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Genus plc
('Genus' or 'the Company')
Preliminary Results for the year ended 30 June 2010

Genus, a leading global animal genetics company, announces its preliminary results for the year ended 30 June 2010.

Adjusted Results			**Movement**	
			Actual Currency	**Constant Currency+**
Year ended 30 June	**2010 £m**	**2009 £m**	**%**	**%**
Revenue	285.3	280.4	2	(1)
Regional operating profit**	70.0	65.5	7	3
Operating profit*	39.9	38.1	5	3
Profit before tax*	32.9	32.0	3	-
Earnings per share (p)*	36.7	36.1	2	-

Statutory Results			
Year ended 30 June	**2010 £m**	**2009 £m**	**%**
Revenue	285.3	280.4	2
Operating profit	47.0	33.0	42
Profit before tax	40.8	26.2	56
Earnings per share (p)	46.3	30.4	52

*Adjusted operating profit, adjusted profit before tax and adjusted basic earnings per share are before net IAS 41 valuation movements on biological assets, amortisation of acquired intangible assets, share based payments and exceptional items, and exclude other gains and losses.

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

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

HIGHLIGHTS

- Another year of earnings growth achieved despite agricultural recession, with double digit profit growth in the second half as markets started to recover

- Regional operating profit up 7% to £70.0m (2009: £65.5m)
  - Profit from developing markets up from 28% to 30% with strong growth in Latin America and Eastern Europe
  - Bovine volumes up 7% and porcine volumes up 3%
  - Costs reduced especially in business areas most affected by agricultural recession

- Adjusted profit before tax up 3% despite £2.8m increase in research & development expenditure and £1.1m higher interest cost

- Strong cash generation; £12.9m cash inflow reduced net debt to £80.0m

- Continued strategic progress:
  - In bovine, commercial agreement with partner in China extended to 5 years. Offices opened and sales begun in India and Russia
  - Dairy sector competitive position improved with 33 bulls now in top 100 in US ranking, up from 22 last year
  - US beef genetics operations expanded through £1.4m acquisition of Powerline Beef Genetics
  - In Porcine, new nucleus herd facility in South Dakota completed to provide increased capacity and enhanced product development capability
  - Production of porcine genetics in China expanded to meet anticipated market demand.

- Recommended increase in dividend of 10% to 12.1 pence per share to reflect the Board's confidence in the long-term prospects of the business

Commenting on the results Richard Wood, Chief Executive, said:-

'I am pleased to report Genus has once again achieved profit growth despite the agricultural recession and the higher costs associated with the investment to expand our research and development facilities. As market recovery evolved during the second half of the financial year, Genus' performance improved to achieve year on year double digit profit growth. This trend has continued into the new financial year.

Having held firm on our decision to invest through the recession, Genus is now exceptionally well placed to benefit as global markets recover. We are recommending a 10% increase in the dividend to reflect our continuing confidence in the prospects of the business.'

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This announcement is available on the Genus website: www.genusplc.com

About Genus

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

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

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

Headquartered in Basingstoke, England, Genus companies operate in thirty countries on six continents, with research

laboratories located in Madison, Wisconsin, USA.

Group Performance

Genus has overcome the impact of the global agricultural recession to report further good progress and improved profits.

To achieve continued profit growth we decided to cut costs only in those markets where recovery would be delayed and to complete our investment in expanding R&D facilities. We also closed our principal final salary pension scheme to future service accrual and focused on cash generation to reduce debt.

On revenue up 2% to £285.3m adjusted operating profit rose by 5% to £39.9m and adjusted profit before tax increased by 3% to £32.9m, despite £2.8m in additional R&D costs following the decision to complete the strategic product development capacity investment begun last year. This will ensure that Genus is strongly placed as global markets recover. Growth in developing markets, one of the Group's key objectives, continued with profits earned from these markets rising from 28% to 30% of regional operating profit this year.

The results for the year reflect a tough first half, followed by a gradually improving second half. Genus suffered in the first half year from the continuing agricultural recession, with higher comparative costs in research and development and increased interest costs. Some markets began to recover in the second half of the year and this improved adjusted profit before tax. In the second half, this rose by 15% when compared with the same period last year and 12% at constant exchange rates.

Adjusted operating profit and adjusted profit before tax referred to above are the measures that the Board uses to monitor underlying business performance. They exclude non-cash items relating to the net IAS 41 valuation movement in biological assets, amortisation of acquired intangibles and share-based payments and are stated before exceptional items and other gains or losses. Including these items, the statutory results show an even stronger performance with operating profit up 42% to £47.0m and profit before tax up 56% to £40.8m. This result includes an exceptional credit in the year of £2.8m, relating principally to the curtailment gain arising from the closure of a defined benefit pension scheme.

Markets

The year began with the global agricultural markets still in deep recession as a result of the general economic downturn, exacerbated by high feed costs. Producers cut back purchases and price erosion occurred as a result of competitive activity and customers trading down.

The market bottomed early in the spring of 2010 and then showed improvement in a number of countries.

Pig prices rose sufficiently to restore customer profitability in all but the Chinese market. The futures markets have generally been robust so that customer confidence in investing to upgrade porcine genetics has returned. This has been especially evident in the USA.

Milk and beef prices have started to rise in most countries but farming profitability has not yet been restored in the US dairy sector.

Strategy

Genus has continued to progress its growth strategy despite the agricultural recession.
The principal elements of the Group's strategy are:-

- Local investment in developing markets to capture up to 50% of the new growth in these markets;
- Continued growth in developed markets, through improved product offering and customer services;
- Investment in enhancing global production and product development to be able to meet the anticipated increases in demand; and
- Targeted research and development to ensure Genus' products remain ahead of its competitors and to provide

the potential for technological breakthrough.

We have made good progress against all these objectives:

Developing Markets

In China, the relationship with Mengniu, the country's largest dairy producer, has been strengthened by extending commercial arrangements to a rolling five year agreement. A further 21 bulls were shipped from the Genus stud in Australia, bringing the total in China to 32 progeny tested bulls ready to supply the local market. A new stud to house these bulls and provide scope for further expansion has been built to a Genus design, under our supervision. The stud is expected to become operational before the end of 2010, once the appropriate licences have been obtained from the Chinese Government, and the sale of locally produced semen will then begin. In the interim, sales of semen shipped from the USA have exceeded our expectations.

Also in China, the production of porcine genetics has been expanded, although at a slower pace than originally planned. Demand has been reduced by the currently depressed local market as customers defer their growth plans. One new nucleus farm has been completed. Its capacity replaces a smaller temporary facility, improving productivity, as well as providing additional capacity for projected growth. Two further farms are currently under construction. Together with an additional farm planned for construction in the year ahead, these investments will ensure we have sufficient capacity to meet anticipated demand for the next three years.

In Russia, we are at an advanced stage in the negotiations for opening a local stud. In the meantime, sales have commenced using semen imported from our other studs.

In India, we have opened an office and commenced sales of imported semen. Discussions with a partner to establish a local stud are well advanced, with the aim of producing both dairy and water buffalo genetics.

Developed Markets

In developed markets, the strength of the Genus product range has helped support continued sales volume growth, notwithstanding difficult market conditions. In December 2009 we acquired for £1.4m, Powerline Beef Genetics, a business focused on supplying speciality beef genetics to large US producers. This acquisition will enable Genus to use its production and product development capabilities to accelerate growth in the integrated beef chain. Although currently small, the Powerline business has had an encouraging first six months.

Research, Product Development & Production

During the year we completed the $24m project to construct an enhanced nucleus herd facility in South Dakota, replacing the ageing facility in Kentucky. This provides additional capacity, enhancing the rate of genetic improvement and improving business potential.

In the bovine sector, the expansion of the US stud facilities by one-third to a capacity of 18m doses of semen per annum is largely complete.

Importantly, we have made ongoing progress in our quest to enhance product renewal. The Genus product range continues to be ahead of its competitors. For example, we now have 33 of the top 100 bulls in the important US bull rankings, up from 22 bulls last year. We have also exploited our leading technology in the use of genomics to drive further competitive advantage in both the bovine and porcine sectors. This year, we also progressed our project to improve the sorting of sexed semen and secured important patent usage rights to enable its commercialisation.

Outlook

We have made encouraging strategic progress in all important markets during the year. Our decision to complete the investment in expanding product development and production facilities leaves Genus well placed to take advantage of increasing worldwide demand as the already evident market recovery progresses.

Now that the market recovery is taking hold, focus is beginning to return to the long term positive fundamentals for agricultural markets. Increasing global demand for food driven by global population growth and increased urbanisation is creating more demand for protein, especially in developing markets. This in turn creates the need for improved farmer productivity. The high demand this places on finite land, water and energy resources is driving the move towards greater industrialisation of farming. The resulting consolidation in the farming sector is creating large commercial enterprises that are Genus' target customers. The pace of change is most dramatic in developing markets and is being further stimulated by support initiatives from the Governments concerned.

Trading during the current financial year has remained in line with our expectations and ahead of the same period last year. With markets in the majority of countries having at least started a recovery from the agricultural recession, we are confident that the Group will continue to achieve the long term growth expected in our business strategy.

Regional Performance

North America

	Actual Currency			Constant Currency
	2010	2009	Movement	Movement
	£m	£m	%	%
Revenue	103.0	109.0	(6)	(8)
Adjusted operating profit	32.2	32.3	-	(3)
Adjusted operating margin	31%	30%		

It was an extremely difficult year for agricultural production in North America. Genus customers continued to suffer from weak demand and oversupply in their markets. This resulted in reduced demand for Genus' products and services and revenues were 6% lower at £103.0m. The robustness of the porcine business model and cost reductions implemented in the bovine business enabled profits to be held at £32.2m.

The US dairy market suffered the most. Although the national herd size had been reduced in response to the poor market conditions, this was offset by an increase in output per cow. Consequently, milk prices remained at or below the cost of production for most producers throughout the year. Semen volume was 4% lower and strong competitive activity eroded the average selling price, with some customers trading down. The impact was mitigated by Genus' natural focus on the larger, more profitable producers. In addition, costs were reduced, management was strengthened and the sales force re-focused on the quality and strength of the Genus stud. As a result, average prices stabilised in the second half year. In Canada, performance benefited from increased sales of premium bull semen.

The beef sector was less affected by the market downturn, with volumes maintained at the same level as last year. The Powerline Beef Genetics business, acquired in December 2009, performed in line with expectations.
In the porcine sector, low pig prices and high feed costs resulted in producers continuing to incur significant losses, as they did throughout last year. However, as the year progressed, producer cutbacks reduced supply by 4% and this, together with increased export demand, resulted in a level of market recovery. Pig prices firmed, producers returned to profitability and, in the last quarter of the year, Genus customers began to renew their genetics again. Inevitably, demand for breeding animals was low for most of the year and this resulted in a fall in porcine revenues. However, the strong demand in the final quarter limited the reduction to just 6%.

Over 95% of porcine business in North America is now conducted under royalty related contracts. Under these contracts, sales of breeding animals to update customers' genetics are generally made at cost so that the fall in revenues had a negligible impact on adjusted profit. However, new stockings were few so royalty income remained at the same level as last year. Combined with tight control of costs, this contributed once again to an improvement in profit from the porcine activities, demonstrating the strength of the porcine business model.

Latin America

	Actual Currency	Constant Currency

	2010	2009	Movement	Movement
	£m	£m	%	%
Revenue	38.6	34.1	13	6
Adjusted operating profit exc porcine j.v.	10.1	8.3	22	12
Adjusted operating profit inc porcine j.v.	12.2	10.2	20	9
Adjusted operating margin exc porcine j.v.	26%	24%		

We made good progress in this strategically important region despite the recession in its agricultural markets for much of the year. Market share increased as market conditions improved in the second half of the year, enhancing opportunities for growth. Revenue rose by 13% to £38.6m and resulted in a 22% rise in adjusted operating profit. In constant currency, revenue was 6% higher and profits grew by 12%.

Bovine sales volume rose 13%. Market share gains were achieved in each of the three main markets; Argentina, Brazil and Mexico. Sorted semen sales volume rose strongly but prices eroded through competitor activity.

In line with product development elsewhere in the world, the Brazilian stud has been very successful in developing a strong product range. It boasts the top bull in each of the four main segments of the market. In addition, further progress was made in promoting the added value services; Genetic Mating and Reproductive Management. These services create greater customer loyalty and increase the average selling prices of semen supplied. The combination of the strong product range, increased added value services and higher volumes delivered significantly higher profits.

In the porcine sector, sales volume grew 3%, despite challenging market conditions particularly in the first half of the year. We improved market share in Chile and Mexico and renewed key customer contracts. The Venezuela market re-opened in the final quarter following an extended period of closure ostensibly to protect against the spread of disease. This allowed previously delayed shipments to be made in the second half of the year.

There was a marginal increase in contribution from our porcine joint venture in Brazil. Low pig prices in the first half of the year held back profit as royalty income in Brazil is more closely linked to pig prices than volume and these prices remained depressed. Performance improved in the second half of the year as prices firmed. For the future, we are now taking steps to link the local royalty model with volumes as opposed to values.

Europe

	Actual Currency			Constant Currency
	2010	2009	Movement	Movement
	£m	£m	%	%
Revenue	121.5	118.8	2	1
Adjusted operating profit	21.1	18.6	13	10
Adjusted operating margin	17%	16%		

The European region performed strongly and exceeded expectations. Adjusted operating profit rose 13% to £21.1m on revenues that were just 2% higher.

Market conditions in the bovine sector remained difficult throughout the year. Milk prices improved gradually from the low levels prevailing in the spring of 2009, but remained below the more normal levels seen in 2008. The strength of Genus' product range supported by the Reproductive Management service, helped semen sales volumes to rise 11%. Sales of sexed semen grew particularly strongly.

In the porcine sector, market conditions for pig producers remained depressed throughout the year. Pig prices in the UK benefited from the weakness of sterling but elsewhere were lower than the previous year. Against this background, the business performed well. Porcine volumes were similar to last year but with stronger demand in Eastern Europe where volumes grew by 17.3%. A number of large stockings were won in Russia as credit restrictions eased. Our businesses in Western Europe also performed reasonably well helped by the more favourable market conditions in the UK where relatively high pig prices encouraged UK producers to expand. Good growth was also achieved in Spain and Portugal. In Germany, the restructuring last year reduced costs and stabilised performance.

Far East

	Actual Currency			Constant Currency
	2010	2009	Movement	Movement
	£m	£m	%	%
Revenue	23.5	21.8	8	-
Adjusted operating profit	6.6	6.3	5	-
Adjusted operating margin	28%	29%		

Growth in this strategically important region was held back by a further drought in Australia and extremely low pig prices in China. However, strong progress was made in the bovine sector that delivered double digit volume growth.

Regional revenue growth was constrained by the porcine business to 8% and adjusted operating profit rose by just 5% to £6.6m. On a constant currency basis, revenues and profits were flat.

In China, semen sales began in earnest and reached 380k doses. We shipped a further 21 bulls from the Australian stud to provide increased local capacity to meet anticipated future demand. The new Chinese bull stud being built to a Genus design under our supervision has been completed and is expected to be operational later this year. Our commercial relationship with Mengniu, the largest Chinese milk producer, has been extended in a new five year agreement.

We have opened an office in India, the world's largest dairy market, and commenced semen sales in this important new market for Genus. We are also well advanced in our discussions with a partner to open a stud in India, as a source of local production.

In Australia, low milk prices and severe drought conditions in the southern hemisphere dramatically reduced demand for semen in the first half of the year. Market conditions improved towards the end of the year, but semen volume remained 5% lower than last year. Cost reductions mitigated the impact on profits.

Market conditions for pig producers throughout the region were depressed, with the pig market in China particularly badly hit and remaining depressed throughout the year.

Demand for breeding animals was low and customers' expansion plans were delayed. With no protection from royalty contracts, the reduced demand together with losses on by-product pigs caused by depressed prices resulted in a reduction in porcine profits.

In response to the weaker demand, we have rescheduled the nucleus farm expansion programme to align it with the current expectations for market recovery. Construction has recently commenced on the two delayed farms. These will be stocked and become operational in the current year. A further new nucleus farm has been approved for construction in the current year.

Research & Product Development

	Actual Currency			Constant Currency
	2010	2009	Movement	Movement
	£m	£m	%	%
Research	3.4	3.5	(3)	(3)
Bovine product development	10.6	9.5	12	5
Porcine product development	9.2	7.4	24	9
Total	23.2	20.4	14	5

Expenditure rose by £2.8m to £23.2m (2009: £20.4m). On a constant currency basis, costs rose by £1.1m, primarily due to the higher operating costs associated with the new porcine nucleus herd facilities in South Dakota and continued expansion of the bovine stud facilities.

Product Development

The product development programme continued to achieve a strong improvement in the genetic merit of the breeding animals it produces. The bovine stud now has an exceptional range of top animals and the commissioning of the new and enlarged porcine nucleus herd facility will accelerate the already high genetic progress being made in the porcine sector.

The development process in the porcine nucleus farms uses proprietary genomics extensively to assist in the selection process and we have a leading position in this technology. This knowledge and experience is being transferred into the bovine sector to enhance our lead over competitors. Additional investment has been made in high performance computing to support the extensive analysis of the large volumes of data necessary for the successful application of these genomic evaluations.

Also, we made progress with the fundamental science programme, meeting all the milestones set for leading projects.

Bovine Product Development

The Genus bovine stud is the most genetically elite and diverse in the world. It comprises around 200 beef and dairy bulls carefully selected for their ability to confer, in their progeny, a combination of 24 desirable traits providing benefits for customer herds in terms of quality, output and robustness.

In the reporting period, a small number of elderly bulls were retired from the stud and replaced with elite entrants so that genetic quality of the stud has been enhanced.

The stud continues to offer an unrivalled product range with an impressive list of elite bulls. This is well illustrated by having 33 bulls in the top 100 of the internationally important US ranking list, up from 22 bulls last year**.** In addition, we have seven of the top 20 Jersey bulls in the US ranking list.

In the dairy sector, five Shottle sons have graduated with impressive traits. In the beef sector, the recently acquired Powerline Beef Genetics, will enable us to develop proprietary genetics to meet customer specifications in an integrated supply chain.

This year we expanded the five year selection and testing programme for bulls to meet expected sales levels in five years time. In creating and selecting new animals for this programme, because of the long lead time, the Group continually looks forward to the likely needs of agriculture at the time the bulls will graduate. Over the last five years, the

programme has concentrated on all round performance with an emphasis on robustness. From publicly available data, we can confirm that the competitiveness of the Genus stud will be enhanced by graduations in the coming year.

In anticipation of world shortages in agricultural output and higher prevailing feed costs, the Group is continuing to refine the weighting of the traits in the selection process in its forward development programme.

Porcine Product Development

The porcine development programme aims to achieve a continuous improvement in the genetics of the Group's proprietary range of nine pure pig lines. These pure lines are crossed to create elite hybrid boars and gilts for the Group's operating businesses to multiply locally and supply breeding animals to regional customers.

The new genetic nucleus farm in South Dakota was completed during the year. Constructed to replace the ageing Kentucky facility and expand Group capacity, the farm will be fully operational by the end of September 2010. However, we have already seen improvements in the rate of genetic progress from the greater selection pressure afforded by the larger population now under development.

During the year we also expanded our use of cross bred trials to measure the performance of Genus products in the production farming environment. The results from these trials are being used to refine the selection process for robustness traits.

Fundamental Science

The Group manages much of its fundamental research in educational establishments and with specialist research companies. However, as Genus is a market leader in this sector, all work on semen physiology and freezing is carried out in-house. In addition, Genus monitors work undertaken in more than 500 research establishments around the world so that it can quickly identify the progress made in other biotech industries and decide whether such progress could be adapted for use in the animal genetics sector.

Using these methods, the Group is able to achieve more progress than would normally be expected from the level of expenditure currently directed towards fundamental science.

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

This year Genus has achieved continued progress against all the milestones set for an improved process for sorting semen.

Genus Products

Genus manages its global operations on a regional basis and monitors product performance globally. A review of product performance is set out below:

Analysis of Performance by Species

	Actual Currency			Constant Currency
	2010	2009	Movement	Movement
	£m	£m	%	%
Revenue				
Bovine	145.9	140.3	4	1
Porcine	133.8	135.8	(2)	(4)
Research & Development	5.6	4.3		
Total	285.3	280.4	2	(1)

Adjusted Operating Profit

Bovine	18.9	17.8	6	2
Porcine	31.3	30.8	2	2
Unallocated	(10.3)	(10.5)		
Total	39.9	38.1	5	3

Bovine revenues increased to £145.9m. Volumes grew 7% but average selling prices were slightly lower as result of competitor pressure and customers trading down in response to the difficult market, especially in the US. Profitability improved benefiting from growth in volumes and tight control of costs.

In Porcine, the fall in revenues occurred mainly in the US as customers deferred updating their genetics. This was particularly noticeable in the first half but sales in the last quarter were higher as customers responded to the market recovery. The impact on profits was mitigated by the robustness of the royalty model and by cost reductions resulting in porcine profitability improving in the year.

Financial Review

Group Performance

During the year both our key measures of financial performance - underlying profitability and cash generation - improved at a rate ahead of the Board's initial expectations.

Adjusted operating profit and adjusted profit before tax are the measures used by the Board to monitor underlying profitability. The items excluded from adjusted operating profits are:

- Net IAS 41 valuation movement in biological assets;
- Amortisation of acquired intangible assets;
- Share based payments;
- Exceptional items; and
- Other gains and losses.

Adjusted operating profit improved in the year by 5%, and adjusted profit before tax was 3% higher.

Cash generation was encouragingly strong even after continued investment in product development facilities. The £12.9m cash inflow led to a reduction in net debt to £80.0m.

Exchange Rates

Movements in exchange rates affect profits earned outside the UK when they are translated into sterling for reporting purposes. During the year, exchange rate movements had a small beneficial impact on reported results due to a slight weakening of sterling.

The average and year end exchange rates used to translate the results for the year were as follows:

	Average		**Closing**	
	2010	**2009**	**2010**	**2009**
US Dollar/£	1.58	1.60	1.50	1.65
Euro/£	1.14	1.17	1.22	1.17

Revenue

Revenue grew by 2% from £280.4m to £285.3m. At constant exchange rates, revenue was 1% lower than last year. Growth in developing markets, particularly in Latin America, offset a fall in North American sales. Here, demand for porcine breeding animals was weak in the first half of the year and a very depressed dairy market led to lower sales of dairy semen throughout the year.

Adjusted Profit Before Tax

	Actual Currency			Constant Currency
	2010 £m	2009 £m	Movement %	Movement %
Adjusted operating profit	39.9	38.1	5	3
Share of j.v. profits*	2.3	2.1		
Adjusted operating profit inc j.v.	42.2	40.2	5	3
Net finance costs before exceptionals	(9.3)	(8.2)		
Adjusted profit before tax	32.9	32.0	3	-

*excludes net IAS 41 valuation movements in biological assets and taxation

Operating profit was encouragingly robust and adjusted operating profit rose by 5% to £39.9m (2009: £38.1m). Regional operating profits increased by 7% to £70.0m, with the Latin American and European businesses both performing particularly well.

Research and development operating costs rose by 14% to £23.2m excluding exchange rate movements (expenditure is largely in the USA), this increase reflecting our investment in product development as the new porcine nucleus facility was brought on stream.

Finance costs rose by £1.1m to £9.3m due to higher pension interest costs and increased bank margins following the refinancing last year.

The net effect was a 3% rise in adjusted profit before tax to £32.9m (2009: £32.0m). At constant exchange rates, adjusted operating profit rose 3% and adjusted profit before tax was unchanged.

Statutory Profit Before Tax

Statutory profit before tax was £40.8m, up from £26.2m last year. Within this, operating profit before exceptional items

increased by £10.6m to £44.2m (2009: £33.6m). The increase is substantially higher than the increase in underlying profits as measured by adjusted operating profit because of a larger credit in respect of the net IAS 41 valuation movement for biological assets. This rose from £2.7m last year to £11.0m as the strength of the bull product range together with higher volumes led to significant additions to the carrying value of bovine biological assets.

Finance Costs

Net finance costs, before exceptional items, increased by £1.1m to £9.3m (2009: £8.2m). The increased bank margins and fees payable following the refinancing undertaken in February 2009 caused interest costs to be higher in the first half of the year. In addition, the net interest cost on pension liabilities rose as a result of the increased pension deficit at June 2009 caused by low asset values at that time.

Exceptional Items

Exceptional items totalled a net credit of £2.8m compared with a £1.4m charge last year. The majority of the credit relates to a £2.5m curtailment gain arising from the closure of the main defined benefit pension arrangements in the UK to all future accruals. In addition there was a small release of provisions relating to integration and restructuring items that were no longer required.

Taxation

The effective rate of tax for the year, based on adjusted profit before tax, was 33.8% (2009: 33.4%). The effective tax rate depends upon the mix of profits by country, particularly the proportion of profit generated in North America where the tax rate is approximately 40%, and the ability of the Group to recognise deferred tax assets in respect of losses in some of the Group's smaller territories.

Earnings per Share

Basic earnings per share from continuing operations were up 52% to 46.3p in the year ended 30 June 2010 (2009: 30.4p), reflecting the higher credit in respect of biological assets under IAS 41 and the exceptional pension curtailment gain. Adjusted basic earnings per share from continuing operations rose by 2% to 36.7p (2009: 36.1p).

Dividend

The Board is recommending to shareholders a 10% increase in the dividend to 12.1 pence per ordinary share. Subject to shareholder approval at Genus' forthcoming Annual General Meeting, this dividend will be paid on 7 January 2011 to shareholders on the register at the close of business on 10 December 2010.

Dividend cover remains strong with the dividend covered 3.0 times by adjusted earnings (2009: 3.3 times).

Biological Assets

The Group has a substantial investment in biological assets, held at fair values as required by IAS 41. At 30 June 2010, the carrying value of biological assets was £235.7m (2009: £202.8m) as set out in the table below:

	2010	**2009**
	£m	**£m**
Non-current assets	175.5	153.9
Current assets	37.0	28.0
Inventory	23.2	20.9
	235.7	202.8

Represented by:		
Porcine	82.3	76.0
Bovine	153.4	126.8
	235.7	202.8

Exchange rate movements accounted for £19.3m of the increase in carrying value during the year including a £1.8m increase in respect of inventory. The remaining increase relates principally to growth in the carrying value of bovine biological assets and results from an increase in the expected output together with higher individual bull values due to the improved quality of the stud. This improvement is demonstrated by the Group's strong position in external bull rankings. These increases in value are required by IAS 41 to be reflected in the income statement. This can result in volatility in reported profits that is not reflected in cash generated by the business. For this reason, the net IAS 41 valuation movement in biological assets is excluded in the calculation of the adjusted profits referred to above. Adjusted operating profits are reported after charging all research and product development expenditure.

Cash Flow

	2010	**2009**
	£m	**£m**
Cash generated by operations	40.5	28.2
Interest, tax and dividends	(20.5)	(20.0)
Capital investments	(9.1)	(15.5)
Other	2.0	3.5
Net cash inflow/(outflow)	12.9	(3.8)

Cash generated from operations increased in the year to £40.5m (2009: £28.2m) benefiting from improved profits and tight management of working capital.

Capital investment in the year of £9.1m was lower than last year's £15.5m but remained above the level of depreciation as the Group completed its investment in extending capacity to meet projected future growth. In particular, the final £2.2m was spent on completing the new porcine genetic nucleus herd facility in South Dakota and £1.1m on the acquisition of the Powerline Genetics beef business.

As a result of the strong cash generated by operations and lower capital investment, there was a net cash inflow for the year of £12.9m (2009: outflow of £3.8m).

Net Debt

Net borrowings, excluding certain financial derivatives, reduced by £8.0m to £80.0m from £88.0m last year. This was due to the cash inflow for the year offset, in part, by the impact of exchange rate movements on the element of borrowings denominated in US Dollars. The Group's financial derivatives include a currency swap entered into in 2006 that had the effect of exchanging £35m of debt for US$66.2m of debt. This instrument matures in January 2011 and at 30 June 2010 its fair value was a liability of £9.6m (2009: £5.7m). Taking this into account, net debt at 30 June 2010 was £89.6m down from £93.7m last year.

The Group's financial ratios remained strong. Gearing reduced from 43% to 32% and interest cover improved. Interest cover, based on net interest payable excluding the net interest cost on pension liabilities, improved to 6.3 times (2009: 6.1 times).

Retirement Benefit Obligations

The Group's retirement benefit obligations at 30 June 2010, calculated in accordance with IAS 19, was £28.8m (2009:

£35.4m) before tax and £20.3m (2009: £25.3m) net of related deferred tax. The reduction in the obligations in the year arose mainly from a lower deficit in the Group's defined benefit pension scheme operated as part of the Milk Pension Fund, a multi-employer scheme. This deficit fell from £27.7m to £20.3m primarily due to a higher than expected return on the scheme assets, offset in part by strengthened mortality assumptions. As part of the management of the pension risk, steps were taken during the year to close the scheme to all future service accrual. The consequential change in assumptions following closure resulted in a £2.5m reduction in pension obligations, reported as an exceptional credit in the income statement.

The Milk Pension Scheme, a multi-employer scheme, is undertaking its triennial actuarial valuation as at 31 March 2009 and is in the process of agreeing revised deficit funding contributions with its participating employers. As a result, Genus expects its annual deficit contributions to increase by approximately £1.5m to £2.0m under this and its other defined benefit pension schemes.

Principal Risks and Uncertainties

Genus operates a structured risk management system which identifies, evaluates and prioritises risks and uncertainties and actively reviews control and mitigation activities. Genus has continued to enhance the Group's risk management during the year by each of the regional businesses conducting externally facilitated risk management workshops, the results of which were reviewed by the Company's Board of Directors. The principal risks and uncertainties facing Genus that could impact its performance together with actions that are taken by Genus to mitigate their impact on the Company are as follows:

Key Individual Risks	**Mitigating Actions**
Markets	
Achieving growth in developing countries	Development of local genetic facilities with regional partners Availability of superior product both locally produced and imported Extensive supply and distributor network
Sustaining growth in developed countries	Effective research programme maintaining product lead Appropriate Company business structures in mature markets Ensuring the availability of market leading product and world leading technical services
IPR protection	Ensuring all available legal and contractual protections apply to the Company's intellectual property.
Disease & Environment	
Ensuring continuity of supply worldwide in the event of a disease outbreak, environment incident or a border closure outside our control.	Business continuity programmes World class animal care practices and strict bio-security systems Dispersed and remote herd locations

	Comprehensive staff training Pro-active environmental management Use of extensive environmental protocols Use of in-country local production Application of porcine royalty model
HR	
Ensuring continuity of key staff	Effective succession planning, development and training programmes. Competitive retention and incentive packages
Management of emerging markets	Dedicated in-country regional management
Health & safety	Comprehensive staff training Monitored compliance with legislation Risk assessment and safety audits
Research &Product Development Effectiveness	
Maintaining commercial focus	Ensuring optimum liaison between regional management teams as to market needs
Product development and competitive edge	Alignment of research investment with commercial needs Diversified product portfolio
Focusing research projects to deliver benefits, eg sexed semen project	Dedicated research project teams Strong relationships with technology partners
Finance	
Pensions	Agreement of appropriate recovery and other plans with pension fund trustees Review of investment strategy Review of pension benefits provision Monitoring of joint and several liability in the Milk Pension Fund.
Currency fluctuations	Forecasting currency requirements Hedging and foreign exchange policies Central treasury reviews

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.

Group Income Statement
For the year ended 30 June 2010

	Note	2010 £m	2009 £m
REVENUE FROM CONTINUING OPERATIONS	2	285.3	280.4
ADJUSTED OPERATING PROFIT FROM CONTINUING OPERATIONS		39.9	38.1
Net IAS41 valuation movement in biological assets	9	11.0	2.7
Amortisation of acquired intangible assets		(5.1)	(5.2)
Share based payment expense		(1.6)	(2.0)
		44.2	33.6
Exceptional items	4	2.8	(0.6)
OPERATING PROFIT FROM CONTINUING OPERATIONS		47.0	33.0
Share of post tax profit of joint ventures and associates		3.1	1.8
Other gains and losses		-	0.4
Net finance costs before exceptional item		(9.3)	(8.2)
Write off of unamortised arrangement fees	4	-	(0.8)
Net finance costs	5	(9.3)	(9.0)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		40.8	26.2
Taxation	6	(13.3)	(8.3)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		27.5	17.9
EARNINGS PER SHARE FROM CONTINUING OPERATIONS	8		
Basic earnings per share		46.3p	30.4p
Diluted earnings per share		45.7p	29.9p
NON STATUTORY MEASURE OF PROFIT			
Adjusted operating profit from continuing operations		39.9	38.1
Pre tax share of profits from joint ventures and associates excluding net IAS41 valuation movements		2.3	2.1
Net finance costs before exceptional items		(9.3)	(8.2)
ADJUSTED PROFIT BEFORE TAXATION FROM CONTINUING OPERATIONS		**32.9**	**32.0**
ADJUSTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS			
Basic adjusted earnings per share		36.7p	36.1p
Diluted adjusted earnings per share		36.2p	35.6p

Group Statement of Comprehensive Income

	2010 £m	2010 £m	2009 £m	2009 £m
PROFIT FOR THE YEAR		27.5		17.9
Foreign exchange translation differences	34.8		43.5	
Fair value movement on net investment hedge	(7.1)		(11.7)	

Fair value movement on cash flow hedges	0.3	(3.0)
Actuarial gains and losses on defined employee benefit schemes	5.2	(13.6)
Tax relating to components of other comprehensive income	(9.6)	(8.9)
OTHER COMPREHENSIVE INCOME FOR THE YEAR	23.6	6.3
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	51.1	24.2
ATIRIBUTABLE TO:		
Owners of the company	51.1	24.2
Minority interests	-	-
	51.1	24.2

Group Statement of Changes in Equity

	Note	Called up share capital £m	Share premium account £m	Own shares £m	Trans-lation reserve £m	Hedging reserve £m	Retained earnings £m	Total £m	Minority interest £m	Total equity £m
BALANCE AT 1 JULY 2008		6.0	111.7	(0.1)	(7.9)	0.7	74.8	185.1	-	185.1
Foreign exchange translation differences, net of tax		-	-	-	26.9	-	-	26.9	-	26.9
Fair value movement on net investment hedges, net of tax		-	-	-	(8.6)	-	-	(8.6)	-	(8.6)
Fair value movement on cash flow hedges, net of tax		-	-	-	-	(2.1)	-	(2.1)	-	(2.1)
Actuarial loss on retirement benefit obligations, net of tax		-	-	-	-	-	(9.9)	(9.9)	-	(9.9)
Other comprehensive income for the year		-	-	-	18.3	(2.1)	(9.9)	6.3	-	6.3
Profit for the year		-	-	-	-	-	17.9	17.9		17.9
Total comprehensive income for the year		-	-	-	18.3	(2.1)	8.0	24.2	-	24.2
Recognition of share based payments, net of tax		-	-	-	-	-	1.1	1.1	-	1.1
Issue of ordinary shares		0.1	-	-	-	-	-	0.1	-	0.1
Dividends	7	-	-	-	-	-	(5.9)	(5.9)	-	(5.9)
BALANCE AT 30 JUNE 2009		6.0	111.7	(0.1)	10.4	(1.4)	78.0	204.6	-	204.6
Foreign exchange translation differences, net of tax		-	-	-	27.0	-	-	27.0	-	27.0
Fair value movement on net investment hedges, net of tax		-	-	-	(7.1)	-	-	(7.1)	-	(7.1)
Fair value movement on cash flow hedges, net of tax		-	-	-	-	0.2	-	0.2	-	0.2
Actuarial gain on retirement benefit obligations, net of tax		-	-	-	-	-	3.5	3.5	-	3.5
Other comprehensive income for the year		-	-	-	19.9	0.2	3.5	23.6	-	23.6
Profit for the year		-	-	-	-	-	27.5	27.5	-	27.5
Total comprehensive income for the year		-	-	-	19.9	0.2	31.0	51.1	-	51.1
Recognition of share based payments, net of tax		-	-	-	-	-	2.0	2.0	-	2.0
Issue of ordinary shares		-	0.3	-	-	-	-	0.3	-	0.3
Minority interest on acquisition		-	-	-	-	-	-	-	0.3	0.3
Dividends	7	-	-	-	-	-	(6.5)	(6.5)	-	(6.5)
BALANCE AT 30 JUNE 2010		6.0	112.0	(0.1)	30.3	(1.2)	104.5	251.5	0.3	251.8

Group Balance Sheet

	Note	2010 £m	2009* £m	2008* £m
ASSETS				
Goodwill		68.4	62.5	56.4
Other intangible assets		81.5	81.1	79.5
Biological assets	9	175.5	153.9	127.0
Property, plant and equipment		43.4	39.3	27.6
Interests in joint ventures and associates		7.4	5.3	4.7
Available for sale investments		0.3	0.3	0.3
Derivative financial assets		0.9	1.7	2.5
Deferred tax assets		17.5	22.1	18.4
TOTAL NON-CURRENT ASSETS		394.9	366.2	316.4
Inventories		31.1	28.0	21.8
Biological assets	9	37.0	28.0	24.3
Trade and other receivables		60.3	53.7	51.7
Cash and cash equivalents		18.1	20.6	19.3
Income tax receivable		0.8	1.4	1.5
Asset held for sale		0.3	-	-
TOTAL CURRENT ASSETS		147.5	131.7	118.6
TOTAL ASSETS		542.4	497.9	435.0
LIABILITIES				
Trade and other payables		(42.3)	(39.0)	(42.1)
Interest-bearing loans and borrowings		(1.6)	(2.5)	(17.6)
Provisions		(0.4)	(0.2)	(1.2)
Obligations under finance leases		(0.9)	(0.9)	(1.0)
Current tax liabilities		(3.5)	(4.8)	(5.0)
Derivative financial liabilities		(12.2)	-	(0.2)
TOTAL CURRENT LIABILITIES		(60.9)	(47.4)	(67.1)
Interest-bearing loans and borrowings		(94.6)	(104.2)	(77.0)
Retirement benefit obligations	11	(28.8)	(35.4)	(21.1)
Provisions		(1.4)	(1.8)	(3.0)
Deferred tax liabilities		(103.6)	(93.7)	(79.4)
Derivative financial liabilities		(0.3)	(9.8)	(1.1)
Obligations under finance leases		(1.0)	(1.0)	(1.2)
TOTAL NON-CURRENT LIABILITIES		(229.7)	(245.9)	(182.8)
TOTAL LIABILITIES		(290.6)	(293.3)	(249.9)
NET ASSETS		251.8	204.6	185.1
EQUITY				
Called up share capital		6.0	6.0	5.9
Share premium account		112.0	111.7	111.7
Own shares		(0.1)	(0.1)	(0.1)
Translation reserve		30.3	10.4	(7.9)
Hedging reserve		(1.2)	(1.4)	0.7
Retained earnings		104.5	78.0	74.8
Equity attributable to owners of the Company		251.5	204.6	185.1
Minority interest		0.3	-	-
Total equity		251.8	204.6	185.1

*See note 1 for details of restatement applied to the 2009 and 2008 balance sheets

Group Statement of Cash Flows

	Note	2010 £m	2009 £m
NET CASH FLOW FROM OPERATING ACTIVITIES	10	26.5	14.1
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received from joint ventures and associates		1.1	2.1
Proceeds from disposal of businesses		-	0.3
Purchase of trade and assets	3	(1.1)	-
Purchase of property, plant and equipment		(6.3)	(15.2)
Purchase of intangible assets		(1.7)	(0.3)
Proceeds from sale of property, plant and equipment		0.6	1.0
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(7.4)	(12.1)

CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of borrowings	9.5	14.7
Repayment of borrowings	(24.7)	(11.3)
Payment of finance lease liabilities	(1.0)	(0.8)
Equity dividends paid	(6.5)	(5.9)
Issue of ordinary shares	0.3	0.1
(Decrease)/increase in bank overdrafts	(0.5)	1.2
NET CASH OUTFLOW FROM FINANCING ACTIVITIES	(22.9)	(2.0)
NET DECREASE IN CASH AND CASH EQUIVALENTS - CONTINUING OPERATIONS	(3.8)	(0.3)
NET INCREASE IN CASH AND CASH EQUIVALENTS - DISCONTINUED OPERATIONS	-	0.3
NET DECREASE IN CASH AND CASH EQUIVALENTS	(3.8)	-
Cash and cash equivalents at start of the year	20.6	19.3
Net decrease in cash and cash equivalents	(3.8)	-
Effect of exchange rate fluctuations on cash and cash equivalents	1.3	1.3
TOTAL CASH AND CASH EQUIVALENTS AT 30 JUNE	18.1	20.6

Notes to the Preliminary Results
For the year ended 30 June 2010

1. BASIS OF PREPARATION

Status of audit

The financial information given does not constitute the Company's statutory accounts for the year ended 30 June 2010 or the year ended 30 June 2009, but is derived from those accounts. Statutory accounts for the year ended 30 June 2009 have been delivered to the Registrar of Companies and those for the year ended 30 June 2010 will be delivered following the Company's annual general meeting. The auditors have reported on those accounts; their reports were unqualified, did not draw attention to any matters by way of emphasis without qualifying their reports, and did not contain statements under s. 498(2) or (3) Companies Act 2006.

Basis of preparation

The financial information for the year ended 30 June 2010 together with the comparative year has been computed in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

The principal exchange rates were as follows:

	Average			Closing		
	2010	**2009**	**2008**	**2010**	**2009**	**2008**
US Dollar/£	1.58	1.60	2.01	1.50	1.65	1.99
Euro/£	1.14	1.17	1.36	1.22	1.17	1.26

While the financial information included in this preliminary announcement has been computed in accordance with IFRSs, this announcement does not itself contain sufficient information to comply with IFRSs. The Company expects to publish full financial statements that comply with IFRSs later in October 2010. These financial statements have also been prepared in accordance with the accounting policies set out in the 2009 Annual Report and Financial Statements, as amended by the following new accounting standards

New standards and interpretations adopted

In the current financial year, the Group has adopted International Accounting Standard 1 "Presentation of Financial Statements" (revised 2007) and International Financial Reporting Standard 3 "Business Combinations" (revised 2008).

IAS 1 (revised) requires the presentation of a statement of changes in equity as a primary statement, separate from the income statement and statement of comprehensive income. As a result, a condensed consolidated statement of changes in equity has been included in the primary statements, showing changes in each component of equity for each period presented.

The adoption of IFRS 3 (revised) has not changed any previously reported figures.

Five interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) are effective for the current financial year. These are : IFRIC 14 *IAS 19 - The limit on a Defined Benefit*

1. BASIS OF PREPARATION (continued)

Asset, Minimum Funding Requirements and their Interaction, IFRIC 15 *Agreements for the construction of real estate* and IFRIC 16 *Hedges of net investment in a foreign operation,* IFRIC 17 *Distributions of Non-cash Assets to Owners* and IFRIC 18 - *Transfers of Assets from Customers*. The adoption of these IFRICs has not led to any changes in the Group's accounting policies.

Restatement in the 2009 and 2008 balance sheet

The balance sheet comparatives for the years ended 30 June 2009 and 30 June 2008 have been restated to recognise a deferredtax asset in respect of future tax deductions available on the purchase of intangible assets in 1998 by a subsidiary of Sygen plc, prior to its acquisition by Genus. A deferred tax asset should have been recorded separately in the consolidated accounts of Genus plc upon the acquisition of Sygen plc in December 2005, rather than being included within the goodwill recorded on acquisition. Since acquisition, the group has taken the benefit of this tax deduction in the current tax charge, with an appropriate deferred tax charge being recorded. However, instead of reducing the deferred tax asset that should have been recorded on acquisition, the group recorded a deferred tax liability.

In order to rectify the position, the prior period balance sheet at 30 June 2009 has been restated in accordance with IAS 8, and, in accordance with IAS 1 (revised), a balance sheet at 30 June 2008 is also presented together with related notes. The amounts involved are a reduction in goodwill at 30 June 2009 of £7.9m (2008: £6.6m), a reduction in deferred tax liabilities at 30 June 2009 of £2.6m (2008: £1.0m) and an increase in deferred tax assets at 30 June 2009 of £5.3m (2008: £5.6m).

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

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

Adjusted operating profit and adjusted operating profit before tax from continuing operations are defined before the net IAS 41 valuation movements in biological assets, amortisation of acquired intangible assets, share based payments expense, exceptional items and other gains and losses. These additional non-GAAP measures of operating performance are included as the Directors believe that they provide a useful alternative measure for shareholders of the trading performance of the Group. The reconciliation between operating profit from continuing operations and adjusted operating profit from continuing operations is shown on the face of the income statement. The Directors recognise this alternative measure has limitations.

This preliminary announcement was approved by the Board on 6 September 2010.

Notes to the Preliminary Results
For the year ended 30 June 2010

2. SEGMENTAL INFORMATION

The Group presents its segmental information on the basis reviewed regularly for assessing business performance and for the purposes of resource allocation, by the chief operating decision maker.

The Group is managed using a combination of regional market segments and a research and development segment.

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

Revenue	**Gross revenue 2010 £m**	**Inter-segment revenue 2010 £m**	**Consolidated revenue 2010 £m**
North America	103.0	(3.6)	99.4
Latin America	38.6	(0.6)	38.0
Europe	121.5	(2.7)	118.8
Far East	23.5	-	23.5
Research & Product Development			
Research	-	-	-
Bovine Product Development	6.5	(6.0)	0.5
Porcine Product Development	8.4	(3.3)	5.1
	14.9	(9.3)	5.6
Revenue	301.5	(16.2)	285.3

Revenue	**Gross revenue 2009 £m**	**Inter-segment revenue 2009 £m**	**Consolidated revenue 2009 £m**
North America	109.0	(3.8)	105.2
Latin America	34.1	(1.3)	32.8
Europe	118.8	(2.5)	116.3
Far East	21.8	-	21.8
Research & Product Development			

Research	-	-	-
Bovine Product Development	6.8	(6.3)	0.5
Porcine Product Development	7.2	(3.4)	3.8
	14.0	(9.7)	4.3
	297.7	(17.3)	280.4

Notes to the Preliminary Results
For the year ended 30 June 2010

2. SEGMENTAL INFORMATION (CONTINUED)

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

	Result before recharges 2010	**Product Development recharges 2010**	**Segment total 2010**
	£m	**£m**	**£m**
North America	36.6	(4.4)	32.2
Latin America	12.5	(2.4)	10.1
Europe	23.0	(1.9)	21.1
Far East	7.2	(0.6)	6.6
Regional operating profit	79.3	(9.3)	70.0
Research & Product Development			
Research	(3.4)	-	(3.4)
Bovine Product Development	(16.6)	6.0	(10.6)
Porcine Product Development	(12.5)	3.3	(9.2)
	(32.5)	9.3	(23.2)
Segment operating profit	46.8	-	46.8
Central costs	(6.9)	-	(6.9)
Adjusted operating profit	39.9	-	39.9

	Result before recharges 2009	**Product Development recharges 2009**	**Segment total 2009**
	£m	**£m**	**£m**
North America	37.7	(5.4)	32.3
Latin America	10.4	(2.1)	8.3
Europe	20.2	(1.6)	18.6
Far East	6.9	(0.6)	6.3
Regional operating profit	75.2	(9.7)	65.5
Research & Product Development			
Research	(3.5)	-	(3.5)
Bovine Product Development	(15.8)	6.3	(9.5)
Porcine Product Development	(10.8)	3.4	(7.4)
	(30.1)	9.7	(20.4)

Segment operating profit	45.1	-	45.1
Central costs	(7.0)	-	(7.0)
Adjusted operating profit	38.1	-	38.1

Notes to the Preliminary Results
For the year ended 30 June 2010

2. SEGMENTAL INFORMATION (CONTINUED)

	Depreciation		Amortisation		Additions to non current assets	
	2010 £m	**2009 £m**	**2010 £m**	**2009 £m**	**2010 £m**	**2009 £m**
North America	1.4	1.5	2.4	2.5	-	1.9
Latin America	0.4	0.3	0.4	0.4	0.3	0.3
Europe	1.2	0.8	2.7	2.7	0.7	0.4
Far East	0.2	0.1	0.3	0.2	0.4	0.5
Research & Product Development						
Research	0.1	0.1	-	-	0.1	-
Bovine Product Development	0.5	0.7	-	-	3.2	1.3
Porcine Product Development	1.6	0.7	-	-	2.4	11.0
	2.2	1.5	-	-	5.7	12.3
Segment total	5.4	4.2	5.8	5.8	7.1	15.4

	Segment assets			Segment liabilities		
	2010 £m	**2009* £m**	**2008* £m**	**2010 £m**	**2009* £m**	**2008* £m**
North America	132.0	135.0	121.7	(30.5)	(32.3)	(43.7)
Latin America	61.6	47.5	46.6	(10.5)	(9.1)	(13.5)
Europe	91.6	93.2	84.5	(52.5)	(50.9)	(36.0)
Far East	27.6	22.2	20.2	(5.2)	(4.0)	(4.9)
Research & Product Development						
Research	0.5	0.5	0.5	-	-	-
Bovine Product Development	166.1	136.6	108.5	(48.2)	(38.8)	(31.0)
Porcine Product Development	55.5	42.1	24.5	(10.3)	(11.7)	(7.8)
	222.1	179.2	133.5	(58.5)	(50.5)	(38.8)
Segment total	534.9	477.1	406.5	(157.2)	(146.8)	(136.9)
Central and unallocated	7.5	20.8	28.5	(133.4)	(146.5)	(113.0)
Total	542.4	497.9	435.0	(290.6)	(293.3)	(249.9)

Exceptional items of £2.8m gain (2009: £1.4m loss) include £2.5m specifically related to central costs (2009: £0.6m loss: North America region). The other exceptional items and share based payments are considered on a group-wide basis and are therefore not allocated to reportable segments. For details of exceptional items see note 4.

*See note 1 for details of restatement applied to the 2009 and 2008 balance sheets.

Notes to the Preliminary Results
For the year ended 30 June 2010

3. ACQUISITION

On 30 December 2009, the Group acquired the trade and assets of the beef genetics business of Power Genetics Company for a consideration of £1.1m cash and a 20% equity stake in the acquiring company, Powerline Beef Genetics LLC.

	Book value £m	Fair value £m
Net assets acquired:		
Trade and other receivables	0.3	0.3
Intangible assets	-	0.2
	0.3	0.5
Goodwill		0.9
Total consideration		1.4
Satisfied by:		
Cash consideration		1.1
20% equity in Powerline Beef Genetics LLC		0.3
		1.4

The goodwill arising on the acquisition of the trade and assets of Power Genetics Company is attributable to the anticipated profitability of the distribution of the Group's products in the new markets.

Powerline Beef Genetics LLC contributed £1.1m to revenue and £0.2m to profit before tax for the period between the date of acquisition and the balance sheet date.

If the acquisition of the trade and assets of the beef genetics business of Power Genetics Company had been completed on the first day of the financial year, the impact on group revenues for the period would have been £1.2m and the impact on the group profit attributable to equity holders of the parent would have been £0.2m. The Power Genetics Company is a seasonal business and expects to make the majority of its profits in the period from 1 January to 30 June.

4. EXCEPTIONAL ITEMS

	2010 £m	2009 £m
Operating income/(expenses):		
Pension curtailment gain	2.5	-
Integration and restructuring credit	0.3	-
Environmental liabilities settlement	-	(0.6)
	2.8	(0.6)
Finance costs:		
Write off of unamortised arrangement fee	-	(0.8)
	2.8	(1.4)

The pension curtailment gain in the year ended 30 June 2010 of £2.5m arose on the closure to future accrual of defined benefits pensions within the Milk Pension Fund (see note 11).

The integration and restructuring credit relates to the release of provisions made in previous years no longer required.

Notes to the Preliminary Results
For the year ended 30 June 2010

5. NET FINANCE COSTS

	2010 £m	2009 £m
Interest payable on bank loans and overdrafts	(3.5)	(5.6)
Amortisation of debt issue costs	(1.6)	(1.8)
Net interest cost in respect of pension scheme liabilities	(1.7)	(0.9)
Other interest payable	(0.1)	(0.3)
Net interest cost on derivative financial instruments	(2.7)	(1.0)
Total interest expense	(9.6)	(9.6)
Less: amounts included in the cost of qualifying assets	-	0.2
	(9.6)	(9.4)
Interest income on bank deposits	0.3	0.4

Interest income on bank deposits	0.3	0.4
Net finance costs	(9.3)	(9.0)
Represented by:		
Net finance costs before exceptional item	(9.3)	(8.2)
Exceptional item: write off of unamortised arrangement fee	-	(0.8)
	(9.3)	(9.0)

6. INCOME TAX EXPENSE

	2010 £m	2009 £m
Current tax expense		
Current period	7.7	5.7
Adjustment for prior periods	(0.7)	1.1
	7.0	6.8
Deferred tax expense		
Origination and reversal of temporary differences	6.2	3.3
Adjustment for prior period	0.1	(1.8)
Total deferred tax expense in the Group income statement	6.3	1.5
Total income tax expense excluding share of income tax of equity accounted investees	13.3	8.3
Share of income tax of equity accounted investees	1.0	0.3
Total income tax expense in the Group income statement	14.3	8.6

Notes to the Preliminary Results
For the year ended 30 June 2010

7. DIVIDENDS

Amounts recognised as distributions to equity holders in the year:

	2010 £m	2009 £m
Final dividend		
11.0p (2009: 10.0p) per share	6.5	5.9

A dividend of 12.1p per share has been proposed by the Directors for 2010. The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and therefore has not been included as a liability in these financial statements.

8. EARNINGS PER SHARE

Basic earnings per share from continuing operations

The calculation of basic earnings per share from continuing operations at 30 June 2010 is based on the profit attributable to ordinary shareholders from continuing operations of £27.5m (2009: £17.9m) and a weighted average number of ordinary shares outstanding of 59,385,000 (2009: 58,941,000), calculated as follows:

Weighted average number of ordinary shares (basic)

	2010 000s	2009 000s
Issued ordinary shares at start of the year	59,525	59,456
Effect of own shares held	(254)	(568)
Shares issued on exercise of stock options	114	53
Weighted average number of ordinary shares in year	59,385	58,941

Diluted earnings per share from continuing operations

The calculation of diluted earnings per share at 30 June 2010 is based on profit attributable to ordinary shareholders from continuing operations of £27.5m (2009: £17.9m) and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 60,163,000 (2009: 59,872,000) calculated as follows:

Weighted average number of ordinary shares (diluted)

	2010 000s	2009 000s
Weighted average number of ordinary shares (basic)	59,385	58,941
Dilutive effect of share options	778	931
Weighted average number of ordinary shares for the purposes of diluted earnings per share	60,163	59,872

Notes to the Preliminary Results
For the year ended 30 June 2010

8. EARNINGS PER SHARE (CONTINUED)

Adjusted earnings per share

Adjusted earnings per share is calculated on profit before net IAS 41 valuation movements in biological assets, amortisation of acquired intangible assets, share based payment expense, exceptional items and other gains and losses after charging taxation associated with those profits, of £21.8m (2009: £21.3m) as follows:

	2010 £m	2009* £m
Profit before tax from continuing operations	40.8	26.2
Add/(deduct):		
Net IAS 41 valuation movements in biological assets	(11.0)	(2.7)
Amortisation of acquired intangible assets	5.1	5.2
Share based payment expense	1.6	2.0
Integration and restructuring credit	(0.3)	-
Pension curtailment gain	(2.5)	-
Environmental settlement	-	0.6
Exceptional write off of unamortised arrangement fee	-	0.8
Other gains and losses	-	(0.4)
Net IAS 41 valuation movements in biological assets in joint ventures and associates	(1.8)	0.1
Tax on joint ventures and associates	1.0	0.2
Adjusted profit before tax	32.9	32.0
Adjusted tax charge	(11.1)	(10.7)
Adjusted profit after taxation	21.8	21.3

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

Notes to the Preliminary Results
For the year ended 30 June 2010

9. BIOLOGICAL ASSETS

Fair value of biological assets	Bovine £m	Porcine £m	Total £m
Non current biological assets	84.4	42.6	127.0
Current biological assets	-	24.3	24.3
Balance at 30 June 2008	84.4	66.9	151.3
Increases due to purchases	3.6	76.6	80.2
Decreases attributable to sales	-	(128.1)	(128.1)
Decrease due to harvest	(23.4)	(6.5)	(29.9)
Changes in fair value less estimated sale costs	26.0	56.3	82.3
Effect of movements in exchange rates	15.3	10.8	26.1
Balance at 30 June 2009	105.9	76.0	181.9
Non current biological assets	105.9	48.0	153.9
Current biological assets	-	28.0	28.0
Balance at 30 June 2009	105.9	76.0	181.9

Increases due to purchases	3.9	56.0	59.9
Decreases attributable to sales	-	(117.6)	(117.6)
Decrease due to harvest	(29.2)	(6.7)	(35.9)
Changes in fair value less estimated sale costs	39.9	66.8	106.7
Effect of movements in exchange rates	9.7	7.8	17.5
Balance at 30 June 2010	130.2	82.3	212.5
Non current biological assets	130.2	45.3	175.5
Current biological assets	-	37.0	37.0
Balance at 30 June 2010	130.2	82.3	212.5

Bovine biological assets include £1.9m (2009: £3.0m, 2008: £2.8m) 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 pre-tax rate used to discount expected future net cash flows from the sale of bull semen is the Group's weighted average cost of capital. This has been assessed as 8.0% (2009: 8.0%, 2008: 9.2%).

Decreases due to harvest represent the semen extracted from the biological assets.

Notes to the Preliminary Results
For the year ended 30 June 2010

9. BIOLOGICAL ASSETS (CONTINUED)

Porcine biological assets include £32.4m (2009: £36.7m, 2008: £36.3m) 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 £49.4m (2009: £48.5m) in respect of these contracts comprising £9.8m (2009: £12.3m) on initial transfer of animals to customers and £39.6m (2009: £36.2m) in respect of royalties received. Decreases attributable to sales during the period of £117.6m (2009: £128.1m) include £36.2m (2009: £36.7m) in respect of the reduction in fair value of the retained interest in the genetics of animals sold under royalty contracts.

Included in changes in fair value, the aggregate gain arising during the period on initial recognition of biological assets in respect of multiplier purchases was £16.5m (2009: £26.1m).

Year ended 30 June 2010

	Bovine £m	Porcine £m	Total £m
Net IAS 41 valuation movement in biological assets*			
Changes in fair value of biological assets	39.9	66.8	106.7
Inventory transferred to cost of sales at fair value	(25.9)	(6.7)	(32.6)
Biological assets transferred to cost of sales at fair value	-	(63.1)	(63.1)
	14.0	(3.0)	11.0

Year ended 30 June 2009

	Bovine £m	Porcine £m	Total £m
Net IAS 41 valuation movement in biological assets*			
Changes in fair value of biological assets	26.0	56.3	82.3
Inventory transferred to cost of sales at fair value	(20.6)	(6.5)	(27.1)
Biological assets transferred to cost of sales at fair value	-	(52.5)	(52.5)
	5.4	(2.7)	2.7

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

Notes to the Preliminary Results
For the year ended 30 June 2010

10. NOTES TO THE CASH FLOW STATEMENT

	2010 £m	2009 £m
Profit for the year	27.5	17.9
Adjustment for:		
Net IAS 41 valuation movements in biological assets	(11.0)	(2.7)
Amortisation of intangible assets	5.8	5.8
Share based payment expense	1.6	2.0
Share of profit of joint ventures and associates	(3.1)	(2.1)
Other gains and losses	-	(0.4)
Finance costs	9.3	9.0
Income tax expense	13.3	8.3
Pension curtailment gain	(2.5)	-
Depreciation of property, plant and equipment	5.4	4.2
Loss on disposal of plant and equipment	-	1.2
Other movements in biological assets and harvested produce	(2.6)	(4.6)
Decrease in provisions	(0.1)	(2.2)
Other	(1.0)	(1.3)
Operating cash flows before movement in working capital	42.6	35.1
Increase in inventories	(0.9)	(1.1)
(Increase)/decrease in receivables	(3.2)	1.1
Increase/(decrease) in payables	2.0	(6.9)
Cash generated by operations	40.5	28.2
Interest received	0.3	0.4
Interest and other finance costs paid	(3.8)	(6.9)
Cash flow from derivative financial instruments	(2.7)	(1.0)
Income taxes paid	(7.8)	(6.6)
Net cash from operating activities	26.5	14.1

The cash impact of exceptional items for the year ended 30 June 2010 was an outflow of £nil (2009: £2.0m).

Notes to the Preliminary Results
For the year ended 30 June 2010

10. NOTES TO THE CASH FLOW STATEMENT (CONTINUED)

Analysis of net debt

	At 1 July 2009 £m	Cash flows £m	Foreign exchange £m	Non cash movements £m	At 30 June 2010 £m
Cash and cash equivalents	20.6	(3.8)	1.3	-	18.1
	20.6	(3.8)	1.3	-	18.1
Interest bearing loans - current	(2.5)	1.1	-	(1.6)	(3.0)
Obligation under finance leases - current	(0.9)	1.0	-	(1.0)	(0.9)
	(3.4)	2.1	-	(2.6)	(3.9)
Interest bearing loans - non-current	(104.2)	14.6	(3.6)	-	(93.2)
Obligation under finance lease - non current	(1.0)	-	(0.2)	0.2	(1.0)
	(105.2)	14.6	(3.8)	0.2	(94.2)
Net debt	(88.0)	12.9	(2.5)	(2.4)	(80.0)

Included within non-cash movements is £1.4 amortisation of debt issue cost and £0.8m in relation to new finance leases.

11. RETIREMENT BENEFIT OBLIGATIONS

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

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

	2010 £m	2009 £m	2008 £m

	£m	£m	£m
The Milk Pension Fund - Genus share	20.3	27.7	14.2
The Dalgety Pension Fund	-	-	-
Other retirement benefit obligations	8.5	7.7	6.9
Gross liability	28.8	35.4	21.1
Deferred taxation	(8.5)	(10.1)	(5.9)
Net liability	20.3	25.3	15.2

Notes to the Preliminary Results
For the year ended 30 June 2010

11. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

Expense recognised in the consolidated interim income statement

The expense recognised in the consolidated interim income statement consists of the current service costs, interest on the obligation for employee benefits and the expected return on plan assets. For the year ended 30 June 2009, the Group recognised an expense of £0.9m (2008: £0.9m).

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

	2010	2009	2008
Discount rate	5.5%	6.0%	6.5%
Expected return on plan assets	6.9%	6.6%	6.7%
Future salary increases	4.1%	3.8%	5.0%
Medical cost trend rate	7.1%	7.4%	8.0%
Future pension increases	3.1%	2.8%	4.0%

The mortality assumptions used are consistent with those recommended by the schemes' actuaries and reflect the latest available tables, adjusted for the experience of the scheme where appropriate. The mortality tables used are the SN1A tables, with birth year and medium cohort projections, with mortality rates increased by 25% at all ages (2009 and 2008: PxA00 tables, with birth year and medium cohort projections, with mortality rates increased by 25% at all ages).

12. CONTINGENCIES

The retirement benefit obligations referred to in note 11 include obligations relating to the Milk Pension defined benefit scheme. Although Genus only account for its section and its share of any orphan assets and liabilities, collectively representing approximately 36% of the Milk Pension Fund, the Group together with the other participating employers, is joint and severally liable for the scheme's obligations. Further details of the pension scheme arrangements are disclosed in the Annual Report.

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