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8 September 2015

Genus plc

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

Preliminary Results for the year ended 30 June 2015

Genus, a leading global animal genetics company, announces its preliminary results for the year ended 30 June 2015.

	Actual currency			Constant currency **
	2015	**2014**	**Movement**	**Movement**
Adjusted results*	**£m**	**£m**	**%**	**%**
Revenue	**398.5**	372.2	7	8
Operating profit	**47.2**	42.9	10	12
Operating profit inc JVs	**51.2**	44.8	14	18
Profit before tax	**46.6**	39.3	19	23
Basic earnings per share (p)	**56.8**	46.5	22	26
Statutory results				
Revenue	**398.5**	372.2	7	
Operating profit	**59.5**	41.8	42	
Profit before tax	**57.8**	38.2	51	
Basic earnings per share (p)	**66.7**	47.7	40	
Dividend per share (p)	**19.5**	17.7	10	

* Adjusted results are before the movement in the net IAS 41 valuation of biological assets, amortisation of acquired intangible assets, share-based payment expense and exceptional items. Adjusted results are the measures used by the Board to monitor underlying performance.

** Constant currency percentage movements are calculated by restating FY 2015 results at the average exchange rates applied in FY 2014.

2015 Highlights

Financial Highlights

- Adjusted profit before tax of £46.6m, up 19% (up 23% in constant currency), driven mainly by a strong performance from the porcine division
- Adjusted earnings per share of 56.8p, up 22% (up 26% in constant currency)
- Statutory profit before tax up 51% to £57.8m and earnings per share up 40% to 66.7p
- Robust cash conversion[1] of 107% (2014: 103%) was maintained
- Strong after tax return on invested capital[2] of 21.2% (2014: 19.2%)

- Dividend increased by 10% to 19.5p, well covered by adjusted earnings at 2.9 times (2014: 2.6 times)

Operational Highlights

- Volume growth of 6% in porcine and 6% in dairy and beef
- Strong profit growth in Genus PIC of 17% in constant currency, benefiting from full integration of Génétiporc and a strong overall performance
- Genus Asia profits unchanged in constant currency (down 8% in actual currency), despite market challenges in Russia and China
- Genus ABS revenue up 9%, with profits unchanged in constant currency (down 3% in actual currency) due to increased product costs
- Acquisition of 51% of In Vitro Brasil S.A. ('IVB') strengthens Genus ABS's portfolio, enabling customers to accelerate genetic improvement in their herds with bovine IVF
- Acquisition of Birchwood secures long-term distribution of Genus PIC's proprietary boar genetics to mid-sized customers in North America
- Good strategic progress achieved in research and development across all the key initiative areas of genomic selection, animal health and gender skew

Commenting, Karim Bitar, Chief Executive said:

"Genus performed well in 2015 achieving operational results that reflect the strategic progress and improvement we have been making. The opportunity in the animal genetics market remains large. We are convinced that as we vigorously execute our strategy of innovation and market focus, we will capture more of the market opportunity.

While market conditions across our industries and geographies look likely to be mixed in 2016, we expect underlying performance to be in line with expectations. However, currencies remain a significant headwind."

[1] Cash conversion is the cash generated by operations £50.7m (2014: £44.3m) divided by adjusted operating profit from continuing operations £47.2m (2104: £42.9m).

[2] After tax return on invested capital is adjusted operating profit including joint ventures less tax of 26.0% (2014: 28.2%), 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 approximately 10 minutes (8.50am) before the start of the meeting:
http://vm.buchanan.uk.com/2015/genus080915/registration.htm

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Charles Ryland/Sophie McNulty/Vicky Watkins

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's 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

Genus achieved very good progress in 2015, with the benefit of many of the strategic changes that have been made over the last few years contributing towards the strong operational performance overall. We continued to step up the pace of genetic improvement and achieved encouraging progress in our research and development initiatives, which bodes well for the future as we become an increasingly science and intellectual property based company. The acquisition of 51% of IVB will also enable us to provide innovative new genetic solutions to our customers in the dairy and beef industries.

Group Performance

Genus's overall performance was strong in 2015. Revenues grew 7% to £398m, on volume growth of 6% in porcine and 6% in dairy and beef. Adjusted profit before tax, including joint ventures, was up 19% to £46.6m and growth in constant currency was even stronger at 23%.

PIC had an outstanding year, with 17% operating profit growth including joint ventures in constant currency. This was driven by an excellent performance in the Americas, with the completion of Génétiporc's integration and the addition of Birchwood both contributing. We also saw a recovery in the porcine industry, as the impact of porcine epidemic diarrhoea virus ('PEDv') waned.

Performance in ABS and Asia was more mixed, with both businesses delivering stable profits in constant currency compared with the prior year. ABS's sales performance was positive in all regions despite weakening conditions in global dairy markets but higher product costs held back overall profits. Our strategic actions in ABS to increase differentiation through breeding our own bulls, developing proprietary indices and new technologies, such as in vitro fertilisation and Genus Sexed Semen, all made good progress.

Our Asian operations continued to face challenging conditions in porcine markets, with Chinese producers making losses through most of the year. Russia was also affected by weak markets and closure of the border to imports. Conditions in both of these markets appear more encouraging as we enter the new financial year.

Strategy

Our innovation strategy starts with research and development. We continued to implement advances in selection techniques that are significantly accelerating genetic gains in our porcine nucleus herds. These new genetics are now working their way through our supply chain, and customers will start to benefit from them during 2016 and 2017. We also applied these approaches in bovine, as we developed proprietary indices and pursued our breeding programme in the dairy and beef nucleus herds we initiated in 2014. Some of the elite young sires from this programme will enter production in 2016.

Our leading-edge research programmes in the areas of disease resistance and genetic dissemination technology passed several scientifically significant milestones, although these projects remain long-term in nature. In addition, we continued to make good progress with the technical milestones on Genus Sexed Semen and are vigorously pursuing our anti-trust litigation in the U.S. to seek to create an open market for our technology. The trial date has now been set for 1 August 2016.

In March, we acquired 51% of IVB, the world's leading supplier of bovine in vitro fertilisation services. Combining IVB's skills with ABS's leading genetic management tools will enable us to accelerate the genetic improvement of our customers' herds and opens up new opportunities. During the year, IVB introduced a novel method of producing frozen embryos which makes their implantation significantly easier. Our initial integration of the business is progressing well.

We generate value for our genetics by targeting key markets and segments and tailoring our business model to the needs of our customers in these markets. PIC increased its market share and grew penetration of the royalty model, particularly in Europe and Asia. Génétiporc was fully integrated a year ahead of schedule and we are very pleased with the results in North America and Latin America. We also acquired Birchwood, a boar stud operation serving mid-sized customers in North America, to strengthen our distribution of male genetics in this segment. Its results are consistent with our expectations.

In China, we continued to adapt our business model to reduce financial investment and exposure to the volatile farming market, exiting two owned farms and completing the stocking of our first third-party multiplier, Riverstone, during the year. Riverstone, which is also a royalty-based customer, will stock a second farm in 2016.

We gave more details of our strategy and our progress with its execution at a Capital Markets Day we hosted in London in May 2015. A webcast of the event is available at www.genusplc.com.

Our People

The Genus Executive Leadership Team was unchanged in 2015 and I am very pleased with the Group's high energy, individual capabilities and collective teamwork. It is a privilege to work with such a strong team.

During the year, we strengthened further our people management practices, training and talent development and increased our emphasis on the health and safety of employees. Our employee pulse survey showed that our employees have a very significant commitment to our vision, values and strategy. Their passion and engagement makes a big contribution to the value we deliver to our customers and our success in the market.

Outlook

In 2015, we significantly exceeded our target double-digit compound annual growth in adjusted operating profit in constant currency. Our constant currency growth rate in 2016, while in line with expectations, is expected to be more moderate. Based on current conditions, we are cautiously optimistic about improved results in Asia. However, we remain cautious about prospects in dairy, where market conditions are very tough for our customers, and porcine commodity prices have worsened compared with last year. The sharp depreciation of the Euro, Rouble and most Latin American currencies over the last year will also be a continuing headwind.

Karim Bitar

Chief Executive

7 September 2015

Financial and operating review

Financial Review

Genus delivered a strong performance in the year ended 30 June 2015, with adjusted profit before tax up 19% (up 23% in constant currency), cash conversion of over 100% and an improved return on adjusted capital invested of 21.2% (2014: 19.2%). Adjusted earnings per share were up 22% (26% in constant currency).

The effect of the stronger pound on the translation of our overseas profits reduced the Group's adjusted profit before tax for the year by £1.7m or 4% compared with FY14. Unless stated otherwise, this financial review quotes constant currency growth rates, which better reflect the Group's underlying performance.

On a statutory basis, profit before tax was 51% higher and earnings per share were 40% higher in actual currency, primarily due to an increase in the value of our biological assets. However, we continue to use adjusted results as our primary measures of financial performance as they better reflect our underlying progress.

	Actual currency			Constant currency
	2015	**2014**	**Movement**	**Movement**
Adjusted Profit Before Tax	**£m**	**£m**	**%**	**%**
Genus PIC	**57.2**	49.9	15	13
Genus ABS	**24.0**	24.3	(1)	2
Genus Asia	**5.7**	6.8	(16)	(9)
Research and development	**(28.6)**	(27.7)	(3)	(1)
Central costs	**(11.1)**	(10.4)	(7)	(5)
Adjusted operating profit	**47.2**	42.9	10	12
Attributable to minority interests	**(0.6)**	-	-	-
Share of JV profits *	**4.6**	1.9	142	174
Adjusted operating profit inc JV	**51.2**	44.8	14	18
Net finance costs	**(4.6)**	(5.5)	16	18
Adjusted profit before tax	**46.6**	39.3	19	23

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

Revenue

Revenue grew 8% (7% in actual currency) to £398.5m (2014: £372.2m), with Genus PIC growing at 15% helped by a full year of Génétiporc and a strong underlying performance. Genus ABS grew at 9%, while Asia declined 9% due to adverse market conditions in Russia. The rest of Asia, without Russia, grew 4%.

Adjusted Operating Profit including Joint Ventures

Adjusted operating profit including joint ventures was £51.2m (2014: £44.8m), up 18% in constant currency and 14% in actual currency. Genus's share of joint venture profits was higher at £4.6m (2014: £1.9m), helped by continuing strong growth at Agroceres PIC in Brazil and an improved performance by Besun in China, following the high start-up costs during the prior year.

Genus PIC had a very strong year, with profits including joint ventures up 17%. Volume growth of 8% benefited from a full year of the Génétiporc acquisition, another strong year in Latin America and growth in royalty volumes in North America, following the PEDv outbreak in the prior year.

Genus ABS grew volumes and revenues in all regions but operating profit was unchanged, with product costs across ABS impacted by the increased mix of sorted semen, higher royalty payments on certain leased genomic bulls and the depreciation of the Euro and Latin American currencies relative to the US Dollar, where most production costs are incurred.

Profits in Genus Asia, including joint ventures, were unchanged. The Asia bovine business achieved high single digit growth, helped by China, where we continued to develop and strengthen our sales channels. The Asia porcine business achieved strong growth in PIC Philippines and costs were reduced in PIC China. However, these improvements were more than offset by declines in our Russia porcine business caused by adverse market conditions.

Research and development costs increased by 1%. Increases in key research investments, expansion of our beef and dairy nuclei and additional investments in product validation and genomic testing were largely offset by the benefit of strong by-product slaughter prices and early exit from the Génétiporc Quebec porcine nucleus.

Performance by Species

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

	Actual currency			Constant currency
	2015	**2014**	**Movement**	**Movement**
Revenue	**£m**	**£m**	**%**	**%**
Dairy and beef	**183.4**	171.8	7	9
Porcine	**201.3**	184.9	9	9
Research and development	**13.8**	15.5	(11)	(12)
	398.5	372.2	7	8
Adjusted operating profit inc JV				
Dairy and beef	**14.5**	15.7	(8)	0
Porcine	**52.4**	43.1	22	22
Central costs and research	**(15.7)**	(14.0)	(12)	(11)
	51.2	44.8	14	18

Dairy and beef revenues grew 9% on volumes up by 6%, with growth strongest in Brazil and our European Distribution business and an improved mix towards the higher priced sorted semen, particularly in North America and Asia. Sales of semen from our global studs, which represent 77% of semen sales by volume, increased by 8%. Profits were stable, primarily due to increased ABS product costs.

Porcine revenues grew by 9%, with royalty income up 15% to £77.1m. Volumes were up 6% (including Agroceres PIC, our joint venture in Brazil), mainly due to a strong product portfolio, a full year of the Génétiporc acquisition and strong performances across most regions. However, Russia and China volumes declined by double digits. Profits were up 22% on 2014, due to Latin America's continued robust growth, the early completion of synergies from Génétiporc and a somewhat improved result in China as we reduced costs there.

Finance Costs

Net finance costs reduced by £0.9m to £4.6m (2014: £5.5m) and include IAS 19 pension interest of £2.3m (2014: £2.9m). Higher net borrowings following the acquisitions of Birchwood and IVB and higher capital spending were offset by lower average interest rates, due to the renewal of $60m of fixed interest rate cover at lower rates.

Exceptional Items

There was a £5.1m net exceptional expense in 2015 (2014: £2.0m expense), of which £1.4m was for acquisition and integration related expenses, primarily Birchwood and IVB, £2.8m was for ongoing legal fees in Genus ABS's case

against Sexing Technologies, and £1.3m was for restructuring costs, with a £0.4m settlement gain related to the Milk Pension Fund.

Statutory Profit Before Tax

Operating profit on a statutory basis was £59.5m, (2014: £41.8m) while our statutory profit before tax was £57.8m (2014: £38.2m). The statutory results benefit from an increase of £24.9m (2014: £7.5m) in the net IAS 41 valuation of biological assets driven largely by the strength of the porcine business. Amortisation of acquired intangible assets and exceptional items increased following the Génétiporc, Birchwood and IVB acquisitions. 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 26.0% (2014: 28.2%), with the decrease primarily due to the benefit of a full year of the UK finance company tax regime and favourable prior period adjustments.

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 29.9% (2014: 24.3%). In addition to the factors mentioned above, there was an unfavourable impact in the year due to the majority of the IAS 41 biological assets valuation movement having deferred tax applied at United States rates.

Earnings Per Share

Adjusted basic earnings per share, including the benefit of the lower tax rate, increased by 22% to 56.8 pence (2014: 46.5 pence) and rose 26% in constant currency. Basic earnings per share on a statutory basis were 66.7 pence (2014: 47.7 pence), an increase of 40%.

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 2015, the carrying value of biological assets was £315.9m (2014: £275.5m), as set out in the table below:

	2015	**2014**
	£m	**£m**
Non-current assets	**242.7**	208.9
Current assets	**50.2**	44.1
Inventory	**23.0**	22.5
	315.9	275.5
Represented by:		
Porcine	**148.1**	124.4
Dairy and beef	**167.8**	151.1
	315.9	275.5

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

- a £20.4m increase in the carrying value of porcine biological assets, due principally to higher value animals, particularly boars, in the pure line herds as well as an increase in the number of animals sold on royalty contracts; and
- a £4.5m increase in dairy and beef biological assets, arising from an increase in the number of beef bulls as well as an increased sales demand for beef units.

The historical cost of these assets, less depreciation, was £34.1m at 30 June 2015 (2014: £36.2m), which is the basis used for the adjusted results.

Retirement Benefit Obligations

The Group's retirement benefit obligations at 30 June 2015, calculated in accordance with IAS 19, were £63.1m (2014: £58.2m) before tax and £49.9m (2014: £46.1m) 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 £6.1m (2014: £5.6m).

Cash Flow

Cash generated by operations remained strong at £50.7m (2014: £44.3m). Conversion of adjusted operating profit into cash was 107% (2014: 103%) before capital expenditure, investments, interest, tax and dividends. This performance was generated by continued strong working capital management and the benefit of the exit from the Quebec nucleus.

The cash outflow from investments was £11.1m, primarily from the acquisitions of Birchwood and IVB. This compares with £34.1m from the Génétiporc acquisition and Besun joint venture investment in 2014. The increase in capital expenditure of £8.2m to £14.8m (2014: £6.6m) included increased investment in GSS technology. The total cash inflow for the year after these investments, interest, tax and dividends was £0.4m (2014: outflow £18.0m).

	2015	**2014**
Cash Flow (before debt repayments)	**£m**	**£m**
Cash generated by operations	**50.7**	44.3
Interest, tax and dividends	**(27.0)**	(22.1)
Investments	**(11.1)**	(34.1)
Capital expenditure	**(14.8)**	(6.6)
Other	**2.6**	0.5
	0.4	(18.0)
Adjusted operating profit	**47.2**	42.9
Cash Conversion	**107%**	103%

Net Debt

While cash flow was positive, net debt increased from £63.9m to £71.8m at 30 June 2015, due to the impact of exchange movements, as our borrowings are denominated primarily in US Dollars.

The Group's financial position remains strong and there is substantial headroom of £51.1m under our borrowing facilities of £138.1m, which run to September 2017.

Our borrowing ratios are strong. Interest cover was 31.9 times (2014: 20.6 times). The ratio of net debt to EBITDA, as calculated under our financing facilities, remained the same as the prior year at 1.2 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 increased to 21.2% after tax (2014: 19.2%).

Dividend

Reflecting the Board's continuing confidence in the prospects for the Group, it is recommending to shareholders a final dividend of 13.4 pence per ordinary share, resulting in a total dividend for the year of 19.5 pence per ordinary share, an increase of 10% for the year. It is proposed that the final dividend will be paid on 4 December 2015 to shareholders on the register at the close of business on 20 November 2015. Dividend cover remains strong, with the dividend covered 2.9 times by adjusted earnings (2014: 2.6 times).

Stephen Wilson

Group Finance Director

7 September 2015

Review of Operations

Genus PIC

OPERATING REVIEW

	Actual currency			Constant currency
	2015	**2014**	**Movement**	**Movement**
	£m	**£m**	**%**	**%**
Revenue	**175.5**	152.8	15	15
Adjusted operating profit exc JV	**57.2**	49.9	15	13
Adjusted operating profit inc JV	**61.9**	52.6	18	17
Adjusted operating margin exc JV	**32.6%**	32.7%	(0.1)pts	(0.5)pts

Market

Market conditions for Genus PIC's customers were generally favourable throughout the year, with the exception of Europe. In North America, the outbreak of PEDv that peaked in early 2014 led to tight pork supply and record pig prices in the first half of this financial year. Combined with low input costs, this gave producers exceptional margins. A strong rebound in supply during the second half of the year led to a considerable drop in US pork prices, to levels that are more reflective of long-term averages.

In Brazil, pig prices reached a record high in October 2014 helped by strong exports, particularly to Russia, following the ban on exports from the EU to Russia. By the end of the year, prices had fallen back to more normal seasonal patterns. However, the outlook remains positive for the Brazilian pork sector, with strong domestic consumption expected and continuing export demand helped by the devaluation of the Brazilian Real.

In Europe, the first half of the financial year was affected by continuing production expansion and export bans, primarily to Russia, leading to oversupply and a 21% decline in pork prices compared with the prior year. Despite some stabilisation of prices in the first half of calendar year 2015, helped by increased exports, prices were still 17% below the prior year and farmer margins were generally negative.

Performance

Genus PIC performed very strongly, with operating profits including joint ventures up 17%, on revenue growth of 15% to £175.5m. Volumes grew by 8%, with all regions contributing. Operating margins per market pig equivalent improved through completion of the integration of Génétiporc and the benefit of synergies a year ahead of schedule and price and cost management.

In North America, profits were up 11% in constant currency, on volume growth of 8%. Following the PEDv outbreak in 2014, royalties were impacted during the first half of this financial year. However, this was offset by strong animal shipments, as customers started to expand and improve their herds once the impact of the disease became better contained. There was also the benefit of a full year of Génétiporc and Birchwood contributed positively, as expected.

Latin American profits improved 42% in constant currency on a 14% volume increase, helped by an exceptionally strong operating profit performance from the Agroceres PIC joint venture (up 98%). Agroceres PIC benefited from a full year's contribution from Génétiporc, investments made in updated genetics and an improved supply chain, market share gains and favourable market conditions. We also saw strong profit growth in Mexico (up 38%), while Latin America's overhead costs were well controlled.

In Europe, volumes increased 2% and operating profit increased 5% in constant currency, as we continued to make progress with our strategy to target the larger integrated pork producers. Progress with a number of key accounts was encouraging and the proportion of volumes sold under royalty contracts increased to 59% during the year (2014: 38%). At the same time, we took further action to reduce our exposure in directly owned operations, including streamlining and standardising the UK boar stud operations; establishing European focused support in Technical Services, Genetic Services, Health Assurance and Supply Chain; and expanding the supply of high indexing animals at multiplication partners, to supply our best products to European customers.

During the financial year, we successfully integrated Birchwood and Génétiporc into our operations, delivering the expected synergies from both acquisitions ahead of the planned timeframes. Genus 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. We made continued progress in demonstrating the strength of our product offering through increased validation trials with a number of large integrated pork producers around the world.

Genus ABS
OPERATING REVIEW

	Actual currency			Constant currency
	2015	**2014**	**Movement**	**Movement**
	£m	**£m**	**%**	**%**
Revenue	**167.8**	157.4	7	9
Adjusted operating profit	**24.0**	24.3	(1)	2
Adjusted operating profit inc minority interest	**23.5**	24.3	(3)	0
Adjusted operating margin	**14.3%**	15.4%	(1.1)pts	(1.0)pts

Market

Following a period of buoyant prices in the early part of 2014, dairy prices declined significantly in Europe, North America and Latin America. This resulted from a number of causes, including: a Russia dairy import ban; the slow down of China milk powder imports; intense pressure in many international retail consumer markets; the impact of the removal of EU dairy quotas in the spring of 2015; and favourable weather conditions in key dairy producing countries, resulting in oversupply.

By June 2015, global dairy prices were down 32% over the prior year, with Europe down 19%, the US down 28% and Brazil down 5%. In the short term, dairy prices are expected to remain depressed, with global supply still exceeding demand and countries with milk production deficits having already taken advantage of low prices to stockpile imports. Market predictions are for a gradual recovery at best, towards the end of this calendar year and going into 2016.

Beef prices have continued on their upward trajectory in the US, with average prices 11% higher than they were a year ago as demand continues to outstrip supply. The Brazilian beef market should also remain strong, with the Brazil export industry continuing to expand with countries such as China looking overseas to meet their demand, and the weakening Real providing a competitive advantage.

Performance

Genus ABS had a flat operating profit in constant currency, on volume growth of 8% and revenue growth of 9%. Higher regional profit contributions in all regions were offset by increased central supply chain costs, principally due to royalties on leased genomic bulls, adverse foreign exchange cross-rates on US produced semen, and a higher mix of sorted semen. Effective sales management enabled a 2% improvement in average selling prices ('blend') across the business and ancillary product sales also improved.

In North America, profits grew by 13% in constant currency, driven by a 1% volume increase, increased blend, strong cost management and additional contributions from adjacent products. Beef performance was strong, with volumes up 18% over the prior year, including the continued increased use of beef semen in dairy cows. Sorted semen volumes grew 54%.

In Europe, profits improved 7% in constant currency. France, UK and the European Distributor business helped volumes to grow 14%. However, the strong growth in the European Distributor business, where product is sold at wholesale prices, led to an overall 5% blend decrease in Europe. Profit growth of 3% in the core markets of the UK, Italy and France was tempered by the challenging dairy market conditions.

Across Latin America, profits were up 4% in constant currency on a 9% increase in volumes, combined with a 4% blend increase. Argentina performed well, despite the difficult economic environment in the country, and profits improved in Mexico as we extended coverage into new regions in the country. Volume growth of 9% in Brazil was driven by the strength of beef sales, which increased 17%.

IVB, of which 51% was acquired at the end of March 2015, made a positive initial contribution to the results, in line with expectations. The integration process for the business is progressing well and customers and employees have welcomed the opportunity to benefit from the combination with ABS.

Genus Asia

OPERATING REVIEW

	Actual currency			Constant currency
	2015	**2014**	**Movement**	**Movement**
	£m	**£m**	**%**	**%**
Revenue	**41.4**	46.5	(11)	(9)

Adjusted operating profit exc JV	**5.7**	6.8	(16)	(9)
Adjusted operating profit inc JV	**5.5**	6.0	(8)	0
Adjusted operating margin inc JV	**13.3%**	12.9%	0.4pts	1.3pts

Market

Market conditions continued to be challenging across much of the region in the period. In China, a slow down in demand for higher priced protein foods combined with over supply continued to depress pork prices for much of the year, impacting pork producer profitability. The total sow herd over the last 18 months reduced by 19%, or almost 9.5 million animals. By way of comparison, the total US sow herd size is approximately 6 million. The reductions in supply led to a recovery in the pork price of approximately 15% towards the end of the financial year, helping producers' margins to return to positive in June 2015 based on Genus's analysis. Though imports into China are a small proportion of the market (approximately 2-4%), the recent increase in price and low domestic supply may provide some support to the global market as a whole in the next financial year.

Russia implemented a ban on pig imports from Europe and North America for much of the period. However, weakness in the general economy and reduced access to finance have had a significant impact on producers' willingness to expand, despite the business being profitable and the country needing further growth in agriculture to become self-sufficient. As we enter the new financial year, Russia has approved imports from Canada which should benefit Genus.

In the Philippines, pig prices were lower than last year's record high but still ahead of expectations. Producers are profitable and the industry continues to attract investment.

Dairy prices across Asia have been impacted by the fall in global dairy prices, caused at least in part by a reduction in Chinese milk powder imports, as well as the Russian ban on dairy imports from Europe, North America and other countries. However, in Russia prices are up 3% due to the supply constraints caused by the import bans. In Australia, dairy prices have remained stable, helped by the fall in the currency, while in India, prices are down 12% compared to the prior year.

Performance

Adjusted operating profit including joint ventures was unchanged in constant currency, while revenue declined by 9%, primarily due to lower porcine sales in Russia, which was affected by the border closure and the slower economy. Results in actual currency were lower than constant currency, primarily due to the devaluation of the Russian Rouble.

Porcine

Overall results for the porcine business reduced, with volumes 7% lower, revenue 18% lower and operating profit including joint ventures 7% lower. In Russia, operating profit reduced by £1.2m in constant currency (£1.8m in actual currency). Although upfront sales of gilts and boars were heavily affected by the market conditions, the royalty business model and our strong customer relationships kept the business profitable and healthy. As the industry resumes growth to enhance self-sufficiency, and with the border recently opening to imports from Canada, Genus is well positioned to capture this opportunity.

The operating loss in China porcine reduced by £0.6m. Market prices remained low during most of the year, depressing demand for breeding stock, and volumes and breeding margin reduced. However, increased productivity at the Besun JV and in our owned farms, and control of selling costs, more than offset this. Slaughter test results and the operational metrics being achieved by our customers have demonstrated the value of PIC genetics in China. We are working closely with top producers, including delivering animals under the first royalty agreement with Riverstone. In line with our strategy of reducing farming exposure, we exited two owned farms during the year. Following these actions we now have two owned farms in China and our share of the Besun JV.

We continued to have good growth in the Philippines where operating profit grew by 24% and in Vietnam, volumes grew by 37%. Both businesses grew royalty revenues.

Bovine

Overall bovine results improved, with revenue up 10% on 1% growth in volumes, and operating profits up 7%. In China, revenues and profits improved as we continued to broaden and develop our sales channels, while strengthening our non-exclusive distributor relationship with SKX.

Operating profit in India more than doubled, with continued growth in average selling prices as the mix of genomic semen increased. Construction of the new Chitale JV stud is on track to complete this calendar year, which will enable us to expand our range of bulls. A series of marketing campaigns has better positioned ABS as the largest international supplier and the only one with local production in India.

The Australian business was operationally stable during the year but incurred a loss on the sale of a legacy property. Distributor markets were lower due to reduced volumes in Japan in the first half, although performance improved as the year progressed.

Summary

2015 was a challenging year, with adverse market conditions in Russia and China. Our continued focus on strategic initiatives has positioned the business to benefit from an improvement in market conditions when they arise.

Research and Development

OPERATING REVIEW

	Actual currency			Constant currency
	2015	**2014**	**Movement**	**Movement**
	£m	**£m**	**%**	**%**
Research	**4.6**	3.6	28	28
Porcine product development	**11.6**	12.5	(7)	(9)
Bovine product development	**12.4**	11.6	7	4
	28.6	27.7	3	1

Performance

Investment in R&D for the year increased by 1% in constant currency. This reflected investments in our research and intellectual property capabilities, our computational capabilities in bovine and investments in beef product development. In porcine product development, increased investments in product validation and genomic testing were more than offset by the early exit from the Génétiporc Quebec nucleus and favourable commodity prices.

Research expenditure continued, as in previous years, to focus on genomic evaluation, gender skew and animal health and welfare. In genomic evaluation, we continued to explore the frontiers of genomic information and its use in animal genetic improvement. We are actively exploring genotype by sequencing approaches that could be applied across our animal systems. In gender skew, we completed additional field trials of the GSS technology and validated the production characteristics of our GSS instrumentation. Capital expenditure to support the GSS development and production validation was increased in the year to £7.6m (2014: £1.8m). In health and welfare research projects, our university collaborations produced several gene-edited animals, with the intention of testing specific approaches to improve animal health. We also stepped up our internal capabilities in intellectual property development and research strategy, with key talent additions.

Bovine product development expenditure increased by 4%, with key investments in genetic services to create custom indices using our Real World Data ('RWD') data system, and in beef resources and progeny testing, to deliver higher genetic control and differentiation in beef. Our RWD system allows us to develop unique genetic insights, which deliver customer value. The system continued to grow in 2015, with a 24% increase in the number of herds it covers to 1,438, representing over 23.8m animals, and now include operations in five countries.

In the dairy genetic nucleus of elite females, the quality and quantity of Holstein animals delivered is exceeding our expectations. We continue to create and acquire high-quality female animals for this programme, including our first Jersey additions in 2015. Our first genomic sires from the proprietary Holstein programme will be placed into stud in the next few months. Our beef product development nucleus is achieving aggressive goals in terms of the quantity of pregnancies produced and has delivered the first bulls to stud in the UK, in support of our ABP collaboration.

Porcine product development expenditure declined by 9% due to the operational synergies from the integration of Génétiporc (where the exit from the Quebec genetic nucleus was completed ahead of schedule), a final Canadian government support payment and favourable feed costs and slaughter prices in the genetic nucleus farms. Investment was increased in growing the breadth and depth of our genomic testing of animals. We also continued expansion of our global product validation programme which delivered our first trials in Russia, China and Thailand in 2015.

Principal Risks and Uncertainties

Genus supplies biological products to agricultural customers and is exposed to a wide range of risks and uncertainties.

Some of these risks relate to current business operations in our global agricultural markets, while others relate to future commercial exploitation of our extensive R&D portfolio. The table below outlines the principal risks and uncertainties affecting Genus and how we manage them.

Strategic Risks

Risk Description	How We Manage Risk	Risk Change in FY15
Developing Products and Our Competitive Edge • Development programme fails to produce best genetics for customers • Increased competition reduces market share and margins	Dedicated teams align our product development to customer requirements, while our technical services help customers 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
Commercialising Genus Sexed Semen technology ('GSS') • Launching a new product technology carries technical, production and financial risks • Failure to commercialise our GSS technology due to intellectual property ('IP') and other disputes	We have a rigorous process to prepare for the successful commercial launch of our GSS technology, supported by dedicated internal resources and external expert advice. We also initiated legal proceedings in the US, in relation to anti-trust issues. The outcome of these proceedings will not be known until the second half of 2016 and could prevent or delay our plans to commercialise GSS.	Increased Increased due to higher investment in GSS in 2015 in response to successful field trials.
Commercialising Research • Failure to focus research initiatives on commercially important areas • Failure to lead on 'game-changing' technology or to make new initiatives commercially viable • Regulatory changes may affect the approval process for products or our ability to export products to certain countries	Our R&D Portfolio Management Team oversees our research, ensures we correctly prioritise 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.	Unchanged Key initiatives are progressing through 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.	Reduced The robust process that helped us to successfully acquire and integrate Génétiporc in 2014 was used again for the acquisition and integration of Birchwood and IVB in 2015.
Growing in Emerging Markets • Failure to appropriately develop business in China and other 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 dedicated significant time in FY15 to discussing our strategy and the results of our operations in China.	Unchanged Volatility in the Chinese porcine market continued in 2015. In response, we adjusted our plans and approach to the market, which reduced our risk. However, we were also affected by border closures in the Russian porcine market, which increased our risk.

Operational Risks

Risk Description	How We Manage Risk	Risk Change in FY15
Protecting Intellectual Property • 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 IP. Our customer contracts and our selection of multipliers and joint venture partners include appropriate measures to protect our IP. We conduct robust 'Freedom To Operate' searches to identify third-party rights to technology.	Unchanged
Ensuring Biosecurity and Continuity of Supply • 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 biosecurity standards, with independent reviews throughout the year to ensure compliance. We continue to extend the geographical diversity of our production facilities, to avoid over-reliance on single sites.	Reduced We continued to strengthen our health management and supply chain resilience. The risks associated with the 2014/15 outbreak of PEDv in North America have been significantly mitigated.

Financial Risks

Risk Description	How We Manage Risk	Risk Change in FY15

Managing Agricultural Market and Commodity Prices Volatility • Fluctuations in agricultural markets affect customer profitability and therefore demand for our products and services • Increase in our operating costs, due to commodity pricing volatility	We continuously monitor markets and seek to balance our costs and resources in response to market demand. We actively monitor and update our hedging strategy to manage our exposure. Our porcine royalty model and extensive use of third party multipliers mitigates the impact of cyclical price reductions or cost increases in pig production.	Unchanged
Funding Pensions • Exposure to costs associated with failure of third-party members of joint and several liabilities pension scheme • Exposure to costs as a result of external factors (such as mortality rates, interest 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 has an agreed deficit recovery plan, based on the 2012 actuarial valuation. The result of the 2015 triennial actuarial valuation is due in late 2015. We monitor the strengths of other employers in the fund and have retained external consultants to provide expert advice.	Unchanged

Group Income Statement

Genus plc

For the year ended 30 June 2015

	Note	2015 £m	2014 £m
REVENUE FROM CONTINUING OPERATIONS	2	**398.5**	372.2
ADJUSTED OPERATING PROFIT FROM CONTINUING OPERATIONS	2	**47.2**	42.9
Net IAS 41 valuation movement on biological assets	9	**24.9**	7.5
Amortisation of acquired intangible assets	8	**(6.1)**	(5.8)
Share-based payment expense		**(1.4)**	(0.8)
		64.6	43.8
Exceptional items			
- Acquisition and integration	3	**(1.4)**	(1.8)
- Other (including restructuring)	3	**(4.1)**	(0.2)
- Pension related	3	**0.4**	-
		(5.1)	(2.0)
OPERATING PROFIT FROM CONTINUING OPERATIONS		**59.5**	41.8
Share of post-tax profit of joint ventures and associates		**2.9**	1.9
Net finance costs	4	**(4.6)**	(5.5)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		**57.8**	38.2
Taxation	5	**(17.3)**	(9.3)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**40.5**	28.9
ATTRIBUTABLE TO:			
Owners of the Company		**39.9**	28.9
Non-controlling interest		**0.6**	-
		40.5	28.9
EARNINGS PER SHARE FROM CONTINUING OPERATIONS	7		
Basic earnings per share		**66.7p**	47.7p
Diluted earnings per share		**65.9p**	47.6p
NON-STATUTORY MEASURE OF PROFIT			
Adjusted operating profit from continuing operations		**47.2**	42.9
Operating profit attributable to non-controlling interest		**(0.6)**	-
Pre-tax share of profits from joint ventures and associates excluding net IAS 41 valuation movement		**4.6**	1.9
ADJUSTED OPERATING PROFIT INCLUDING JOINT VENTURES AND ASSOCIATES		**51.2**	44.8
Net finance costs	4	**(4.6)**	(5.5)
ADJUSTED PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		**46.6**	39.3
ADJUSTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS	7		
Basic adjusted earnings per share		**56.8p**	46.5p

Diluted adjusted earnings per share	**56.1p**	46.4p

Group Statement of Comprehensive Income

Genus plc

For the year ended 30 June 2015

	Note	2015 £m	2015 £m	2014 £m	2014 £m
PROFIT FOR THE YEAR			**40.5**		28.9
Items that may be reclassified subsequently to profit or loss					
Foreign exchange translation differences		**14.5**		(53.9)	
Fair value movement on net investment hedges		**(6.1)**		8.6	
Fair value movement on cash flow hedges		**-**		0.3	
Tax relating to components of other comprehensive income	5	**(6.7)**		7.8	
			1.7		(37.2)
Items that may not be reclassified subsequently to profit or loss					
Actuarial (loss)/gain on retirement benefit obligations		**(8.5)**		4.5	
Tax relating to components of other comprehensive income	5	**1.6**		(2.5)	
			(6.9)		2.0
OTHER COMPREHENSIVE EXPENSE FOR THE YEAR			**(5.2)**		(35.2)
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR			**35.3**		(6.3)
ATTRIBUTABLE TO:					
Owners of the Company			**35.0**		(6.3)
Non-controlling interest			**0.3**		-
			35.3		(6.3)

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	Non controlling interest £m	Total equity £m
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 income/ (expense) 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 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
Non-controlling 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

Foreign exchange translation differences, net of tax		-	-	-	**6.8**	-	-	**6.8**	**(0.3)**	**6.5**
Fair value movement on net investment hedges, net of tax		-	-	-	**(4.8)**	-	-	**(4.8)**	-	**(4.8)**
Actuarial loss on retirement benefit obligations, net of tax		-	-	-	-	-	**(6.9)**	**(6.9)**	-	**(6.9)**
Other comprehensive (expense)/income for the year		**-**	**-**	**-**	**2.0**	**-**	**(6.9)**	**(4.9)**	**(0.3)**	**(5.2)**
Profit for the year		-	-	-	-	-	**39.9**	**39.9**	**0.6**	**40.5**
Total comprehensive income for the year		**-**	**-**	**-**	**2.0**	**-**	**33.0**	**35.0**	**0.3**	**35.3**
Recognition of share-based payments, net of tax		-	-	-	-	-	**2.2**	**2.2**	-	**2.2**
Adjustment arising from change in non controlling interest and written put option		-	-	-	-	-	-	-	**(6.6)**	**(6.6)**
Dividends	6	-	-	-	-	-	**(11.1)**	**(11.1)**	-	**(11.1)**
BALANCE AT 30 JUNE 2015		**6.1**	**112.2**	**(0.1)**	**(10.1)**	**-**	**202.7**	**310.8**	**(5.7)**	**305.1**

Group Balance Sheet
As at 30 June 2015

Genus plc

	Note	**2015 £m**	2014 £m
ASSETS			
Goodwill	8	**73.9**	69.9
Other intangible assets	8	**69.8**	64.4
Biological assets	9	**242.7**	208.9
Property, plant and equipment		**50.3**	40.6
Interests in joint ventures and associates		**19.6**	21.7
Available for sale investments		**0.2**	0.1
Deferred tax assets		**7.8**	4.8
TOTAL NON-CURRENT ASSETS		**464.3**	410.4
Inventories		**32.2**	30.6
Biological assets	9	**50.2**	44.1
Trade and other receivables	10	**74.7**	75.1
Cash and cash equivalents		**21.3**	22.8
Income tax receivable		**0.4**	0.4
Derivative financial asset		**0.7**	-
Asset held for sale		**0.5**	0.8
TOTAL CURRENT ASSETS		**180.0**	173.8
TOTAL ASSETS		**644.3**	584.2
LIABILITIES			
Trade and other payables		**(58.9)**	(53.3)
Interest-bearing loans and borrowings		**(12.2)**	(13.0)
Provisions		**(2.4)**	(1.4)
Obligations under finance leases		**(1.1)**	(1.1)
Current tax liabilities		**(6.3)**	(6.4)
Derivative financial liabilities		**(0.2)**	(2.6)
TOTAL CURRENT LIABILITIES		**(81.1)**	(77.8)
Interest-bearing loans and borrowings		**(77.4)**	(71.1)
Retirement benefit obligations	11	**(63.1)**	(58.2)
Deferred tax liabilities		**(105.2)**	(90.3)
Derivative financial liabilities		**(10.0)**	-
Obligations under finance leases		**(2.4)**	(1.5)
TOTAL NON-CURRENT LIABILITIES		**(258.1)**	(221.1)
TOTAL LIABILITIES		**(339.2)**	(298.9)

NET ASSETS	**305.1**	285.3

	2015 £m	2014 £m
EQUITY		
Called up share capital	**6.1**	6.1
Share premium account	**112.2**	112.2
Own shares	**(0.1)**	(0.1)
Translation reserve	**(10.1)**	(12.1)
Hedging reserve	**-**	-
Retained earnings	**202.7**	178.6
Equity attributable to owners of the Company	**310.8**	284.7
Non-controlling interest	**4.3**	0.6
Put option over non-controlling interests	**(10.0)**	-
Total non-controlling interests	**(5.7)**	0.6
Total equity	**305.1**	285.3

Group Statement of Cash Flows — Genus plc

For the year ended 30 June 2015

	Note	**2015 £m**	2014 £m
NET CASH FLOW FROM OPERATING ACTIVITIES	12	34.8	32.3
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received from joint ventures and associates		2.3	0.9
Acquisition of subsidiaries	14	(10.3)	(20.9)
Purchase of trade and assets		-	(2.0)
Acquisition of investment in joint venture		(0.8)	(11.2)
Purchase of property, plant and equipment		(12.0)	(5.1)
Purchase of intangible assets		(2.8)	(1.5)
Proceeds from sale of property, plant and equipment		0.3	-
Proceeds from sale of assets held for sale		-	0.3
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(23.3)	(39.5)
CASH FLOWS FROM FINANCING ACTIVITIES			
Drawdown of borrowings		51.8	48.0
Repayment of borrowings		(51.0)	(29.2)
Payment of finance lease liabilities		(1.5)	(1.4)
Equity dividends paid		(11.1)	(10.1)
Issue of ordinary shares		-	0.1
Debt issue costs		-	(0.8)
(Decrease)/increase in bank overdrafts		(2.0)	6.4
NET CASH (OUTFLOW)/INFLOW FROM FINANCING ACTIVITIES		(13.8)	13.0
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(2.3)	5.8
Cash and cash equivalents at start of the year		22.8	18.4
Net (decrease)/increase in cash and cash equivalents		(2.3)	5.8
Cash acquired on acquisition		1.5	0.4
Effect of exchange rate fluctuations on cash and cash equivalents		(0.7)	(1.8)
TOTAL CASH AND CASH EQUIVALENTS AT 30 JUNE		21.3	22.8

Notes to the Preliminary Results — Genus plc

For the year ended 30 June 2015

1. REPORTING ENTITY

Status of audit

The financial information given does not constitute the Company's statutory accounts for the year ended 30 June 2015 or the year ended 30 June 2014, but is derived from those accounts. Statutory accounts for the year ended 30 June 2014 have been delivered to the Registrar of Companies and those for the year ended 30 June 2015 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 2015 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		
	2015	2014	2013	**2015**	2014	2013
US Dollar/£	1.57	1.64	1.57	**1.57**	1.71	1.52
Euro/£	1.32	1.20	1.21	**1.41**	1.25	1.17
Brazilian Real/£	4.26	3.75	3.22	**4.89**	3.77	3.35
Mexican Peso/£	22.68	21.44	20.16	**24.68**	22.18	19.76

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 2015.These financial statements have also been prepared in accordance with the accounting policies set out in the 2014 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:

- *'Improvements to IFRS 2010-2012 cycle'*;
- *'Improvements to IFRS 2011-2013 cycle';*
- IFRIC 21 *'Levies'; and*
- Amendments to *'Offsetting Financial Assets and Financial Liabilities'* (IAS 32), *'Investment Entities'* (IFRS 10, IFRS 12 and IAS 27), *'Recoverable Amounts Disclosures for Non-Financial Assets'* (IAS 36), *'Novation of Derivatives and Continuation of Hedge Accounting'* (IAS 39), *'Defined Benefit Plans: Employee Contributions'* (IAS 19).

There has been no significant impact on the results or disclosures for the current period from the adoption of these new standards and interpretations.

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 14 *'Regulatory Deferral Response'; and*
- IFRS 15 *'Revenue from Contracts with Customers'*.

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

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 2015 the Group had net debt of £71.8m (2014: £63.9m) and undrawn committed borrowing facilities of £51.1m.

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$15m 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 7 September 2015

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

	2015 £m	2014 £m
Genus PIC	**175.5**	152.8
Genus ABS	**167.8**	157.4
Genus Asia	**41.4**	46.5
Research and Development		
Research	**-**	-
Porcine Product Development	**13.8**	15.5
Bovine Product Development	**-**	-
	13.8	15.5
	398.5	372.2

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

	2015 £m	2014 £m
Genus PIC	**57.2**	49.9
Genus ABS	**24.0**	24.3
Genus Asia	**5.7**	6.8
Research and Development		
Research	**(4.6)**	(3.6)
Porcine Product Development	**(11.6)**	(12.5)
Bovine Product Development	**(12.4)**	(11.6)
	(28.6)	(27.7)
Segment operating profit	**58.3**	53.3
Central costs	**(11.1)**	(10.4)
Adjusted operating profit	**47.2**	42.9

Other segment information

	Depreciation		**Amortisation**		**Additions to non-current assets**	
	2015 £m	2014 £m	**2015 £m**	2014 £m	**2015 £m**	2014 £m
Genus PIC	**0.5**	0.4	**6.1**	5.8	**0.5**	0.5
Genus ABS	**1.5**	1.2	**0.6**	0.6	**1.8**	1.9
Genus Asia	**0.5**	0.4		-	**0.4**	0.3
Research and Development						
Research	**0.1**	-	**-**	-	**5.2**	0.2
Porcine Product Development	**1.9**	1.7	**-**	-	**0.6**	0.7
Bovine Product Development	**0.2**	0.1	**-**	-	**5.2**	2.5

	2.2	1.8	**-**	-	**11.0**	3.4
Segment total	**4.7**	3.8	**6.7**	6.4	**13.7**	6.1
Central	**1.6**	1.3	**-**	-	**3.3**	1.7
Total	**6.3**	5.1	**6.7**	6.4	**17.0**	7.8

	Segment assets		**Segment liabilities**	
	2015	2014	**2015**	2014
	£m	£m	**£m**	£m
Genus PIC	**194.9**	198.6	**(45.5)**	(41.4)
Genus ABS	**123.7**	107.3	**(39.9)**	(32.5)
Genus Asia	**37.0**	38.6	**(7.6)**	(7.7)
Research and Development				
Research	**6.0**	1.2	**(0.1)**	(0.8)
Porcine Product Development	**110.0**	86.1	**(47.6)**	(35.0)
Bovine Product Development	**167.5**	149.0	**(52.2)**	(45.9)
	283.5	236.3	**(99.9)**	(81.7)
Segment total	**639.1**	580.8	**(192.9)**	(163.3)
Central	**5.2**	3.4	**(146.3)**	(135.6)
Total	**644.3**	584.2	**(339.2)**	(298.9)

Other exceptional items of £5.1m expense (2014: £2.0m), relate to Genus PIC (£1.5m), Genus ABS (£0.9m) Genus Asia (£0.1m), Research and Development (£2.8m) and our central segment (£0.2m credit). 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

	2015	2014
	£m	£m
North America	**181.2**	153.7
Latin America	**59.0**	50.2
Europe, Middle East and Africa	**116.9**	121.8
Asia	**41.4**	46.5
	398.5	372.2

Non-current assets (excluding deferred taxation and financial instruments)

	2015	2014
	£m	£m
North America	**306.3**	261.2
Latin America	**51.2**	45.2
Europe, Middle East and Africa	**85.0**	84.8
Asia	**14.0**	14.4
	456.5	405.6

	2015	2014
Revenue by type	**£m**	£m
Sale of animals, semen and associated products and services	**314.4**	297.7
Royalties	**77.1**	67.1
Consulting services	**7.0**	7.4
	398.5	372.2
Interest income (see note 10)	**0.2**	0.2
Total	**398.7**	372.4

3. EXCEPTIONAL ITEMS

	2015	2014
Operating (expenses)/income:	**£m**	£m

Acquisition and integration	**(1.4)**	(1.8)
Legal fees	**(2.8)**	(0.6)
Other (including restructuring)	**(1.3)**	0.4
Pension related	**0.4**	-
	(5.1)	(2.0)

During the period, £1.4m of expenses were incurred in relation to the acquisition and integration, principally in relation to Birchwood and In Vitro Brasil S.A., of £0.3m and £0.9m, respectively. See note 14.

Legal fees of £2.8m (2014: £0.6m) related to an action by ABS Global Inc. against Inguran LLC (aka Sexing Technologies).

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'). On the same date, ABS also filed an Inter-Partes Review application ('IPR') challenging the validity of one of the ST's group patents, US Patent No. 7,195,920 (the '920 patent') before the US Patent Office. Subsequently, ABS also filed IPRs challenging the validity of ST's group patents US Patent No. 7,820,425 (the '425 patent') and US Patent No. 8,206,987 (the '987 patent').

On 7 November 2014, ST filed its Answer and Counterclaim to the ABS Action, denying any anticompetitive activities, and alleging, among other matters, (i) that ABS fraudulently induced ST to enter into the parties' semen sorting agreement, (ii) that the Company and ABS repudiated and breached the agreement, and (iii) that the Company and ABS have infringed the '987 patent.

On 13 January 2015 and 15 April 2015 respectively, the Patent Trial and Appeal Board ('PTAB') ruled that ABS had demonstrated a reasonable likelihood of prevailing on its assertion that relevant claims of the '920 patent and the '425 patent were invalid, and ordered the institution of a trial.

On 31 March 2015, the Court in Wisconsin, among other matters (i) denied ST's motion to transfer the ABS Action to Texas, confirming that Wisconsin was the appropriate venue, (ii) denied ST's partial motion to dismiss the ABS Action, and (iii) permitted XY Inc. ('XY'), a subsidiary of ST, to join the litigation. Subsequently, a revised timetable for the ABS Action was established, and the trial is now scheduled to commence on 1 August 2016.

On 6 May, 2015 XY filed an Answer and Counterclaim denying the anti-competitive activities and alleging, among other matters, infringement of the '920 patent and the '425 patent by both ABS and the Company.

On 29 April 2015, the PTAB ruled that ABS had not demonstrated a reasonable likelihood of prevailing on its assertion that relevant claims of the '987 patent were invalid and declined to order the institution of a trial. ABS will now pursue the invalidity of this patent through the Wisconsin litigation.

On 12 June 2015, ST was given leave to amend its counterclaims to allege the infringement by ABS and the Company of US Patent No. 8,198,092 (the '092 patent').

This Wisconsin litigation continues through discovery, depositions and related preparations for trial. ABS intends to continue to vigorously pursue this litigation, in order to seek to enter and compete in this market using its own technology.

Included within other is £1.2m related principally to refocus the European porcine business as it continues to reduce farm operations and align with the Group's global strategy.

During the year a settlement gain of £0.4m was recorded in relation to members leaving the Milk Pension Fund.

4. NET FINANCE COSTS

	2015 £m	2014 £m
Interest payable on bank loans and overdrafts	**(1.8)**	(1.7)
Amortisation of debt issue costs	**(0.4)**	(0.4)
Other interest payable	**(0.1)**	(0.2)
Net interest cost in respect of pension scheme liabilities	**(2.3)**	(2.9)
Net interest cost on derivative financial instruments	**(0.2)**	(0.5)
Total interest expense	**(4.8)**	(5.7)
Interest income on bank deposits	**0.2**	0.2
Total interest income	**0.2**	0.2
Net finance costs	**(4.6)**	(5.5)

5. INCOME TAX EXPENSE

	2015 £m	2014 £m

Current tax expense		
Current period	**13.0**	10.8
Adjustment for prior periods	**(0.4)**	(0.7)
Total current tax expense in the Group Income Statement	**12.6**	10.1
Deferred tax expense/(income)		
Origination and reversal of temporary differences	**5.1**	(1.0)
Adjustment for prior periods	**(0.4)**	0.2
Total deferred tax expense/(income) in the Group Income Statement	**4.7**	(0.8)
Total income tax expense excluding share of income tax of equity accounted investees	**17.3**	9.3
Share of income tax of equity accounted investees	**0.7**	0.7
Total income tax expense in the Group Income Statement	**18.0**	10.0

6. DIVIDENDS

Amounts recognised as distributions to equity holders in the year:

	2015	2014
	£m	£m
Final dividend		
Final dividend for the year ended 30 June 2014 of 12.2 pence per share	**7.4**	-
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 2015 of 6.1 pence per share	**3.7**	-
Interim dividend for the year ended 30 June 2014 of 5.5 pence per share	**-**	3.4
	11.1	10.1

The Directors have proposed a final dividend of 13.4 pence per share for 2015. 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

	2015	2014
Basic earnings per share	**66.7p**	47.7p

The calculation of basic earnings per share from continuing operations for the year ended 30 June 2015 is based on the profit attributable to ordinary shareholders from continuing operations of £40.5m (2014: £28.9m) and a weighted average number of ordinary shares outstanding of 60,702,000 (2014: 60,592,000), which is calculated as follows:

Weighted average number of ordinary shares (basic)

	2015	2014
	000s	000s
Issued ordinary shares at start of the year	**60,919**	60,649
Effect of own shares held	**(239)**	(239)
Shares issued on exercise of stock options	**22**	41
Shares issued in relation to employee benefit trust	**-**	141
Weighted average number of ordinary shares in year	**60,702**	60,592

Diluted earnings per share from continuing operations

	2015	2014
Diluted earnings per share	65.9p	47.6p

The calculation of diluted earnings per share from continuing operations for the year ended 30 June 2015 is based on profit attributable to ordinary shareholders from continuing operations of £40.5m (2014: £28.9m) and a weighted average number of ordinary shares outstanding, after adjusting for the effects of all potential dilutive ordinary shares of 61,476,000 (2014: 60,713,000), which is calculated as follows:

Weighted average number of ordinary shares (diluted)

	2015	2014
	000s	000s
Weighted average number of ordinary shares (basic)	**60,702**	60,592
Dilutive effect of share options	**774**	121

Dilutive effect of share options	774	121
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**61,476**	60,713

Adjusted earnings per share from continuing operations		
	2015	2014
Adjusted earnings per share	**56.8p**	46.5p
Diluted adjusted earnings per share	**56.1p**	46.4p

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 £34.5m (2014: £28.2m), which is calculated as follows:

	2015 £m	2014 £m
Profit before tax from continuing operations	**57.8**	38.2
Add/(deduct):		
Net IAS 41 valuation movement on biological assets	**(24.9)**	(7.5)
Amortisation of acquired intangible assets	**6.1**	5.8
Share-based payment expense	**1.4**	0.8
Exceptional items (see note 3)	**5.1**	2.0
Net IAS 41 valuation movement on biological assets in joint ventures and associates	**1.0**	(0.7)
Tax on joint ventures and associates	**0.7**	0.7
Attributable to non-controlling interest	**(0.6)**	-
Adjusted profit before tax	**46.6**	39.3
Adjusted tax charge	**(12.1)**	(11.1)
Adjusted profit after taxation	**34.5**	28.2
Effective tax rate on adjusted profit	**26.0%**	28.2%

8. INTANGIBLE ASSETS

	Technology £m	**Multiplier contracts £m**	**Customer relationships £m**	**Separately identified acquired intangible assets £m**	**Software £m**	**Genus sexed semen and other £m**	**Total £m**	**Goodwill £m**
Cost								
Balance at 1 July 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
Additions	-	-	-	-		2.8	2.8	-
Acquisition (see note 14)	3.5	-	4.1	7.6	-	-	7.6	5.3
Disposal	-	-	-	-	-	(0.2)	(0.2)	-
Effect of movements in exchange rates	(0.1)	-	2.5	2.4	0.1	0.6	3.1	(1.3)
Balance at 30 June 2015	**46.1**	**3.5**	**58.0**	**107.6**	**6.6**	**11.4**	**125.6**	**73.9**
Amortisation and impairment losses								
Balance at 1 July 2013	15.2	1.7	24.6	41.5	3.2	-	44.7	-
Amortisation for the	2.3	0.2	3.3	5.8	0.6	-	6.4	-

year								
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	-
Amortisation for the year	2.3	0.2	3.6	6.1	0.6	-	6.7	-
Effect of movements in exchange rates	-	-	1.1	1.1	0.1	-	1.2	-
Balance at 30 June 2015	**19.8**	**1.9**	**29.6**	**51.3**	**4.5**	**-**	**55.8**	**-**
Carrying amounts								
At 30 June 2015	**26.3**	**1.6**	**28.4**	**56.3**	**2.1**	**11.4**	**69.8**	**73.9**
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

Additions in the year to intangible assets of £2.8m relates to costs capitalised in respect of a Genus Sexed Semen (GSS) development project.

Included above is £11.1m of capitalised development expenses in respect of GSS, and in addition there is also £5.4m included within fixed assets relating to GSS.

9. BIOLOGICAL ASSETS

Fair value of biological assets	**Bovine £m**	**Porcine £m**	**Total £m**
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	-	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
Increases due to purchases	6.9	119.6	126.5
Decreases attributable to sales	-	(166.3)	(166.3)
Decrease due to harvest	(34.8)	(16.7)	(51.5)
Changes in fair value less estimated sale costs	34.5	78.7	113.2
Effect of movements in exchange rates	9.6	8.4	18.0
Balance at 30 June 2015	144.8	148.1	292.9
Non-current biological assets	144.8	97.9	242.7
Current biological assets	-	50.2	50.2
Balance at 30 June 2015	**144.8**	**148.1**	**292.9**

Bovine biological assets include £6.0m (2014: £3.6m) 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% (2014: 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 £65.2m (2014: £49.5m) relating to the fair value of the retained interest in the genetics in respect of animals, other than parent gilts, transferred to customers under royalty contracts. Total revenue in the period includes £94.6m (2014: £80.7m) in respect of these contracts, comprising £17.5m (2014: £13.6m) on initial transfer of animals to customers and £77.1m (2014: £67.1m) in respect of royalties received. Decreases attributable to sales during the period of £166.3m (2014: £153.2m) include £37.0m (2014: £32.8m) in respect of the reduction in fair value of the retained interest in the genetics of animals, other than parent gilts, transferred 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% (2014: 11.0%). The number of future generations which have been taken into account is seven (2014: seven) and their estimated useful lifespan is 1.3 years (2014: 1.4 years).

Included in increases due to purchases is the aggregate increase arising during the period on initial recognition of biological assets in respect of multiplier purchases £43.3m (2014: £34.1m).

Year ended 30 June 2015

	Bovine £m	Porcine £m	Total £m
Net IAS 41 valuation movement on biological assets*			
Changes in fair value of biological assets	34.5	78.7	113.2
Inventory transferred to cost of sales at fair value	(30.0)	(16.7)	(46.7)
Biological assets transferred to cost of sales at fair value	-	(42.2)	(42.2)
	4.5	19.8	24.3
Fair value movement in related financial derivative	-	0.6	0.6
	4.5	**20.4**	**24.9**

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

*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 AND OTHER RECEIVABLES

	2015 £m	2014 £m
Trade receivables	**64.4**	63.4
Other debtors	**4.7**	5.2
Prepayments and accrued income	**3.3**	3.9
Other taxes and social security	**2.3**	2.6
	74.7	75.1

Trade receivables

The average credit period our customers take on the sales of goods is 59 days (2014: 62 days). We do not charge interest on receivables for the first 30 days from the date of the invoice. We provide for all receivables based upon knowledge of the customer and historical experience, and estimate irrecoverable amounts by reference to past default experience.

No customer represents more than 5% of the total balance of trade receivables (2014: nil).

At 30 June 2015 £45.0m (2014: £44.9m) of trade receivables were not yet due for payment.

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.

	2015 £m	2014 £m
The Milk Pension Fund - Genus's share	**54.3**	49.5
The Dalgety Pension Fund	**-**	-
Other retirement benefit obligations	**8.8**	8.7
Overall pension liability	**63.1**	58.2

Overall, we expect to pay £6.8m (2014/15: £6.1m) in contributions to defined benefit plans in the 2015/16 financial year.

The expense/(income) is recognised in the following line items in the income statement

	2015 £m	2014 £m
Administrative expenses	**0.6**	0.4
Settlement gain in exceptional expenses	**(0.4)**	-
Finance charge	**2.3**	2.9
	2.5	3.3

Actuarial assumptions and sensitivity analysis

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

	2015	2014
Discount rate	**3.8%**	4.2%
Expected return on plan assets	**6.3%**	6.6%
Medical cost trend rate	**7.1%**	7.2%
Future pension increases and inflation	**3.1%**	3.2%

The mortality assumptions used are consistent with those recommended by the schemes' actuaries and reflect the latest available tables, adjusted for the experience of the scheme where appropriate. For 2015 and 2014, 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

	2015 £m	2014 £m
Profit for the year	**40.5**	28.9
Adjustment for:		
Net IAS 41valuation movement on biological assets	**(24.9)**	(7.5)
Amortisation of acquired intangible assets	**6.1**	5.8
Share-based payment expense	**1.4**	0.8
Share of profit of joint ventures and associates	**(2.9)**	(1.9)
Finance costs (net)	**4.6**	5.5
Income tax expense	**17.3**	9.3
Other exceptional items	**5.1**	2.0
Adjusted operating profit from continuing operations	**47.2**	42.9
Depreciation of property, plant and equipment	**6.3**	5.1
Loss on disposal of plant and equipment	**0.4**	0.2
Impairment on asset held for sale	**0.3**	-
Amortisation of intangible assets	**0.6**	0.6
Earnings before interest, tax, depreciation and amortisation	**54.8**	48.8
Exceptional item cash	**(4.7)**	(2.0)
Other movements in biological assets and harvested produce	**1.9**	(3.0)
Increase in provisions	**1.0**	0.2
Additional pension contributions in excess of pension charge	**(6.1)**	(5.6)
Other	**(0.4)**	(0.3)
Operating cash flows before movement in working capital	**46.5**	38.1
(Increase)/decrease in inventories	**(0.6)**	1.5
Decrease in receivables	**0.6**	1.1
Increase in payables	**4.2**	3.6

Cash generated by operations	**50.7**	44.3
Interest received	**0.2**	0.2
Interest and other finance costs paid	**(2.2)**	(1.8)
Cash flow from derivative financial instruments	**(1.2)**	(0.5)
Income taxes paid	**(12.7)**	(9.9)
Net cash from operating activities	**34.8**	32.3

Analysis of net debt

	At 1 July 2014 £m	Net cash flows £m	Foreign exchange £m	Non-cash movements £m	**At 30 June 2015 £m**
Cash and cash equivalents	22.8	(2.3)	(0.7)	1.5	**21.3**
Interest bearing loans - current	(13.0)	8.6	(1.0)	(6.8)	**(12.2)**
Obligation under finance leases - Current	(1.1)	1.5	(0.1)	(1.4)	**(1.1)**
	(14.1)	10.1	(1.1)	(8.2)	**(13.3)**
Interest bearing loans - non-current	(71.1)	(7.4)	(5.3)	6.4	**(77.4)**
Obligation under finance lease - non-Current	(1.5)	-	(0.1)	(0.8)	**(2.4)**
	(72.6)	(7.4)	(5.4)	5.6	**(79.8)**
Net debt	(63.9)	0.4	(7.2)	(1.1)	**(71.8)**

Included within non-cash movements is £2.2m 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 the scheme's obligations that it has not accounted for.

14. ACQUISITION OF SUBSIDIARIES

Birchwood Genetics, Inc

On 1 September 2014 the Group acquired 100% of the share capital of Birchwood Genetics, Inc.a porcine distribution company with three sites located in Ohio, Michigan and Kentucky in North America. Birchwood has been a PIC partner for over 14 years. It focuses on providing male PIC genetics in a "service-and-product package" that generates consistent, valuable results helping to build and sustain the success of the mid- and small-sized customers it serves. This acquisition helps secure PIC's long-term distribution of proprietary boar genetics to customers in North America.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are set out in the table below.

	£m
Intangible assets	
- Customer relationship	**3.6**
Property, plant and equipment	**0.5**
Financial assets	**0.5**
Financial liabilities	**(1.9)**
Total identifiable assets	**2.7**
Goodwill	**3.1**
Total consideration	**5.8**
Satisfied by:	
Net cash outflow arising on acquisition of subsidiary	**5.8**

The goodwill of £3.1m arising from the acquisition consists largely of future growth and synergies expected from combining the acquired operations with existing Genus 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 £0.5m and a gross contractual value of £0.7m. The best estimate at acquisition date of the cash flows unlikely to be collected is £0.2m.

Acquisition and integration related costs included within exceptional items amount to £0.3m.

Birchwood Genetics, Inc. contributed £7.8m revenue and £1.0m profit to the Group for the period between date of acquisition and the balance sheet date.

If the acquisition of Birchwood Genetics, Inc. had been completed on the first day of the financial period, Group revenues and Group profit would have been £9.0m and £1.2m, respectively.

In Vitro Brasil S.A.

On 31 March 2015 the Group acquired 51%of the share capital of In Vitro Brasil S.A. ('IVB') for a total investment consideration of BRL 20m (£4.5m). Genus also expects to acquire the remaining 49% of IVB's share capital in the first half of 2018 by exercising a call option. The consideration is subject to certain performance conditions and is to be capped at a maximum of BRL 49m (£10.0m). The selling shareholders also have a matching put option.

IVB is a leading biotechnology company focused on the production of bovine embryos through in-vitro fertilisation and the provision of associated services. IVB is based in Brazil and also operates in a number of countries including the US, Colombia and Uruguay.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are set out in the table below.

	£m
Intangible assets identified	
- Technology	**3.5**
- Customer relationship and trade name	**0.5**
Property, plant and equipment	**0.6**
Financial assets	**3.6**
Financial liabilities	**(2.1)**
Total identifiable assets	**6.1**
Attributable to non-controlling interest	**(3.8)**
Share of identifiable assets	**2.3**
Goodwill	**2.2**
Total consideration	**4.5**
Satisfied by:	
Net cash outflow arising on acquisition of subsidiary	**4.5**

The goodwill of £2.2m arising from the acquisition consists largely of future growth and synergies expected from combining the acquired operations with existing Genus 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 £1.1m and a gross contractual value of £1.3m. The best estimate at acquisition date of the cash flows unlikely to be collected is £0.2m.

Acquisition and integration related costs included within exceptional items amount to £0.9m.

IVB contributed £2.3m revenue and £0.8m profit after tax to the Group for the period between date of acquisition and the balance sheet date, which includes £0.5m attributable to non-controlling interest.

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 IVB had been completed on the first day of the financial period.

15. NON-CONTROLLING INTEREST

	2015 £m
Non-controlling interest	**4.3**
Put option over non-controlling interest (see note 14)	**(10.0)**
Total non-controlling interest	**(5.7)**

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interest is set out below. The summarised financial information below represents amounts before intragroup eliminations.

In Vitro Brasil S.A. Group	2015 £m
Current assets	**3.9**
Non-current assets	**4.4**
Current liabilities	**(2.5)**
Non-current liabilities	**-**

Net assets	**5.8**
Equity attributable to owners of the Company	**1.7**
Non-controlling interest for In Vitro Basil S.A. Group	**4.1**
Other non controlling interests	**0.2**
Non-controlling interest	**4.3**

No dividends were paid to non-controlling interests.

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