US\$50m (£29.2m) fixed at 1.07%, excluding applicable bank margin.

Also included in the above are unsecured loans of £0.2m (2013: £0.3m) for an agricultural development loan in the USA and a £0.2m (2013: £0.2m) loan in Spain. Both of these loans are interest free.

27. Finance lease liabilities

Finance lease liabilities are payable as follows:

	Minimum lease payments 2014 £m	Interest 2014 £m	Principal 2014 £m	Minimum lease payments 2013 £m	Interest 2013 £m	Principal 2013 £m
Less than one year	1.1	–	1.1	1.2	–	1.2
Between one to five years	1.5	0.1	1.6	1.9	0.1	2.0
	2.6	0.1	2.7	3.1	0.1	3.2

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

28. Retirement benefit obligations

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

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

	2014 £m	2013 £m
The Milk Pension Fund – Genus's share	49.5	55.7
The Dalgety Pension Fund	–	–
Other retirement benefit obligations	8.7	9.3
Overall pension liability	58.2	65.0

Overall, we expect to pay £6.1m (2014: £5.6m) in contributions to defined benefit plans in the 2014/15 financial year.

The Milk Pension Fund ('MPF')

The MPF was previously operated by the Milk Marketing Board and was also open to staff working for Milk Marque Ltd (the principal employer now known as Community Foods Group Limited), National Milk Records plc, First Milk Ltd, hauliers associated to First Milk Ltd, Dairy Farmers of Britain Ltd (which went into receivership in June 2009) and Milk Link Ltd.

We have accounted for our section of the scheme and our share of any orphan assets and liabilities, which together represent approximately 75% of the MPF (2013: 75%). Although the MPF is managed on a sectionalised basis, it is a "last man standing scheme", which means that all participating employers are joint and severally liable for all of the fund's liabilities.

During the prior year, the MPF's triennial valuation as at 31 March 2012 was completed and the employers agreed a new funding agreement. In addition, two participating employers exited the scheme and made cash payments of £31m. These changes gave rise to an exceptional credit of £7m. This credit reflected Genus's share of deficit repair contributions agreed in the valuation and the effect of the two employers' exits.

The valuation used the projected unit method (for future service, a control period of three years was used) and was carried out by qualified actuaries.

The principal actuarial assumptions adopted in the 2012 valuation were that investment returns on existing assets would be 6.4% per annum before retirement and 4.0% per annum after retirement, and that pensions in payment would increase by 3.4% per annum.

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

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

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

Dalgety Pension Fund ('DPF')

The most recent actuarial valuation of the DPF was at 31 March 2012. The valuation of the scheme used the projected unit method and was carried out by professionally qualified actuaries.

The principal actuarial assumptions adopted in the 2012 valuation were that investment returns on existing assets would be 5.2% per annum before retirement and 3.3% per annum after retirement and that the annual increase in pensions in payment would be 3.5% per annum.

The market value of the available assets at 31 March 2012 was £21.3m. The value of those assets represents approximately 99% of the value of the uninsured liabilities which were £21.6m at 31 March 2012. Under the funding agreement, the Company will not have to make deficit repair contributions.

The disclosures required under IAS 19 have been calculated by an independent actuary based on accurate calculations carried out as at 31 March 2012 updated to 30 June 2013.

There is an £11.3m reserve held by the Trustees of DPF against future unknown liabilities materialising ('Restricted Fund'). As the economic benefit to Genus of this amount is not certain, it is treated as a contingent asset.

Other defined benefit scheme in deficit

The Group 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 2014 under the provisions of IAS 19 were £4.5m (2013: £4.3m) and £5.9m (2013: £5.6m), respectively.

Other unfunded schemes

When the Group acquired Sygen International plc, it also 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.

The scheme liabilities for the three unfunded defined benefit schemes amount to £6.1m (2013: £6.6m) based on IAS 19's methods and assumptions. This amount is included within pension liabilities in the Group's balance sheet. Interest on pension scheme liabilities amounted to £0.3m (2013: £0.3m).

The principal assumptions used to calculate the scheme liabilities were that the discount rate would be 4.2% (2013: 4.6%) and that inflation and pension payment increases would be 3.2% per annum (2013: 3.4%).

The scheme liabilities for the unfunded retirement health benefit plan amount to £1.2m (2013: £1.3m), based on IAS 19's methods and assumptions. This amount is included within retirement benefit obligations in the Group's balance sheet. Interest on plan liabilities amounted to £0.1m (2013: £0.1m).

The principal assumptions used to calculate the plan liabilities were that the discount rate would be 4.2% (2013: 4.6%) and that the long-term rate of medical expense inflation would be 7.2% (2013: 7.4%).

Aggregated position of defined benefit schemes

	2014 £m	2013 £m
Present value of funded obligations (includes Genus's 75% share of MPF)	360.5	347.2
Present value of unfunded obligations	7.3	8.0
Total present value of obligations	367.8	355.2
Fair value of plan assets (includes Genus's 75% share of MPF)	(314.6)	(294.1)
Restrict recognition of asset (Dalgety)	5.0	3.9
Recognised liability for defined benefit obligations	58.2	65.0

Plan assets consist of the following:

	2014 £m	2013 £m
Equities	165.0	179.9
Gilts and corporate bonds	110.4	80.9
Cash	2.0	1.0
Other	37.2	32.3
	314.6	294.1

Movement in the liability for defined benefit obligations

	2014 £m	2013* £m
Liability for defined benefit obligations at the start of the year	355.2	204.7
Recognition of additional liability (MPF)	–	138.5
Exceptional item – release of provision – MPF	–	(7.0)
Benefits paid by the plans	(15.1)	(7.2)
Current service costs and interest	16.0	9.1
Actuarial (gains)/losses recognised on fund liabilities arising from changes in demographic assumptions	(0.5)	5.6
Actuarial losses recognised on fund liabilities arising from changes in financial assumptions	12.5	11.5
Actuarial losses recognised on fund liabilities arising from experience (other)	0.3	–
Gains on curtailments and settlements	–	(0.2)
Exchange rate adjustment	(0.6)	0.2
Liability for defined benefit obligations at the end of year	367.8	355.2

Movement in plan assets

	2014 £m	2013* £m
Fair value of plan assets at the start of the year	294.1	143.7
Administration expenses	(0.4)	(0.9)
Recognition of additional assets (MPF)	–	138.5
Contributions paid into the plans	5.6	2.9
Benefits paid by the plans	(15.1)	(7.2)
Interest income on plan assets	13.1	6.0
Actuarial gains recognised in equity	17.3	11.1
Fair value of plan assets at the end of the year	314.6	294.1

Amounts recognised in the Group Income Statement

	2014 £m	2013* £m
Administrative expenses	0.4	0.9
Interest obligation	16.0	9.1
Interest income on plan assets	(13.1)	(6.0)
Exceptional item – release of provision – MPF	–	(7.0)
Gains on curtailments and settlements	–	(0.2)
	3.3	(3.2)

The expense/(income) is recognised in the following line items in the income statement

	2014 £m	2013* £m
Administrative expenses	0.4	0.9
Curtailment gain in administrative expenses	–	(0.2)
Exceptional item – release of provision – MPF	–	(7.0)
Finance charge	2.9	3.1
	3.3	(3.2)

Actuarial gains and losses recognised directly in equity

	2014 £m	2013* £m
Cumulative loss at the start of the year	46.0	42.3
Actuarial (gain)/loss recognised during the year	(5.0)	6.0
Movement in restriction of asset	1.1	(2.5)
Exchange rate adjustment	(0.6)	0.2
Cumulative loss at the end of the year	41.5	46.0

Actuarial assumptions and sensitivity analysis

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

	2014	2013
Discount rate	4.2%	4.6%
Expected return on plan assets	6.6%	7.1%
Medical cost trend rate	7.2%	7.4%
Future pension increases and inflation	3.2%	3.4%

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. For 2014 and 2013, the mortality tables used are 90% of the SN1A tables, with birth year and 2011 CMI projections, with mortality rates increased by 25% at all ages.

The following table shows the assumptions used for all schemes and illustrates the life expectancy of an average member retiring at age 65 at the balance sheet date and a member reaching age 65 in 20 years' time.

	2014 (years)	2013 (years)
Retiring at balance sheet date at age 65:		
Male	23.3	23.2
Female	25.8	25.7
Retiring at age 65 in 20 years' time:		
Male	25.1	25.0
Female	27.7	27.6

The overall expected long-term rate of return on assets is 6.6% (2013: 7.1%). 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.

Duration of benefit obligations

The weighted average duration of the defined benefits obligations at 30 June 2014 is 17.5 years.

Sensitivity analysis

Measurement of the Group's defined benefit obligation is sensitive to changes in certain key assumptions. The sensitivity analysis below shows how a reasonably possible increase or decrease in a particular assumption would, in isolation, result in an increase or decrease in the present value of the defined benefits obligation as at 30 June 2014.

	Discount rate		Rate of inflation		Life expectancy	
	Decrease by 0.25% £m	Increase by 0.25% £m	Decrease by 0.25% £m	Increase by 0.25% £m	Decrease by 1 year £m	Increase by 1 year £m
Increase/(decrease) in present value of defined obligation	15.4	(14.0)	(9.8)	10.7	(17.5)	17.5

The sensitivity analysis may not be representative of an actual change in the defined benefits obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

The sensitivities assume the Fund's assets remain unchanged, however in practice changes in interest rates and inflation will also affect the value of the Fund's assets. The Fund's investment strategy aims to hold matching assets which should move broadly in line with the liabilities of the Funds so as to protect partially against changes in interest rates and inflation.

In presenting this sensitivity analysis, the information has been prepared using the same method as adopted when adjusting results of the latest funding valuation to the balance sheet date. This is the same approach as has been adopted in previous periods.

The history of experience adjustment is as follows:

	2014 £m	2013 £m	2012 £m	2011 £m	2010 £m
Present value of the defined benefit obligation	367.8	355.2	204.7	163.0	157.1
Fair value of plan assets	(314.6)	(294.1)	(143.7)	(146.4)	(130.9)
Restrict recognition of asset and recognition of additional liability	5.0	3.9	6.3	7.0	2.6
Deficit in the plan	58.2	65.0	67.3	23.6	28.8
Experience adjustments arising on plan liabilities (%)	2.9	5.1	10.8	3.0	6.0
Experience adjustments arising on plan assets (%)	4.9	2.5	(5.5)	7.0	12.1

* Restated see note 2.

29. Share-based payments

The Group recognised a total share-based payment expense of £0.8m (2013: £2.8m), including National Insurance contributions of £0.1m credit (2013: £0.4m – expense).

Share options

On 12 August 2004 the Group established a share option programme that entitles key management personnel and other senior employees to purchase shares in the Company. Further grants on similar terms were offered to these employee groups as set out below. The terms and conditions of the grants are as set out below. All options are to be settled by physical delivery of shares and meet the criteria for being treated as equity settled.

Employees entitled	Grant date	Number of instruments	Vesting conditions	Option exercise price	Contractual life of options
(1) 2004 Company share plan	19 May 2005	15,000	Exercisable	310.5p	10 years
(2) 2004 Company share plan	21 June 2006	12,300	Exercisable	439.75p	10 years
(3) 2004 Company share plan	21 September 2007	7,759	Exercisable	582p	10 years
(4) 2004 Company share plan	19 September 2008	13,359	Exercisable	775.67p	10 years
(5) 2004 Company share plan	15 September 2009	26,805	Exercisable	654.5p	10 years
(6) 2004 Company share plan	10 September 2010	130,147	Exercisable	729.83p	10 years
(7) 2004 Company share plan	9 September 2011	204,084	3 years' service*	977.83p	10 years
(8) 2004 Company share plan	7 September 2012	152,028	3 years' service*	1,334p	10 years
(9) 2004 Company share plan	26 September 2013	161,674	3 years' service*	1,413p	10 years
Total share options		723,156			

* The options under (1), (2), (3), (4), (5) and (6) are now exercisable. The options under (7), (8) and (9) above can only be exercised if over a three year period the average annual percentage growth in EPS exceeds a minimum of RPI +5% for the same period, unless provisions for 'good leavers' have been met where members retire, leave employment due to ill-health or are made redundant.

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

	Weighted average exercise price 2014	Number of options 2014	Weighted average exercise price 2013	Number of options 2013
Outstanding at start of year	908p	742,267	756p	877,314
Forfeited during the year	850p	(30,355)	992p	(24,716)
SAR effected during the year	743p	(80,263)	676p	(116,827)
Exercised during the year	699p	(70,167)	641p	(152,912)
Granted during the year	1,413p	161,674	1,334p	159,408
Outstanding at 30 June	1,062p	723,156	908p	742,267
Exercisable at 30 June	669p	205,370	574p	111,379

The weighted average share price at the date of exercise for share options exercised during the period was 1,309 pence. In the year to 30 June 2014, options were granted on 26 September 2013. The aggregate of the fair values of the options granted was £743,700.

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

Assumptions applied in valuation models at grant date

	2014	2013
Exercise price of options granted in the year (nil for awards)	1,413p	1,344p
Expected volatility (weighted average volatility)	32%	31%
Option life (expected weighted average life)	6.5 years	6.5 years
Expected dividends	1.10%	1.34%
Risk-free interest rate (based on Government bonds)	1.80%	0.95%

We determined expected volatility by calculating the historical volatility of the estimated fair value of the Company's share price over the previous three years. We have adjusted the option life used in the model, based on our best estimate of the effects of non-transferability, exercise restrictions and behavioural considerations.

Share awards

In addition to the outstanding share options above, there are 743,055 conditional share awards outstanding at 30 June 2014. These conditional shares were awarded to Executive Directors and senior management on 10 September 2010, 9 September 2011, 7 December 2012, 28 February 2013, 26 September 2013 and 14 March 2014, under the 2004 Performance Share Plan. In accordance with the plan's terms, participants have received a conditional annual award of shares or nil cost option awards which will normally vest after three years, with the proportion of the award vesting depending on growth in the Group's adjusted earnings per share. Further details of the plan's performance conditions are given in the Directors' Remuneration Report.

In the year to 30 June 2014, awards were granted on 26 September 2013 and 14 March 2014, with an aggregate fair value of £4,288,000. The fair value of services received in return for share awards granted is based on the fair value of share awards granted, measured using a Black-Scholes valuation model.

	Number of awards 2014	Number of awards 2013
Outstanding at start of year	622,529	451,840
Exercised during the year	(163,742)	(145,349)
Lapsed during the year	(29,867)	(28,171)
Granted during the year	314,135	344,209
Outstanding at 30 June	743,055	622,529
Exercisable at 30 June	5,000	64,271

Bonus share awards

In addition to the outstanding share awards above, there are 9,270 conditional share awards outstanding at 30 June 2014. These were awarded to Executive Directors and senior management on 31 December 2013. In accordance with the award's terms, participants have received a conditional annual award of shares or nil cost option awards, which will normally vest after three years, providing the participant is employed by the Group at that time.

In the year to 30 June 2014, bonus share awards were granted on 31 December 2013, with an aggregate fair value of £120,000.

	Number of awards 2014
Outstanding at start of year	–
Exercised during the year	(814)
Granted during the year	10,084
Outstanding at 30 June	9,270

30. Capital and reserves

Share capital

	2014 Number	2013 Number	2014 £m	2013 £m
Authorised				
Ordinary shares of 10 pence	75,989,400	75,989,400	7.6	7.6
Issued and fully paid				
Ordinary shares of 10 pence	60,918,731	60,648,563	6.1	6.1

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:

	2014 Number	2013 Number	2014 £m	2013 £m
Issued under the Executive Share Option Plan	70,167	152,912	–	–
Issued to employee benefit trust	200,001	200,000	–	–
	270,168	352,912	–	–

Shares issued under share option plans were issued at option prices as follows:

	2014 Number	Price	2013 Number	Price
Executive Share Option Plan	4,232	310.5p	7,217	310.5p
	–	439.75p	6,634	439.75p
	–	472p	7,135	472p
	867	582p	3,442	582p
	–	776p	9,223	776p
	11,337	654.5p	101,385	654.5p
	51,222	729.83p	14,383	729.83p
	2,509	977.83p	3,450	977.83p
	–	1,334p	43	1,334p
	70,167		152,912	

Reserve for own shares

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

	2014 Number	2013 Number	2014 £m	2013 £m
Shares allocated but not vested	146,625	111,181	1.7	1.5
Unallocated shares	92,334	92,334	1.0	1.3
	238,959	203,515	2.7	2.8

Translation reserve

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

Hedging reserve

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

Hedging and translation reserves

	Hedging reserve £m	Translation reserve £m
Balance at 30 June 2012	(0.5)	17.1
Exchange differences on translation of overseas operations	–	13.8
Loss recognised on net investment hedges	–	(2.4)
Gain recognised on cash flow hedges: Interest swaps	0.2	–
Income tax related to losses recognised in equity	–	(3.1)
Balance at 30 June 2013	(0.3)	25.4
Exchange differences on translation of overseas operations	–	(53.9)
Gain recognised on net investment hedges	–	8.6
Gain recognised on cash flow hedges: Interest swaps	0.3	–
Income tax related to losses recognised in equity	–	7.8
Balance at 30 June 2014	–	(12.1)

31. Notes to the cash flow statement

	2014 £m	2013 £m
Profit for the year	28.9	23.4
Adjustment for:		
Net IAS 41 valuation movement on biological assets	(7.5)	4.9
Amortisation of acquired intangible assets	5.8	5.2
Share-based payment expense	0.8	2.8
Share of profit of joint ventures and associates	(1.9)	(2.8)
Finance costs	5.5	5.7
Income tax expense	9.3	10.0
Other exceptional items	2.0	(4.2)
Adjusted operating profit from continuing operations	42.9	45.0
Depreciation of property, plant and equipment	5.1	5.3
Loss/(gain) on disposal of plant and equipment	0.2	(0.3)
Amortisation of intangible assets	0.6	0.6
Earnings before interest, tax, depreciation and amortisation	48.8	50.6
Exceptional item cash	(2.0)	(2.8)
Other movements in biological assets and harvested produce	(3.0)	(3.1)
Increase/(decrease) in provisions	0.2	(1.3)
Additional pension contributions in excess of pension charge	(5.6)	(2.0)
Other	(0.3)	(0.1)
Operating cash flows before movement in working capital	38.1	41.3
Decrease/(increase) in inventories	1.5	(1.1)
Decrease/(increase) in receivables	1.1	(7.3)
Increase in payables	3.6	2.0
Cash generated by operations	44.3	34.9
Interest received	0.2	0.1
Interest and other finance costs paid	(1.8)	(1.6)
Cash flow from derivative financial instruments	(0.5)	(0.5)
Income taxes paid	(9.9)	(8.9)
Net cash from operating activities	32.3	24.0

Analysis of net debt

	At 1 July 2013 £m	Net cash flows £m	Foreign exchange £m	Non-cash movements £m	At 30 June 2014 £m
Cash and cash equivalents	18.4	5.8	(1.8)	0.4	22.8
Interest bearing loans – current	(7.5)	(6.8)	1.0	0.3	(13.0)
Obligation under finance leases – current	(1.2)	1.4	0.1	(1.4)	(1.1)
	(8.7)	(5.4)	1.1	(1.1)	(14.1)
Interest bearing loans – non-current	(60.7)	(18.4)	8.0	–	(71.1)
Obligation under finance lease – non-current	(1.9)	–	0.2	0.2	(1.5)
	(62.6)	(18.4)	8.2	0.2	(72.6)
Net debt	(52.9)	(18.0)	7.5	(0.5)	(63.9)

Included within non-cash movements is £1.2m in relation to new finance leases.

32. Operating leases

The Group leases offices under non-cancellable operating leases. The leases have various terms and renewal rights. The Group also leases plant and machines under non-cancellable operating leases.

Total of future minimum lease payments under non-cancellable operating leases which expire within:

	2014 £m	2013 £m
Less than one year	1.5	2.8
Between one and five years	9.9	7.1
More than five years	7.4	10.1
	18.8	20.0

The total future sublease payments receivable relating to the above operating leases amounted to £nil (2013: £0.3m).

33. Capital commitments

At 30 June 2014 outstanding contracted capital expenditure amounted to £1.8m (2013: £nil).

34. Contingencies

The retirement benefit obligations referred to in note 28 include obligations relating to the Milk Pension defined benefit scheme. Genus, together with other participating employers, is joint and severally liable for the scheme's obligations. Genus has accounted for its section and its share of any orphan assets and liabilities, collectively representing approximately 75% of the Milk Pension Fund. As a result of the joint and several liability, Genus has a contingent liability for the scheme's obligations that it has not accounted for.

35. Related parties

Transactions with key management personnel

Key management compensation (including Directors)

	2014 £m	2013 £m
Salaries and short-term employee benefits	4.0	4.1
Post-employment benefits	0.2	0.2
Compensation for loss of office	–	0.2
Share-based payment expense	0.8	1.9
	5.0	6.4

Directors

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

Other transactions with key management personnel

Other than remuneration there were no transactions with key management personnel.

Other related party transactions

	Transaction value		Balance outstanding	
	2014 £m	2013 £m	2014 £m	2013 £m
Sale of goods and services to joint ventures and associates	2.5	3.1	0.2	0.1

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

36. Group entities

The Company's principal subsidiaries and their main activities are set out below. All are 100% owned by the Company. 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 Group's profit or net assets. A full list of subsidiary and other related companies will be annexed to the Company's next annual return, to be filed with the Registrar of Companies.

Nature of business

Supply of dairy and beef semen

Subsidiary companies	Incorporated	Holding
ABS Global, Inc.	United States	US\$1 capital stock*
ABS Italia S.r.l.	Italy	€1 quota capital*
ABS México, S.A. de C.V.	Mexico	US\$1 common stock
Pecplan ABS imp. e Exp. Ltda.	Brazil	RS1 quota stock
ABS Global (Canada) Inc.	Canada	CN\$1 common* shares*
Bovec SAS	France	€1 capital stock*
Genus Australia Pty Ltd	Australia	AU\$1 ordinary shares*
Genus Breeding Limited	United Kingdom	£1 ordinary shares

Supply of pigs and semen

Subsidiary companies	Incorporated	Holding
PIC Andina S.A.	Chile	Peso 1 ordinary shares*
PIC Improvement Company España, S.A.	Spain	€1 capital stock*
PIC USA, Inc.	United States	US\$1 capital stock*
PIC Polska Sp. z o.o.	Poland	PLN1 common stock*
Pig Improvement Company Deutschland GmbH	Germany	€1 capital stock*
Pig Improvement Company de México, S. de R.L. de C.V.	Mexico	Peso 1 quota stock*
Pig Improvement Company UK Limited	United Kingdom	10p ordinary shares*
PIC (Zhangjiagang) Pig Improvement Co, Ltd	China	US\$ ordinary shares*
PIC Genetics LLC	Russia	RUB ordinary shares*

Market research and consultancy

Subsidiary companies	Incorporated	Holding
Promar International Limited	United Kingdom	£1 ordinary shares

* Held by subsidiary undertaking.

37. Acquisition of subsidiary and related assets

On 18 October 2013, the Group acquired 100% of the share capital of Génétiporc International Minnesota Inc. [US] and Génétiporc Servicios Técnicos, S.A. de C.V. [Mexico], along with specific related assets from Génétiporc Inc. [Canada], (collectively "Génétiporc").

Genus identified that Génétiporc would be a good strategic fit, providing a complementary product portfolio which will support our global product development. As a result of the acquisition, we also have a broadened customer base, supply chain and multiplier base, to further support growth in our North and Latin American businesses.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are set out in the table below.

	£m
Intangible assets identified	5.0
Property, plant and equipment	0.2
Biological assets	8.9
Financial assets	3.4
Financial liabilities	(2.5)
Total identifiable assets	15.0
Goodwill	7.3
Total consideration	22.3
Satisfied by:	
Deferred consideration	0.1
Cash	22.2
Net cash outflow arising on acquisition of subsidiary	20.2
Cash consideration	20.2
Add: overdraft acquired	0.2
	20.4
Net cash outflow arising on acquisition of trade and assets	2.0

The goodwill of £7.3m arising from the acquisition consists largely of synergies expected from combining the acquired operations with our existing operations. None of the goodwill recognised is expected to be deductible for income tax purposes.

The fair value of the financial assets includes trade receivables with a fair value of £3.4m and a gross contractual value of £3.7m. Our best estimate at the acquisition date of the cash flows unlikely to be collected is £0.3m.

Acquisition and integration related costs included within exceptional items amount to £1.7m.

Between the date of acquisition and the balance sheet date, Génétiporc contributed £21m of revenue and £1m operating profit before tax to the Group. Our Brazilian joint venture, Agroceres also acquired Génétiporc do Brasil in a subsequent acquisition, which when combined with our Génétiporc acquisition contributed £1.3m operating profit before tax, since acquisition and the balance sheet date.

Due to the transaction's nature, it is impracticable to obtain the information required to disclose what the Group's revenues and profit would have been, if the acquisition of Génétiporc had been completed on the first day of the financial period.

On 30 June 2014, the Group acquired a 50% controlling interest in PIC Italia S.r.l. for a consideration of £0.5m.

38. Post balance sheet events

On 14 July 2014, ABS Global, Inc. ('ABS'), a wholly owned subsidiary of the Company, launched a legal action against Inguran LLC (aka Sexing Technologies ('ST')), in US District Court for the Western District of Wisconsin alleging, among other matters, that ST (i) have a monopoly in the processing of sexed bovine semen in the US and (ii) unlawfully maintain this monopoly through anticompetitive contractual provisions and the repeated acquisition of exclusive patent rights related to semen processing. The legal action aims to remove these barriers and allow free and fair competition in the sexed bovine semen processing market ('ABS Action'). ABS intends to pursue vigorously the litigation, in order to seek to enter and compete in this market through its own technology. On the same date, ABS also filed an Inter-Partes Review application challenging the validity of one of the ST's group patents (US Patent No. 7,195,920) before the US Patent Office. On 29 August 2014 ST filed (i) a Motion to Dismiss the ABS Action and (ii) a separate complaint related to the ABS Action in the Southern District of Texas. The matter is ongoing.

On 1 September 2014, Genus completed the acquisition for £6m of Birchwood Genetics Inc., a privately owned boar stud operation providing PIC boar semen to mid- and small-sized customers in the US.

Parent Company Balance Sheet

As at 30 June 2014

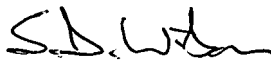
	Note	2014 £m	2013 £m
Fixed assets			
Tangible assets	41	0.8	0.9
Investments in subsidiaries	42	78.1	66.4
		78.9	67.3
Current assets			
Debtors	43	461.8	465.4
Cash at bank and in hand		-	1.5
		461.8	466.9
Creditors: amounts falling due within one year	45	(309.0)	(326.0)
Net current assets		152.8	140.9
Total assets less current liabilities		231.7	208.2
Creditors: amounts falling due after more than one year	46	(70.8)	(60.4)
Net assets		160.9	147.8
Capital and reserves			
Called up share capital	49	6.1	6.1
Share premium account	49	112.2	112.1
Own shares	49	(0.1)	(0.1)
Profit and loss account	49	42.7	30.0
Hedging reserve	49	-	(0.3)
Shareholders' funds	49	160.9	147.8

The Financial Statements were approved by the Board of Directors on 2 September 2014.

Signed on behalf of the Board of Directors



Karim Bitar
Chief Executive



Stephen Wilson
Group Finance Director

Notes to the Parent Company Financial Statements

For the year ended 30 June 2014

39. Significant accounting policies

Basis of preparation

We have prepared these Financial Statements under the historical cost convention, in accordance with the Companies Act 2006 and applicable United Kingdom accounting standards. We have applied the accounting policies 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 2014. As permitted by section 408 of the Companies Act 2006, the Company has not presented its own profit and loss account. The Company has also taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 (revised 1996) 'Cash Flow Statements'. The Company is also exempt under the terms of FRS 8 'Related Party Disclosures' from disclosing transactions with other members of the Genus Group.

Fixed assets and depreciation

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

Leasehold land and buildings	period of lease
Equipment	3 to 20 years

We review the carrying value of fixed assets for impairment, if events or changes in circumstances indicate that the carrying value may not be recoverable.

Investments

We state fixed assets investments at cost less provision for impairment.

Pensions

A number of our employees are members of defined contribution pension schemes. We charge contributions to profit and loss as they become payable under the schemes' rules. We show differences between the contributions payable and the amounts actually paid as either accruals or prepayments in the balance sheet. The schemes' assets are held separately from those of the Company.

Certain current and former employees of the Company are members of one of the Group's defined benefit pension schemes, further details of which are given in note 28 of the Group Financial Statements. The schemes are all multi-employer defined benefit schemes, whose assets and liabilities are held independently from the Group. The Company is unable to identify its share of the scheme's underlying assets and liabilities and therefore accounts for the scheme as if it were a defined contribution scheme.

Taxation

We provide for current tax, including UK corporation tax and foreign tax, at the amounts we expect to pay or recover, using the tax rates and the laws enacted or substantively enacted at the balance sheet date.

We recognise deferred taxation 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.

We only recognise deferred taxation assets if we consider it more likely than not that we will have suitable profits from which we can deduct the future reversal of the underlying timing differences. 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 reversing in one or more subsequent periods.

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

We measure deferred taxation on a non-discounted basis, at the tax rates we expect to apply in the periods in which we expect the timing differences to reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currencies

We record transactions in foreign currencies at the rate ruling at the transaction date or at the contracted rate, if the transaction is covered by a forward foreign currency contract. We retranslate monetary assets and liabilities denominated in foreign currencies at the prevailing rate of exchange 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 us to recognise the assets and liabilities associated with the Company's investment in its own shares in the Company's financial statements, where there is de facto control of the assets and liabilities.

The Company's own shares held by a Qualifying Employee Share Ownership Trust ('QUEST') remain deducted from shareholders' funds until they vest unconditionally with employees.

Employee share schemes

The Company's Executive Directors and Chief Operating Officers receive part of their remuneration in the form of share awards, which vest upon meeting performance criteria over a three year period.

We measure the cost of these awards by reference to the shares' fair value at the award date. At the end of each financial reporting period, we estimate the extent to which the performance criteria will be met at the end of three years, and record an appropriate charge 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

We have implemented the generally accepted accounting principle for accounting for share-based payments with subsidiary undertakings under UITF 44, whereby the Company has granted rights to its shares to employees of its subsidiary undertakings under an equity-settled arrangement, and the subsidiaries have not reimbursed 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 equal amount.

Derivative financial instruments and hedging

Our activities expose us primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

We use interest rate swaps to hedge interest rate risk. We also use forward foreign currency contracts, implemented through a medium-term US Dollar cross currency borrowing and related interest rate swap, to hedge exposure to translation risk associated with US Dollar net assets of subsidiary entities. Forward foreign currency contracts do not qualify for hedge accounting in the Parent Company Financial Statements, as the hedged item is not in its balance sheet.

Our use of financial derivative instruments is governed by the Group's policies, which are approved by the Board of Directors. The notes to the Group Financial Statements include information about the Group's financial risks and their management, and its use of financial instruments and their impact on the Group's risk profile, performance and financial condition.

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

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

Cash flow hedges

Where a derivative financial instrument is designated as hedging the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, we recognise the effective part of any gain or loss on the instrument directly in the hedging reserve. We recognise any ineffective portion of the hedge immediately in the profit and loss account.

If we hedge a forecast transaction that subsequently results in our recognising a financial asset or liability, then we reclassify the associated gains and losses that we had recognised directly in equity into profit or loss. We do this in the same period or periods that the asset or liability affects profit or loss, which are the periods when we recognise the interest income or expense.

If we expect a hedged forecast transaction to occur but the hedging instrument has expired, been sold, terminated or exercised, or we have revoked the designation of the hedge relationship, then the cumulative gain or loss at that point remains in equity and we recognise it in accordance with the above policy when the transaction occurs. If we no longer expect the hedged transaction to occur, we immediately recognise in the profit and loss account the cumulative unrealised gain or loss recognised in equity.

When a hedging instrument expires or is sold, terminated or exercised, or we revoke designation of the hedge relationship, the cumulative gain or loss at that point remains in equity until we dispose of the investment it relates to.

We treat derivatives embedded in other financial instruments or other host contracts 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

We initially state debt at the amount of the net proceeds, after deducting 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

We charge the finance costs of debt to the profit and loss account over the debt term, at a constant rate on the carrying value of the debt to which they relate.

40. Employees

Staff costs including Directors' remuneration during the year amounted to:

	2014 £m	2013 £m
Wages and salaries	4.5	4.0
Social security costs	0.8	0.4
Pension costs	0.1	0.2
Share-based payment expense	0.4	1.3
	5.8	5.9

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

	2014 Number	2013 Number
Administration	23	19

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

41. Tangible fixed assets

	Leasehold land and buildings £m	Equipment - owned £m	Total £m
Cost			
At 1 July 2013	0.2	1.4	1.6
Additions	-	0.2	0.2
At 30 June 2014	0.2	1.6	1.8
Depreciation			
At 1 July 2013	0.1	0.6	0.7
Charge for the year	0.1	0.2	0.3
At 30 June 2014	0.2	0.8	1.0
Net book value			
At 30 June 2014	-	0.8	0.8
At 30 June 2013	0.1	0.8	0.9

42. Investments

	Shares in subsidiary undertaking £m
Cost	
At 1 July 2013	271.7
Additions	11.7
At 30 June 2014	283.4
Provision for impairment	
At 1 July 2013 and 30 June 2014	205.3
Net book value	
At 30 June 2014	78.1
At 30 June 2013	66.4

Principal subsidiary undertakings

The Company's principal subsidiaries and their main activities are given in note 36.

43. Debtors

	Note	2014 £m	2013 £m
Amounts due within one year			
Amounts owed by Group undertakings		459.7	463.4
Corporation tax recoverable		0.5	-
Other taxes and social security		0.6	0.9
Prepayments and accrued income		0.2	0.2
Deferred tax	44	0.8	0.9
		461.8	465.4

At the balance sheet date, the amounts owed by Group undertakings were £459.7m (2013: £463.4m). The carrying amount of these assets approximates their fair value. There are impaired receivable balances of £0.4m (2013: £0.4m). Of the amounts owed by Group undertakings, £320.2m (2013: £327.6m) is interest-bearing.

44. Deferred tax

The movements in deferred taxation are as follows:

	2014 £m	2013 £m
At the start of the year	0.9	1.1
Recognised in income statement	(0.1)	(0.1)
Changes in tax rate recognised in income statement	(0.1)	–
Prior year adjustments recognised in income statement	0.2	–
Recognised in equity	(0.1)	(0.1)
At the end of the year	0.8	0.9

The amounts provided are as follows:

	2014 £m	2013 £m
Derivatives	–	0.1
Share-based payments	0.6	0.7
Other timing differences	0.2	0.1
	0.8	0.9

The amounts unprovided are as follows:

	2014 £m	2013 £m
Losses	1.1	1.3

Unrecognised deferred tax assets

At the balance sheet date, the Company has unused tax losses available for offset against future profits, with a potential tax benefit of £1.1m (2013: £1.3m). We have not recognised a deferred tax asset, due to uncertainty over the availability of future taxable profits.

45. Creditors: amounts falling due within one year

	Note	2014 £m	2013 £m
Bank loans and overdrafts	47	12.7	7.1
Trade creditors		0.4	0.4
Other creditors including taxation and social security		0.3	0.6
Amounts owed to Group undertakings		288.9	313.7
Accruals and deferred income		4.1	3.4
Derivative financial liabilities	48	2.6	0.8
		309.0	326.0

Included within amounts owed to Group undertakings are amounts of £266.8m (2013: £292.1m) which are interest-bearing and payable on demand.

46. Creditors: amounts falling due after more than one year

	Note	2014 £m	2013 £m
Bank loans and overdrafts	47	70.8	60.3
Derivative financial liabilities	48	–	0.1
		70.8	60.4

47. Loans and borrowings

	2014 £m	2013 £m
Loans and borrowings comprise amounts falling due:		
In one year or less or on demand	13.1	7.6
In more than one year but not more than two years	5.8	6.6
In more than two years but not more than five years	65.5	53.7
	84.4	67.9
Less: unamortised issue costs	(0.9)	(0.5)
	83.5	67.4
Amounts falling due within one year	(12.7)	(7.1)
Amounts falling due after more than one year	70.8	60.3

The credit facilities at the balance sheet date comprised a £65m multi-currency revolving credit facility, a US\$100m revolving credit facility and an amortising US\$35m term loan repayable in instalments by 15 September 2017.

As part of its interest rate strategy the Company has entered into interest rate swaps to hedge floating LIBOR rates. As a result, bank loans and overdrafts include borrowings of US\$50m (£29.2m) fixed at 1.07%, excluding applicable bank margin.

Terms and debt repayment schedule

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

	Currency	Interest rate	2014 £m	2013 £m
Revolving credit facility and overdraft	GBP	1.7%	6.5	0.7
Revolving credit facility, term loan and overdraft	USD	1.4%	73.0	62.4
Secured revolving credit facility and overdraft	EUR	1.6%	4.0	4.3
Total interest-bearing liabilities			83.5	67.4

The above revolving credit facilities are unsecured.

48. 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:

	2014		2013	
	Carrying amount £m	Fair value £m	Carrying amount £m	Fair value £m
Interest rate swap treated as cash flow hedge	(0.2)	(0.2)	(0.5)	(0.5)
Lean hog and feed commodity futures	(2.4)	(2.4)	(0.4)	(0.4)
	(2.6)	(2.6)	(0.9)	(0.9)

Represented by:

	£m	£m
Creditors: amounts due within one year	(2.6)	(0.8)
Creditors: amounts due after more than one year	–	(0.1)
	(2.6)	(0.9)

Hedges

The Company's policy is to monitor its net transactional currency exposures and future contracted sales, in order to hedge such exposures within the Group, where appropriate. At 30 June 2014, the Company has entered short-term forward contracts totalling £(1.6)m (net) (2013: £(3.3)m (net)).

The recognised profit included in the profit and loss account on forward exchange contracts taken out in previous years amounted to £0.1m (2013: £nil). The Company has entered into interest rate swaps in order to manage its interest rate profile.

Other information

Additional disclosure on financial instruments can be found in note 25.

49. Capital and reserves
Share capital

	2014 Number	2013 Number	2014 £m	2013 £m
Authorised				
Ordinary shares of 10 pence	75,989,400	75,989,400	7.6	7.6
Issued and fully paid				
Ordinary shares of 10 pence	60,918,731	60,648,563	6.1	6.1

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:

	2014 Number	2013 Number	2014 £m	2013 £m
Issued under the Executive Share Option Plan	70,167	152,912	–	–
Issued to employee benefit trust	200,001	200,000	–	–
	270,168	352,912	–	–

Shares issued under share option plans were issued at option prices as follows:

	2014 Number	Price	2013 Number	Price
Executive Share Option Plan	4,232	310.5p	7,217	310.5p
	–	439.75p	6,634	439.75p
	–	472p	7,135	472p
	867	582p	3,442	582p
	–	776p	9,223	776p
	11,337	654.5p	101,385	654.5p
	51,222	729.83p	14,383	729.83p
	2,509	977.83p	3,450	977.83p
	–	1,334p	43	1,334p
	70,167		152,912	

Reserve for own shares

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

	2014 Number	2013 Number	2014 £m	2013 £m
Shares allocated but not vested	146,625	111,181	1.7	1.5
Unallocated shares	92,334	92,334	1.0	1.3
	238,959	203,515	2.7	2.8

Hedging reserve

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

Reserves and reconciliation of movement in equity shareholders' funds

	Share capital £m	Share premium account £m	Own shares £m	Profit and loss account £m	Hedging reserve £m	Total £m
At 1 July 2013	6.1	112.1	(0.1)	30.0	(0.3)	147.8
Profit for the financial year	–	–	–	21.9	–	21.9
New shares issued	–	0.1	–	–	–	0.1
Dividends paid	–	–	–	(10.1)	–	(10.1)
Share-based payments, net of tax	–	–	–	0.9	–	0.9
Fair value movement on cash flow hedges, net of tax	–	–	–	–	0.3	0.3
At 30 June 2014	6.1	112.2	(0.1)	42.7	–	160.9

For information on dividends see note 12.

50. Related party transactions

The Company is exempt under the terms of FRS 8 '*Related Party Disclosures*' from disclosing transactions with other members of the Group.

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Details of other related party transactions are disclosed in note 35 in the Group Financial Statements.

51. Contingencies

The retirement benefit obligations referred to in note 28 include obligations relating to the Milk Pension defined benefit scheme. Genus, together with other participating employers, is joint and severally liable for the scheme's obligations. Genus has accounted for its share and its share of any orphan assets and liabilities, collectively representing approximately 75% of the Milk Pension Fund. As a result of the joint and several liability, Genus has a contingent liability for those of the scheme's obligations that Genus has not accounted for.

Five Year Record – Consolidated Results

The information included in the five year record below is in accordance with IFRS as adopted for use in the European Union.

Financial results	2014 £m	2013 [*] £m	2012 [*] £m	2011 [*] £m	2010 [*] £m
Revenue from continuing operations	372.2	345.3	341.8	309.9	285.3
Adjusted operating profit from continuing operations [*]	42.9	45.0	45.2	41.7	39.4
Adjusted operating profit including joint ventures [*]	44.8	48.2	48.0	44.8	41.7
Adjusted profit before tax [*]	39.3	42.5	43.7	36.7	32.0
Basic adjusted earnings per share [*]	46.5p	49.1p	50.0p	41.9p	35.5p
Diluted adjusted earnings per share [*]	46.4p	48.4p	49.3p	41.3p	35.1p
Operating profit from continuing operations	41.8	36.3	53.6	44.3	46.5
Profit before tax from continuing operations	38.2	33.4	51.6	38.5	39.9
Profit after tax from continuing operations	28.9	23.4	37.5	27.5	26.8
Profit for year	28.9	23.4	37.5	27.5	26.8
Basic earnings per share	47.7p	38.8p	62.4p	46.1p	45.1p
Diluted earnings per share	47.6p	38.3p	61.6p	45.4p	44.5p
Net assets	285.3	300.5	278.0	274.3	251.8
Net debt	63.9	52.9	56.4	67.9	80.0

* Adjusted operating profit, adjusted profit before tax and adjusted basic and diluted earnings per share are before net IAS 41 valuation movement on biological assets, amortisation of acquired intangible assets, share-based payment expense, exceptional items and other gains and losses.

+ Restated due to adoption of the amendments of IAS 19.

Notice of Annual General Meeting

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000. If you have sold or transferred all your shares in Genus plc, please send this document and the accompanying documents to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 2014 Annual General Meeting of Genus plc (the 'Company') will be held at the Apollo Hotel, Aldermaston Roundabout, Basingstoke, Hampshire RG24 9NU on 14 November 2014 at 11.00am for the following purposes:

To consider and if thought fit, to pass the following resolutions, of which numbers 1 to 15 will be proposed as ordinary resolutions and numbers 16 to 18 as special resolutions.

Ordinary Business

1. To approve the Company's audited Financial Statements, the Directors' Report, the Strategic Report and the Auditor's Report for the year ended 30 June 2014 (the 'Annual Report and Accounts').
2. To approve the Annual Statement by the Chairman of the Remuneration Committee (the 'Committee') and the Annual Report on Remuneration for the year ended 30 June 2014, as set out on pages 64 to 65 and 74 to 83 respectively of the Company's Annual Report 2014.
3. To approve the Directors' Remuneration Policy Report as set out on pages 66 to 74 of the Company's Annual Report 2014, to take effect immediately after the end of the Annual General Meeting on 14 November 2014.
4. To declare and approve a final dividend of 12.2 pence per ordinary share, payable on 5 December 2014 to shareholders on the register of members at the close of business on 21 November 2014. An interim dividend of 5.5 pence per ordinary share was paid on 28 March 2014 to shareholders on the register at 7 March 2014.
5. To re-elect Bob Lawson as a Director of the Company who, being eligible, offers himself for re-election.
6. To re-elect Karim Bitar as a Director of the Company who, being eligible, offers himself for re-election.
7. To re-elect Stephen Wilson as a Director of the Company who, being eligible, offers himself for re-election.
8. To re-elect Nigel Turner as a Director of the Company who, being eligible, offers himself for re-election.
9. To re-elect Mike Buzzacott as a Director of the Company who, being eligible, offers himself for re-election.
10. To elect Duncan Maskell as a Director of the Company who, being eligible, submits himself for election.
11. To elect Lykele van der Broek as a Director of the Company who, being eligible, submits himself for election.
12. To re-appoint Deloitte LLP as auditor of the Company to hold office from the conclusion of the Annual General Meeting until the conclusion of the next General Meeting of the Company at which Financial Statements are laid and to authorise the Directors to agree the auditor's remuneration.
13. THAT the Directors be generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 (the 'Act') to allot shares in the Company up to a maximum aggregate nominal amount of £1,506,850 being 15,068,505 ordinary shares of 10 pence each ('Ordinary Shares'), representing 24.7% of the issued share capital of the Company as at 3 October 2014 (being the latest practicable date before publication of this Notice), such authority to expire on the conclusion of the Company's Annual General Meeting next following or, if earlier, the close of business on the day which is 15 months after the date on which this resolution is passed but so that the Company may, before the expiry of such period, make an offer or agreement which would or might require shares to be allotted after such expiry and the Directors may allot shares in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

Special Business

14. THAT the rules of the Genus plc 2014 Performance Share Plan (the '2014 PSP') referred to in the Explanatory Notes to this Notice of Annual General Meeting and produced in draft to this meeting and, for the purposes of identification, initialled by the Chairman, be approved and the Directors be authorised to:

- 14.1 make such modifications to the 2014 PSP as they may consider appropriate to take account of the requirements of best practice and legislation and for the implementation of the 2014 PSP, and to adopt the

2014 PSP as so modified and to do all such other acts and things as they may consider appropriate to implement the 2014 PSP; and

14.2 establish further plans based on the 2014 PSP but modified to take account of local tax, exchange control or securities laws in overseas territories, provided that any shares made available under such further plans are treated as counting against the limits on individual or overall participation in the 2014 PSP.

15. THAT the Genus plc 2004 Executive Share Option Plan be renewed and updated to become the Genus plc 2014 Executive Share Option Plan (the '2014 ESOP') referred to in the explanatory notes to this Notice of Annual General Meeting and produced in draft to this meeting and, for the purposes of identification, initialled by the Chairman, be approved and the Directors be authorised to:

15.1 make such modifications to the 2014 ESOP as they may consider appropriate to take account of the requirements of best practice and legislation and for the implementation of the 2014 ESOP and to adopt the 2014 ESOP as so modified and to do all such other acts and things as they may consider appropriate to implement the 2014 ESOP; and

15.2 establish further plans based on the 2014 ESOP but modified to take account of local tax, exchange control or securities laws in overseas territories, provided that any shares made available under such further plans are treated as counting against the limits on individual or overall participation in the 2014 ESOP.

16. THAT subject to and conditional on the passing of resolution 13, the Directors be empowered, pursuant to section 570 and section 573 of the Act, to allot equity securities (within the meaning of sections 560 of the Act) for cash pursuant to the authority conferred by resolution 13 as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:

16.1 in connection with an offer of such securities by way of rights issue; and

16.2 otherwise than pursuant to sub-paragraph 16.1 above up to an aggregate nominal amount of £304,604 being 3,046,044 Ordinary Shares representing not more than 5% of the issued share capital of the Company as at 3 October 2014 (being the latest practicable date before publication of this Notice),

and shall expire on the conclusion of the Company's Annual General Meeting next following save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement as if the power had not expired. This power applies in relation to a sale of treasury shares as if all references in this resolution to an allotment included any such sale and in the first paragraph of this resolution the words 'pursuant to the authority conferred by resolution 13' were omitted in relation to such a sale.

In this resolution, 'rights issue' means an offer of equity securities open for acceptance for a period fixed by the Directors to holders on the register on a fixed record date in proportion as nearly as may be to their respective holdings, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with any fractional entitlements or legal or practical difficulties under the laws of, or the requirement of any recognised regulatory body or any stock exchange in, any territory or any other matter.

17. THAT subject to and in accordance with article 9 of the Company's Articles of Association, the Company be generally and unconditionally authorised to make market purchases (within the meaning of section 693(4) of the Act) of Ordinary Shares on such terms as the Directors think fit provided that:

17.1 the maximum aggregate number of Ordinary Shares hereby authorised to be purchased is 6,091,873 (representing 10% of the Company's issued ordinary share capital as at 30 June 2014);

17.2 the minimum price, exclusive of any expenses, which may be paid for an Ordinary Share is 10 pence;

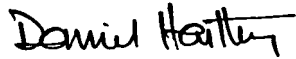
17.3 the maximum price, exclusive of any expenses, which may be paid for an Ordinary Share is an amount equal to the higher of: (a) 105% of the average of the middle market quotations for an Ordinary Share, as derived from the London Stock Exchange Daily Official List, for the five business days immediately before the day on which such share is contracted to be purchased; and (b) the amount stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation 2003; and

17.4 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.

18. THAT a General Meeting, other than an Annual General Meeting, may be called on not less than 14 clear days' notice and that such authority shall expire on the conclusion of the Company's Annual General Meeting next following.

The Directors consider that all the proposals to be considered at the Annual General Meeting are in the best interests of the Company and its members as a whole and are most likely to promote the success of the Company for the benefit of its members as a whole. The Directors unanimously recommend that you vote in favour of all the proposed resolutions as they intend to do in respect of their own beneficial holdings.

By order of the Board
Registered office:
Belvedere House
Basing View
Basingstoke
RG21 4HG
Registered in England and Wales with number 02972325



Dan Hartley
Group General Counsel & Company Secretary
3 October 2014

Explanatory Notes

This section contains an explanation of each of the resolutions to be put to the Annual General Meeting. Resolutions 1 to 15 are ordinary resolutions requiring the approval of a simple majority of shareholders present and voting at the Annual General Meeting. Resolutions 16 to 18 are special resolutions requiring the approval of 75% of shareholders present and voting at the Annual General Meeting.

Resolution 1 – To receive the Annual Report and Accounts

Shareholders are invited to approve the Annual Report and Accounts.

Resolutions 2 and 3 – Approval of (i) the Annual Statement by the Chairman of the Committee and the Annual Report on Remuneration and (ii) the Directors' Remuneration Policy Report

Under new legislation that came into force in the UK on 1 October 2013, the Company is required to offer an advisory vote on the implementation of the Company's existing remuneration policy in terms of the payments and share awards made to Directors during the year (the Annual Statement by the Chairman and the Annual Report on Remuneration) and a separate binding vote on the Company's forward looking remuneration policy (the Directors' Remuneration Policy Report).

Resolution 2 seeks shareholder approval for the Annual Statement by the Chairman of the Remuneration Committee and the Annual Report on Remuneration as set out on pages 64 to 65 and 74 to 83 respectively of the Company's Annual Report 2014.

Resolution 3 seeks shareholder approval for the Directors' Remuneration Policy Report, which is set out in the first part of the Directors' Remuneration Report, on pages 66 to 74 of the Company's Annual Report 2014.

Subject to such approval, the proposed effective date of the Directors' Remuneration Policy Report is 14 November 2014, being the date of the Annual General Meeting of the Company.

Resolution 4 – Final Dividend

Final dividends must be approved by shareholders but must not exceed the amount recommended by Directors. If the meeting approves the final dividend it will be paid out in accordance with resolution 4.

Resolutions 5 to 11 – Re-election/Election of Directors

In accordance with provisions of the UK Corporate Governance Code, all Directors of the Company are required to offer themselves for annual re-election. This is the first meeting at which Duncan Maskell and Lykele van der Broek stand for election. Biographies of all of the current and proposed Directors can be found on pages 50 and 51 of the Company's Annual Report 2014.

Resolution 12 – Appointment of Auditor and Auditor's Remuneration

The Company is required to appoint an auditor at each general meeting at which accounts are presented, to hold office until the end of the next such meeting. This resolution is recommended by the Audit Committee and proposes the reappointment of the Company's existing auditor, Deloitte LLP, and follows good practice in giving authority to the Audit Committee to agree its remuneration.

Resolution 13 – Authority to Allot Shares

Resolution 13 is proposed as an ordinary resolution and seeks the approval of shareholders, in accordance with section 551 of the Act, to authorise the Directors to allot Ordinary Shares for a period as stated in resolution 13. The Directors have no current intention to exercise this authority and intend to comply with the guidance issued by the Investment Management Association. However, if the Directors do exercise this authority, the Directors intend to follow emerging

best practice as regards to its use. As at the date of this notice, no shares are held by the Company in treasury.

Resolutions 14 and 15 – Incentive Arrangements

The Company's existing long-term incentive arrangement for the Company's Executive Directors and other selected senior management is the Genus plc 2004 Performance Share Plan (the '2004 PSP'). Separately, the Company operates the Genus plc 2004 Executive Share Option Plan (the '2004 ESOP') for selected employees, not being Executive Directors.

Since their approval by shareholders in August 2004, the 2004 PSP and 2004 ESOP have provided for annual share-based awards ordinarily vesting (or becoming capable of exercise as relevant) three years from grant, subject to continued service and, in respect of the 2004 PSP, to the extent to which objective performance criteria are met over a three-year measurement period. Both the 2004 PSP and the 2004 ESOP reached the end of their ten year life on 12 August 2014.

The Committee of the Board of Directors has recently undertaken a review of the Company's incentive arrangements and concluded that shareholder authority be sought for the following:

- Resolution 14 – the introduction of a new plan to replace the 2004 PSP, the Genus plc 2014 Performance Share Plan (the '2014 PSP'); and
- Resolution 15 – the renewal of the 2004 ESOP, to become the Genus plc 2014 Executive Share Option Plan (the '2014 ESOP').

The terms of the 2014 PSP and 2014 ESOP have been designed to materially continue with the existing policy under the 2004 PSP and the 2004 ESOP but with changes to take account of current best practice expectations and legislative changes.

The features of the proposed 2014 PSP include no increase as to the normal maximum award levels operated under the 2004 PSP, a 10% in 10 years dilution limit as to the use of new issue shares and an updated sliding scale performance condition policy.

Furthermore, in connection with the implementation of the 2014 PSP, the Committee proposes to introduce a requirement that the Company's Executive Directors will be required to retain their net of tax number of vested shares (if any) delivered under the 2014 PSP (or maintain unexercised the full number of the vested shares whilst held under an unexercised nil (or nominal) cost option under the 2014 PSP where relevant) for at least two years from point of vesting.

In respect of the 2014 ESOP, amendments have been made from the 2004 ESOP in order to take account of the recent changes made to the legislation governing tax-advantaged plans.

A summary of the principal terms of the 2014 PSP and the 2014 ESOP, together with details of the performance condition policy proposed for the first awards under the 2014 PSP, is set out in this report.

Principal Terms of the 2014 PSP

Operation

The Committee of the Board of Directors will supervise the operation of the 2014 PSP.

Eligibility

Any employee (including an Executive Director) of the Company and its subsidiaries will be eligible to participate in the 2014 PSP at the discretion of the Committee.

It is currently anticipated that participation in the 2014 PSP will be limited to the Company's Executive Directors and selected senior employees.

Grant of Awards

The Committee may grant awards to acquire Ordinary Shares within six weeks following the Company's announcement of its results for any period. The Committee may also grant awards within six weeks of shareholder approval of the 2014 PSP or at any other time when the Committee considers there are sufficiently exceptional circumstances which justify the granting of awards.

The Committee may grant awards as conditional share awards or nil (or nominal) cost options. The Committee may also decide to grant cash-based awards of an equivalent value to share-based awards or to satisfy share-based awards in cash, although it does not currently intend to do so.

An award may not be granted more than 10 years after shareholder approval of the 2014 PSP.

No payment is required for the grant of an award. Awards are not transferable, except on death. Awards are not pensionable.

Individual Limit

An employee may not receive awards in any financial year over Ordinary Shares having a market value in excess of 200% of their annual base salary in that financial year. In exceptional circumstances, such as recruitment, this limit is increased to 300% of an employee's annual base salary.

Performance Conditions

The vesting of awards granted will be subject to performance conditions set by the Committee.

It is proposed that the performance conditions for the first awards under the 2014 PSP to the Company's Executive Directors and senior management will be based on the Company's earnings per share ('EPS') performance over a three-year measurement period (three consecutive financial years of the Company, starting with the financial year in which the awards are granted – the 'Performance Period').

The following vesting schedule will apply to such first awards:

Growth in EPS over the Performance Period	Percentage of Award that shall Vest
Less than 6% per annum ('p.a.')	0%
6% p.a.	20%
20% p.a. or better	100%
Between 6% p.a. and 20% p.a.	Pro-rata between 20% and 100%

For such purposes, EPS will be calculated on such adjusted basis as the Committee determines appropriate and the per annum growth calculations determined by reference to end to end growth over the Performance Period converted into a simple per annum average.

In addition to the above target, the Committee will retain the ability to scale back vesting based on adjusted EPS performance if it does not consider the vesting result to be consistent with the progress achieved against the Company's strategy during the Performance Period.

Within the scope of such approved shareholder remuneration policy from time to time, the Committee can set different performance conditions from those described above for future awards to the Company's Executive Directors provided that, in the reasonable opinion of the Committee, the new targets are not materially less challenging in the circumstances than the conditions described above.

In addition, the Committee can set different performance conditions from those described above in the case of awards to other employees.

The Committee may also amend the performance conditions applying to existing awards if an event has occurred which causes the Committee to consider that it would be appropriate to amend the performance conditions, provided the Committee considers the varied conditions are fair and reasonable and not materially less challenging than the original conditions would have been but for the event in question.

Vesting of Awards

Awards normally vest three years after grant to the extent that the applicable performance conditions have been satisfied and provided the participant is still employed in the Company's Group. Options granted to individuals who are tax resident in the UK are then exercisable up until the day before the tenth anniversary of grant (or such other shorter period as specified at grant), unless they lapse earlier.

Dividend Equivalents

The Committee may decide that participants will receive a payment (in cash and/or Ordinary Shares) on or shortly following the vesting of their awards, of an amount equivalent to the dividends that would have been payable on the Ordinary Shares vesting under the award if they had been owned between the date of grant and the vesting of an award. This amount may assume the reinvestment of dividends.

Leaving Employment

As a general rule, an award will lapse upon a participant ceasing to hold employment or be a Director within the Company's Group. However, if a participant ceases to be an employee or a Director because of ill-health, injury or disability, retirement, redundancy, their employing company or the business for which they work being sold out of the Company's Group or in other circumstances at the discretion of the Committee, then their award will normally vest on the date when it would have vested if they had not ceased such employment or office. The extent to which an award will vest in these situations will depend upon two factors: (i) the extent to which the relevant performance conditions have, in the opinion of the Committee, been satisfied over the Performance Period, and (ii) pro-rating of the award to reflect the reduced period of time between its grant and vesting, although the Committee can decide not to pro-rate an award if it regards it as appropriate to do so in the particular circumstances.

Alternatively, if a participant ceases to be an employee or Director in the Company's Group for one of the 'good leaver' reasons specified above, the Committee can decide that their award will vest when they leave, subject to: (i) the relevant performance conditions measured at that time; and (ii) pro-rating by reference to the time of cessation as described above. Such treatment will also apply in the case of death.

Corporate Events

In the event of a takeover or winding up of the Company (not being an internal corporate reorganisation), all awards will vest early subject to: (i) the extent that the relevant performance conditions have been satisfied at that time; and (ii) the pro-rating of the awards to reflect the reduced period of time between their grant and vesting, although the Committee can decide not to pro-rate an award if it regards it as appropriate to do so in the particular circumstances.

In the event of an internal corporate reorganisation, awards will be replaced by equivalent new awards over shares in a new holding company unless the Committee decides that awards should vest on the basis which would apply in the case of a takeover.

If a demerger, special dividend or other similar event is proposed which, in the opinion of the Committee, would affect the market price of Ordinary Shares to a material extent, then the Committee may decide that awards will vest on such basis as it decides.

Participants' Rights

Awards settled in Ordinary Shares will not confer any shareholder rights until the awards have vested or the options have been exercised as relevant and the participants have received their Ordinary Shares.

Rights Attaching to Shares

Any Ordinary Shares allotted when an award vests or is exercised will rank equally with Ordinary Shares then in issue (except for rights arising by reference to a record date prior to their allotment).

Variation of Capital

In the event of any variation of the Company's share capital or in the event of a demerger, payment of a special dividend or similar event which materially affects the market price of the Ordinary Shares, the Committee may make such adjustment as it considers appropriate to the number of Ordinary Shares subject to an award and/or the exercise price payable (if any).

Overall Limits

The 2014 PSP may operate over new issue Ordinary Shares, treasury shares or Ordinary Shares purchased in the market.

In any ten calendar year period, the Company may not issue (or grant rights to issue) more than 10% of the issued ordinary share capital of the Company under the 2014 PSP and any other employee share plan adopted by the Company.

Treasury shares will count as new issue Ordinary Shares for the purposes of these limits unless institutional investors decide that they need not count.

Clawback

The Committee may decide prior to the later of (i) three years following the vesting of an award or (ii) the publication of the Company's third set of audited accounts following the vesting of an award, that the award will be subject to clawback where there has been a material misstatement in the Company's Financial Results, an error in assessing any applicable performance condition resulting in a greater level of vesting of an award than was deserved or in the event of cessation of service resulting from gross misconduct.

The clawback may be satisfied by way of a reduction in the amount of any future bonus or share award, the vesting of any subsisting share awards and/or a requirement to make a cash payment.

Alterations

The Committee may, at any time, amend the 2014 PSP in any respect, provided that the prior approval of shareholders is obtained for any amendments that are to the advantage of participants in respect of the rules governing eligibility, limits on participation, the overall limits on the issue of Ordinary Shares or the transfer of treasury shares, the basis for determining a participant's entitlement to, and the terms of, the Ordinary Shares or cash to be acquired and the adjustment of awards.

The requirement to obtain the prior approval of shareholders will not, however, apply to any minor alteration made to benefit the administration of the 2014 PSP, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or for any company in the Company's Group.

Shareholder approval will also not be required for any amendments to any performance condition applying to an award provided that the amendments are made within the scope of the powers of amendment in relation to performance conditions referred to earlier in this summary.

Overseas Plans

The shareholder resolution to approve the 2014 PSP will allow the Board to establish further plans for overseas territories, any such plan to be similar to the 2014 PSP, but modified to take account of local tax, exchange control or securities laws, provided that any Ordinary Shares made available under such further plans are treated as counting against the limits on individual and overall participation in the 2014 PSP.

Principal terms of the 2014 ESOP

Operation

The Committee will supervise the operation of the 2014 ESOP. The 2014 ESOP has the facility to grant both UK tax-advantaged options and options which are not tax-advantaged.

Eligibility

Any employee (including an Executive Director) of the Company and its subsidiaries will be eligible to participate in the 2014 ESOP at the discretion of the Committee. It is currently intended that options will only be granted under the 2014 ESOP to employees who are not Executive Directors. It is not anticipated that Executive Directors will participate in the 2014 ESOP as part of ongoing remuneration policy and should this intention change it would require an amendment to the Directors' Remuneration Policy Report being proposed for shareholder approval at the Annual General Meeting. The intended purpose of the 2014 ESOP is to provide the Company with flexibility to compete on a global basis for the best executive talent. It remains market practice in certain geographies where the Company operates (e.g. North America) and at certain employee levels in the Company's businesses to offer market value options as part of remuneration packages and so flexibility is to be retained to do so through the use of the 2014 ESOP subject to shareholder approval.

Grant of Options

The Committee may grant options to acquire Ordinary Shares within six weeks following the Company's announcement of its results for any period. The Committee may also grant options within six weeks of shareholder approval of the 2014 ESOP or at any other time if the Committee considers there are exceptional circumstances which justify the granting of options.

An option may not be granted more than 10 years after shareholder approval of the 2014 ESOP.

No payment is required for the grant of an option. Options are not transferable, except on death. Options are not pensionable.

Individual Participation

An employee may not receive options in any financial year over Ordinary Shares with a market value exceeding 100% of their annual base salary in that financial year. In exceptional circumstances, such as recruitment, this limit is increased to 150% of an employee's annual base salary.

If an option is granted under the tax-advantaged addendum to the 2014 ESOP the market value of the Ordinary Shares subject to the option cannot exceed £30,000 (or such other limit as specified in the legislation from time to time), together with any other option granted by the Company under a plan which is intended to comply with Schedule 4 to the Income Tax (Earnings and Pensions) Act 2003.

Option Price

The price per Ordinary Share payable upon exercise of an option will not be less than:

- (a) the middle market price of an Ordinary Share on the London Stock Exchange on the dealing day immediately before the date of grant (or such other dealing day(s) as the Committee may decide); and
- (b) if the option relates only to new issue Ordinary Shares, the nominal value of an Ordinary Share.

Performance Conditions

The Committee can grant options under the 2014 ESOP with or without performance conditions. Any grant of options to the Executive Directors would be subject to suitably challenging performance conditions within the scope of such approved shareholder remuneration policy from time to time.

The Committee may vary any performance conditions applying to existing options if an event occurs which causes the Committee to consider that it would be appropriate to amend such performance conditions, provided the Committee considers the varied conditions are fair and reasonable and not materially less challenging than the original conditions would have been but for the event in question.

Exercise of Options

Options will normally become capable of exercise three years after grant, to the extent any performance conditions have been satisfied, provided the participant remains employed in the Company's Group. Options will lapse on the day before the tenth anniversary of the date of grant or after such shorter period as determined by the Committee at the time of grant.

Ordinary Shares will be allotted or transferred to participants within 30 days of exercise. The Committee can decide to satisfy options which are not tax-advantaged by the payment of a cash amount or Ordinary Shares equal in value to the gain made on the exercise of the option. It is not, however, the Company's current intention to use this facility.

Leaving Employment

As a general rule, an option will lapse upon a participant ceasing to hold employment or be a Director within the Company's Group. However, if a participant ceases to be an employee or Director in the Company's Group by reason of their death, injury, disability, redundancy, retirement, their employing company or the business for which they work being sold out of the Company's Group or in other circumstances at the discretion of the Committee, then their option will become exercisable on the date of their cessation and remain exercisable for a limited period thereafter. The extent to which an award will vest in these situations will depend upon two factors: (i) unless the Committee determines otherwise, the extent to which the performance conditions (if any) have, in the opinion of the Committee, been satisfied at that time, and (ii) pro-rating of the option to reflect the reduced period of time between its grant and vesting, although the Committee can decide not to pro-rate an option if it regards it as appropriate to do so in the particular circumstances. Performance conditions would always continue to apply in the case of any grants to Executive Directors.

Corporate Events

In the event of a takeover or winding up of the Company (not being an internal corporate reorganisation) all options will become exercisable early subject to: (i) unless the Committee determines otherwise, the extent that the performance conditions (if any) have been satisfied at that time; and (ii) the pro-rating of the options to reflect the reduced period of time between their grant and vesting, although the Committee can decide not to pro-rate an option if it regards it as appropriate to do so in the particular circumstances. Performance conditions would always continue to apply in the case of any grants to Executive Directors.

In the event of an internal corporate reorganisation, options will be replaced by equivalent new options over Ordinary Shares in a new holding company unless the Committee decides that options should become exercisable on the basis which would apply in the case of a takeover as described above.

If a demerger, special dividend or other similar event is proposed which, in the opinion of the Committee, would affect the market price of Ordinary Shares to a material extent, then the Committee may decide that awards will vest on the basis which would apply in the case of a takeover as described above.

Variation of Capital

In the event of any variation in the Company's share capital, the Committee may make such adjustment as it considers appropriate to the number of Ordinary Shares under option and the price payable on the exercise of an option.

Rights Attaching to Shares

Any Ordinary Shares allotted when an option is exercised will rank equally with Ordinary Shares then in issue (except for rights arising by reference to a record date prior to their allotment).

Overall Limits

The 2014 ESOP may operate over new issue Ordinary Shares, treasury shares or Ordinary Shares purchased in the market.

In any ten calendar year period, the Company may not issue (or grant rights to issue) more than 10% of the issued ordinary share capital of the Company under the 2014 ESOP and any other employee share plan adopted by the Company.

Treasury shares will count as new issue Ordinary Shares for the purposes of these limits unless the institutional investors decide that they need not count.

Alterations

The Committee may, at any time, amend the provisions of the 2014 ESOP in any respect, provided that the prior approval of shareholders is obtained for any amendments that are to the advantage of participants in respect of the rules governing eligibility, limits on participation, the overall limits on the issue of Ordinary Shares or the transfer of treasury shares, the basis for determining a participant's entitlement to, and the terms of, the Ordinary Shares or cash to be acquired and the adjustment of options.

The requirement to obtain the prior approval of shareholders will not, however, apply to any minor alteration made to benefit the administration of the 2014 ESOP, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or for any company in the Company's Group. Prior shareholder approval will also not be required for any amendment to performance conditions applying to an option under the 2014 ESOP provided that the amendments are made within the scope of the powers of amendment in relation to performance conditions referred to earlier in this summary.

Overseas Plans

The shareholder resolution to approve the 2014 ESOP will allow the Board, without further shareholder approval, to establish further plans for overseas territories, any such plan to be similar to the 2014 ESOP, but modified to take

account of local tax, exchange control or securities laws, provided that any Ordinary Shares made available under such further plans are treated as counting against the limits on individual and overall participation in the 2014 ESOP.

Resolution 16 – Disapplication of Pre-emption Rights

Resolution 16, which will be proposed as a special resolution, seeks the approval of shareholders, pursuant to the provisions of section 570 of the Act, to waive the statutory pre-emption rights applicable to the allotment of equity securities for cash. The Directors' existing authority expires at the forthcoming Annual General Meeting. The Directors have no current intention to exercise this authority and the Directors do not intend to issue more than 7.5% of the issued share capital of the Company for cash on a non-pre-emptive basis in any rolling three-year period without prior consultation with shareholders and the Investment Committees of the Investment Management Association and the National Association of Pension Funds. Resolution 16 is conditional on resolution 13 being passed.

Resolution 17 – Authority to Purchase Own Shares

Resolution 17, which will be proposed as a special resolution, seeks authority for the Company to purchase up to 10% of its Ordinary Shares at, or between, the minimum and maximum prices specified in this resolution. This power would be used only after careful consideration by the Directors, having taken into account market conditions prevailing at that time, the investment needs of the Company, its opportunities for expansion and its overall financial position. The Directors would exercise the authority to purchase Ordinary Shares only if they considered it to be in the best interests of shareholders as a whole and if the purchase could be reasonably expected to result in an increase in earnings per share.

Under the Act, the Company is allowed to hold its own shares in treasury following buyback, instead of cancelling them as previously required. Such shares may be resold for cash or used to satisfy share options and share awards under the Company's share incentive schemes but all rights attaching to them, including voting rights and any right to receive dividends, are suspended whilst they are held in treasury. If the Directors exercise the authority conferred by resolution 17, the Company will have the option of holding repurchased shares in treasury. As at the date of this Notice, no shares are held by the Company in treasury.

At 3 October 2014, options were outstanding to subscribe for 1,519,480 Ordinary Shares, representing 2.5% of the issued share capital at that date. If the full authority to purchase such shares (existing and sought) was exercised, they would represent 2.8% of the Company's issued share capital as at that date (assuming there have been no other changes to issued share capital in the meantime). The authority sought at the Annual General Meeting will expire at the conclusion of the next Annual General Meeting, or 18 months from the date of this resolution (whichever is earlier).

Resolution 18 – Notice Period for General Meetings

Resolution 18, which will be proposed as a special resolution, seeks the approval of shareholders to reduce to 14 clear days the notice period required for a general meeting. Changes made to the Act by the Companies (Shareholders' Rights) Regulations 2009 increase the notice period required for general meetings (other than annual general meetings) to 21 days unless shareholders approve a shorter notice period, which cannot however be less than 14 clear days. Annual General Meetings will continue to be held on at least 21 clear days' notice. It is intended that the shorter notice period would not be used as a matter of routine for general meetings but only where the flexibility is merited by the business of the meeting and is thought to be in the interests of the shareholders as a whole. If given, the approval will be effective until the Company's next Annual General Meeting.

General 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 Act 2006 to enjoy information rights. Information regarding the Annual General Meeting, including the information required by section 311A of the Act, is available from www.genusplc.com.

A copy of the draft rules of the 2014 PSP and the 2014 ESOP will be available for inspection at the Company's registered offices and at the offices of New Bridge Street (an Aon Hewitt Ltd company) at 10 Devonshire Square, EC2M 4YP during normal business hours on any weekday (Saturdays and English public holidays excepted) until the close of the Annual General Meeting and at the place of the Annual General Meeting for at least 15 minutes prior to and during the Annual General Meeting.

Members will find an attendance card and a form of proxy enclosed with this notice. If you are attending the Annual General Meeting, you should bring the attendance card with you. Only holders of Ordinary Shares, or their duly appointed representatives, are entitled to attend, vote and speak at the Annual General Meeting. Any member so entitled may appoint one or more proxies to attend, speak and to vote instead of him. A proxy need not be a member of the Company but must attend the Annual General Meeting to represent you. Details of how to appoint one or more proxies are set out in the notes to the proxy form. A member may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Annual General Meeting.

To be valid, a duly executed form of proxy for use at the Annual General Meeting together, if appropriate, with the power of attorney or other authority (if any) under which it is signed or a duly certified copy of such power or authority must be deposited at the offices of Equiniti Registrars, Freepost RTHJ-CLLL-KBKU, Equiniti, Aspect House, Spencer Road, LANCING, BN99 8LU at least 48 hours before the time appointed for holding the Annual General Meeting or any adjournment thereof. Alternatively, proxies may be appointed by having an appropriate CREST message transmitted, if you are a user of the CREST system (further details are below). In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.

Completion and return of a form of proxy will not preclude shareholders from attending the Annual General Meeting and voting in person if they wish to do so.

The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communications from the Company in accordance with section 146 of the Act ('nominated persons'). Nominated persons may have a right under an agreement with the registered member who hold shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights.

Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the time by which a person must be entered on the register of members of the Company in order to have the right to attend and vote at the Annual General Meeting is 6.00pm on 12 November 2014 (or if the Annual General Meeting is adjourned, members on the register of members not later than 6.00pm on the day that is two working days prior to the reconvened Annual General Meeting). Changes to entries on the register of members after the relevant time will be disregarded in determining the rights of any person to attend or vote at the Annual General Meeting.

Copies of contracts of service and letters of appointment between the Directors and the Company will be available for inspection at the Registered Office of the Company during normal business hours until the conclusion of the Annual General Meeting, and at the place of the Annual General Meeting for at least 15 minutes prior to the Annual General Meeting until its conclusion.

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for this Annual General Meeting to be held on 14 November 2014 at 11.00am and any adjournment(s) thereof by using the procedures described in the CREST Manual found on the Euroclear website www.euroclear.com. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK and Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA19) by the latest time(s) for receipt of proxy appointments specified in the notice of Annual General Meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies

appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK and Ireland Limited do not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5) (a) of the Uncertificated Securities Regulations 2001, as amended.

Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.

As at 3 October 2014 (being the latest practicable date before publication of this Notice), the Company's issued share capital comprised 60,920,895 Ordinary Shares of 10 pence each. As at the date of this Notice, no shares are held by the Company in treasury. Each Ordinary Share carries the right to one vote at a General Meeting of the Company and, therefore, the total number of voting rights in the Company as at 3 October 2014 is 60,920,895. The Company's website, referred to above, will include information on the number of shares and voting rights.

Under section 319A of the Act, the Company must answer any question a member asks relating to the business being dealt with at the Annual General Meeting unless answering the question would interfere unduly with the preparation for the Annual General Meeting or involve the disclosure of confidential information; the answer has already been given on a website in the form of an answer to a question; or it is undesirable in the interests of the Company or the good order of the Annual General Meeting that the question be answered.

Under section 527 of the Act, members meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's Accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting; or (ii) any circumstances connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Act. The Company may not require the members requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Act. Where the Company is required to place a statement on a website under section 527 of the Act, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under section 527 of the Act to publish on a website.

In order for the voting preferences of all shareholders including those who cannot attend the meeting but who validly appoint a proxy, to be taken into account, a poll will be conducted on all resolutions at the Annual General Meeting this year. Each shareholder and proxy present at the Meeting will be invited to complete a poll card indicating how they wish to cast their votes in respect of each resolution. The results of the voting will be posted on the Company's website after the meeting. Except as provided above, members who have general queries about the Annual General Meeting should call Equiniti registrars on 0871 384 2290. Calls to this number cost 8p per minute plus network extras. Lines open 8.30am to 5.30pm, Monday to Friday. If calling from overseas, please call the Equiniti overseas helpline number of +44 121 415 7047. No other methods of communication will be accepted. You may not use any electronic address provided either in this notice of Annual General Meeting, or any related documents (including the proxy form) to communicate with the Company for any purposes other than those expressly stated.

Advisers

Secretary and Registered Office

Dan Hartley

Belvedere House, Basing View
Basingstoke, Hampshire RG21 4HG
Registered Number 02972325

Stockbrokers

Peel Hunt

Moor House, 120 London Wall
London EC2Y 5ET

Liberum Capital Limited

Ropemaker Place, Level 12
25 Ropemaker Street
London EC2Y 9LY

Financial Advisers

HSBC Bank plc

8 Canada Square
London E14 5HQ

Auditors

Deloitte LLP

2 New Street Square
London EC4A 3BZ

Solicitors

Baker & McKenzie LLP

100 New Bridge Street
London EC4V 6JA

Bankers

Barclays Bank PLC

1st Floor, 3 Hardman Street
Spinningfields, Manchester M3 3HF

Registrars

Equiniti Limited

Aspect House, Spencer Road
Lancing, West Sussex BN99 6DA

WWW.GENUSPLC.COM

Genus plc

Annual Report 2014

Belvedere House, Basing View,
Basingstoke, Hampshire RG21 4HG

Tel: +44 (0)1256 347100

Fax: +44 (0)1256 477385