RNS Number : 6654Q
Genus PLC
03 September 2014

FOR IMMEDIATE RELEASE 3 September 2014

('Genus' or the 'Company' or the 'Group')

Preliminary Results for the year ended 30 June 2014

Results in line with expectations

Genus, a leading global animal genetics company, announces its preliminary results for the year ended 30 June 2014.

	Actual currency			Constant currency **
	2014	**2013**	**Movement**	**Movement**
Adjusted results	**£m**	£m	%	%
Revenue	**372.2**	345.3	8	12
Operating profit*	**42.9**	45.0	(5)	2
Operating profit inc JV	**44.8**	48.2	(7)	0
Profit before tax*	**39.3**	42.5	(8)	0
Basic earnings per share (p)*	**46.5**	49.1	(5)	3
Statutory results				
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 IAS41 valuation movement on 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 average exchange rates applied in 2013.

Highlights

Financial highlights

- 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[1] of 103% (2013: 77%)

- Healthy after tax return on invested capital[2] 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

Commenting, Karim Bitar, Chief Executive said:

"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."

[1] Cash conversion is the cash generated by operations £44.3m (2013: £34.9m) divided by adjusted operating profit from continuing operations £42.9m (2103: £45.0m).
[2] After tax return on invested capital is adjusted operating profit including joint ventures less tax of 28.2% (2013: 30.4%), divided by net operating assets on a historic cost basis.

An analyst meeting will be held at 9.00am today at Buchanan's offices (107 Cheapside, London EC2V 6DN). A live audio feed will be available to those unable to attend this meeting in person.

To connect to the web cast facility, please go to the following link: http://media.buchanan.uk.com/2014/genus030914/registration.asp approximately 10 minutes (8.50am) before the start of the meeting.

For further information please contact:-

Genus plc: Tel: 01256 345970

Karim Bitar, Chief Executive
Stephen Wilson, Finance Director

Buchanan: Tel: 0207 466 5000

Charles Ryland / Sophie McNulty

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

About Genus

Genus creates advances to animal breeding and genetic improvement by applying biotechnology and sells added value products for livestock farming and food producers. Its technology is applicable across all livestock species and is currently commercialised by Genus in the dairy, beef and pork food production sectors.

Genus's worldwide sales are made in more than seventy five 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. Genus' customers' animals produce offspring with greater production efficiency, 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 supply chain, technical service and sales and distribution network.

With headquarters in Basingstoke, United Kingdom, Genus companies operate in over twenty five countries on six continents, with research laboratories located in Madison, Wisconsin, USA.

Preliminary announcement

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 announced today 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 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 General Counsel and Company Secretary, left to pursue a commercial career and Dan Hartley replaced him, joining from Shire Pharmaceuticals 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

Financial and operating review

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 (see note 1 for key average and year-end exchange rates).

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.

	Actual currency			Constant currency
	2014	**2013**	**Movement**	**Movement**
Adjusted Profit Before Tax	**£m**	**£m**	**%**	**%**
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)	0
Net finance costs	**(5.5)**	(5.7)	4	4
Adjusted profit before tax	**39.3**	42.5	(8)	0

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

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.

Performance by Species

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

	Actual currency			**Constant currency**
	2014	**2013**	**Movement**	**Movement**
Revenue	**£m**	**£m**	**%**	**%**
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)	0

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 15) 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

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 below:

	2014	**2013**
	£m	**£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

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).

	2014	**2013**
Cash Flow (before debt repayments)	**£m**	**£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%

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. 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. 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

Review of Operations

Genus PIC

OPERATING REVIEW

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

"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 swine 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.

Genus ABS

OPERATING REVIEW

	Actual currency			Constant currency
	2014	**2013**	**Movement**	**Movement**
	£m	**£m**	**%**	**%**
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	0.2pts

"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 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.

Genus Asia

OPERATING REVIEW

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

"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 4 million 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 2.2 million 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.

Research and Development

OPERATING REVIEW

	Actual currency			Constant currency
	2014	**2013**	**Movement**	**Movement**
	£m	**£m**	**%**	**%**
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

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 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 18 million 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 United States.

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.

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.

Risk Description	How We Manage the Risk	Risk change in FY14
Strategic Risks		
Product Development and Competitive Edge • Development programme fails to produce best genetics for customers • Increased competition in developed and emerging markets reduces market share and margins	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.	Unchanged
Commercialisation of Research • 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')	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.	Decreased Key initiatives are at an advanced stage of the R&D lifecycle.
Capturing Value Through Acquisitions • Failure to identify appropriate investment opportunities or to perform sound due diligence • Failure to successfully integrate an acquired business	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.	Decreased In 2014, we successfuly acquired and integrated Génétiporc, showing that our processes are robust.
Emerging Markets • Failure to appropriately develop business in China and emerging markets	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.	Increased Volitality in China increased our exposure in 2014. In response, we adjusted our plans and approach to the Chinese market.

Operational Risks

Intellectual Property Protection		Unchanged
• Genus-developed genetic material, methods and technology could become freely available to third parties	We have a global, cross-functional process to identify and protect our intellectual property. Our customer contracts and our selection of multipliers and joint venture partners include appropriate measures to protect our IP.	
Bio-security and Continuity of Supply		Increased
• 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	We have stringent bio-security 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.	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.
Human Resources		Unchanged
• Failure to attract or retain skills and experience within our executive, management and employee cohorts	We manage our talent risk through comprehensive people plans, covering recruitment, performance management, reward, succession planning, communication and engagement.	

Financial Risks

Agricultural Market and Commodity Prices Volatility		Unchanged
• Fluctuations in agricultural markets affect customer profitability and demand for our products and services • Increase in our operating costs, due to commodity pricing volatility	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.	
Pensions		Unchanged
• Exposure to costs associated with failure of third-party member 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	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.	

Group Income Statement
For the year ended 30 June 2014

Genus plc

	Note	**2014 £m**	2013* £m
REVENUE FROM CONTINUING OPERATIONS	2	**372.2**	345.3
ADJUSTED OPERATING PROFIT FROM CONTINUING OPERATIONS	2	**42.9**	45.0
Net IAS 41 valuation movement on biological assets	9	**7.5**	(4.9)
Amortisation of acquired intangible assets		**(5.8)**	(5.2)
Share-based payment expense		**(0.8)**	(2.8)
		43.8	32.1
Exceptional items			
- Acquisition and integration	3	**(1.8)**	-
- Other (including restructuring)	3	**(0.2)**	(2.8)
- Pension related	3	**-**	7.0

OPERATING PROFIT FROM CONTINUING OPERATIONS		**41.8**	36.3
Share of post-tax profit of joint ventures and associates		**1.9**	2.8
Net finance costs	4	**(5.5)**	(5.7)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		**38.2**	33.4
Taxation	5	**(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	7		
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	2	**42.9**	45.0
Pre-tax share of profits from joint ventures and associates excluding net IAS 41 valuation movement		**1.9**	3.2
ADJUSTED OPERATING PROFIT INCLUDING JOINT VENTURES AND ASSOCIATES		**44.8**	48.2
Net finance costs	4	**(5.5)**	(5.7)
ADJUSTED PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		**39.3**	42.5
ADJUSTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS	7		
Basic adjusted earnings per share		**46.5p**	49.1p
Diluted adjusted earnings per share		**46.4p**	48.4p

*restated note 1

Group Statement of Comprehensive Income

Genus plc

For the year ended 30 June 2014

	2014 **£m**	**2014** **£m**	2013* £m	2013* £m
PROFIT FOR THE YEAR		**28.9**		23.4
Items that may be reclassified subsequently to profit or loss				
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	**7.8**		(3.1)	
		(37.2)		8.5
Items that may not be reclassified subsequently to profit or loss				
Actuarial gain/(loss) on retirement benefit obligations	**4.5**		(3.7)	
Tax relating to components of other comprehensive income	**(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 note 1

Group Statement of Changes in Equity — Genus plc

	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 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)
Other comprehensive income/ (expense) for the year		-	-	-	8.3	0.2	(3.4)	5.1	-	5.1
Profit for the year*		-	-	-	-	-	23.4	23.4	-	23.4
Total comprehensive income for the year		-	-	-	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	6	-	-	-	-	-	(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
Other comprehensive (expense)/income for the year		-	-	-	(37.5)	0.3	2.0	(35.2)	-	(35.2)
Profit for the year		-	-	-	-	-	28.9	28.9	-	28.9
Total comprehensive (expense)/ income for the year		-	-	-	(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	6	-	-	-	-	-	(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 1

Group Balance Sheet — Genus plc
As at 30 June 2014

	Note	2014 £m	2013 £m
ASSETS			
Goodwill	8	**69.9**	67.8
Other intangible assets	8	**64.4**	68.3
Biological assets	9	**208.9**	224.0
Property, plant and equipment		**40.6**	45.0
Interests in joint ventures and associates		**21.7**	11.4
Available for sale investments		**0.1**	0.1
Deferred tax assets		**4.8**	20.4
TOTAL NON-CURRENT ASSETS		**410.4**	437.0
Inventories		**30.6**	34.9
Biological assets	9	**44.1**	40.5
Trade and other receivables	10	**75.1**	78.9
Cash and cash equivalents		**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		**(53.3)**	(51.7)
Interest-bearing loans and borrowings		**(13.0)**	(7.5)
Provisions		**(1.4)**	(1.1)
Obligations under finance leases		**(1.1)**	(1.2)
Current tax liabilities		**(6.4)**	(6.7)
Derivative financial liabilities		**(2.6)**	(0.8)
TOTAL CURRENT LIABILITIES		**(77.8)**	(69.0)
Interest-bearing loans and borrowings		**(71.1)**	(60.7)
Retirement benefit obligations	11	**(58.2)**	(65.0)
Provisions		**-**	(0.1)
Deferred tax liabilities		**(90.3)**	(113.1)
Derivative financial liabilities		**-**	(0.1)
Obligations under finance leases		**(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		**6.1**	6.1
Share premium account		**112.2**	112.1
Own shares		**(0.1)**	(0.1)
Translation reserve		**(12.1)**	25.4
Hedging reserve		**-**	(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

Group Statement of Cash Flows

Genus plc

For the year ended 30 June 2014

	Note	**2014 £m**	2013 £m
NET CASH FLOW FROM OPERATING ACTIVITIES	12	**32.3**	24.0
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received from joint ventures and associates		**0.9**	0.6
Acquisition of subsidiary - Génétiporc		**(20.4)**	-
Purchase of trade and assets - Génétiporc		**(2.0)**	-
Acquisition of investment in joint venture		**(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	**22.8**	18.4

Notes to the Preliminary Results
For the year ended 30 June 2014

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 2014 or the year ended 30 June 2013, but is derived from those accounts. Statutory accounts for the year ended 30 June 2013 have been delivered to the Registrar of Companies and those for the year ended 30 June 2014 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 2014 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.

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 for the period ended:

	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 Statement of Other 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.

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

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 in October 2014.These financial statements have also been prepared in accordance with the accounting policies set out in the 2013 Annual Report and Financial Statements, as amended by the following new accounting standards.

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'*.

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 Customer';*
- 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.

Going concern

As set out in the Directors' Responsibilities Statement, 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.

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.

This preliminary announcement was approved by the Board on 2 September 2014.

2. 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	2013	**2014**	2013	**2014**	2013
	£m	£m	**£m**	£m	**£m**	£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	2013	**2014**	2013
	£m	£m	**£m**	£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 3 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	2013
	£m	£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	2013
	£m	£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

3. EXCEPTIONAL ITEMS

	2014 £m	2013 £m
Operating (expenses)/income:		
Acquisition and integration	**(1.8)**	-
Other (including restructuring)	**(0.2)**	(2.8)
Pension related	**-**	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 14).

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 ('MPF') 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.

4. 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 1

5. 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	**(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

*****restated see note 1

6. DIVIDENDS

Amounts recognised as distributions to equity holders in the year:

	2014	2013
	£m	£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.

7. 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	2013
	000s	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	2013
	000s	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 1

8. 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.

9. 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 14)	-	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.

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.

10. TRADE 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 per cent 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.

Other debtors

Included within other debtors is £nil (2013: £3.4m) which relates to the Besun JV farm stocking.

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 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

Expense/(income) recognised in the income statement

	2014 £m	2013* £m

	£m	£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)

* restated see note 1

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.

12. 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

* restated see note 1

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.

13. CONTINGENCIES

The retirement benefit obligations referred to in note 11 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 those of the scheme's obligations that Genus has not accounted for.

14. ACQUISTION 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 Tecnicos, 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	
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 June2014, the Group acquired a 50% controlling interest in PIC Italia for a consideration of £0.5m.

15. 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 the 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 (U.S. 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.

This information is provided by RNS
The company news service from the London Stock Exchange

END

FR LLFEEAVIFIIS