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Genus plc

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

PRELIMINARY RESULTS FOR THE YEAR ENDED 30 JUNE 2017

STRONG STRATEGIC PROGRESS AND SOLID FINANCIAL RESULTS

Genus, a leading global animal genetics company, announces its preliminary results for the year ended 30 June 2017.

		Actual currency		Constant currency **
Year ended 30 June	**2017**	**2016**	**Movement**	**Movement**
Adjusted results*	**£m**	**£m**	**%**	**%**
Revenue	**459.1**	388.3	18	6
Operating profit	**55.1**	49.3	12	(1)
Operating profit inc JVs	**60.1**	54.3	11	(2)
Profit before tax	**56.4**	49.7	13	(1)
Basic earnings per share (pence)	**69.4**	60.7	14	-
Statutory results				
Revenue	**459.1**	388.3	18	
Operating profit	**38.2**	58.6	(35)	
Profit before tax	**40.7**	60.9	(33)	
Basic earnings per share (pence)	**53.8**	81.1	(34)	
Dividend per share (pence)	**23.6**	21.4	10	

* Adjusted results are before net IAS 41 valuation movement on 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 at a Group and operating segment level. Refer to the Financial Review section for a reconciliation of adjusted results to statutory results.

** Constant currency percentage movements are calculated by restating 2017 results at the average exchange rates applied in 2016.

2017 Highlights

- 2017 was a year of successful development for Genus with strong strategic progress being achieved and a solid financial performance

Financial Highlights

- Revenue of £459.1m increased 18% (6% in constant currency) with strong porcine revenues, up 20% (7% in constant currency), particularly in Asia and from royalties, and a return to growth in bovine revenues which increased 13% (2% in constant currency)

- Adjusted profit before tax up 13% to £56.4m (down 1% in constant currency) with strong performance in Genus PIC, particularly China, offset by planned increased R&D investments and lower Genus ABS results

- Statutory profit before tax down 33% to £40.7m primarily due to lower pension related exceptional credits of

£5.7m compared with a £44.2m credit in the prior year, partially offset by a smaller reduction in the value of biological assets of £1.1m (2016: £17.1m decrease)

- Adjusted basic earnings per share up 14% to 69.4p (unchanged in constant currency) and statutory basic earnings per share down 34% to 53.8p reflecting the lower exceptional pension credit mentioned above

- Strong free cash flow[1] of £25.4m (2016: £15.7m) with solid cash conversion[2] of 84% (2016: 88%) and good cash inflows from joint ventures of £8.3m (2016: £3.4m)

- Net debt to EBITDA of 1.5x (2016: 1.4x) after acquisitions and investments of £30.0m (2016: £7.2m)

- After tax return on invested capital[3] improved to 19.9% (2016: 19.1%)

- Recommended dividend increased by 10% to 23.6p, well covered by adjusted earnings at 2.9 times (2016: 2.8 times)

Operational Highlights[4]

- Continued operating profit growth of 7% in PIC on volumes up 4%, with particular strength in Asia
  - Secured three new Top 20 porcine customers in North America
  - Signed three new royalty agreements with key Chinese porcine customers, raising our total number of Chinese royalty customers to eight[5]
  - Acquired Hermitage's porcine genetics and entered into a strategic distribution and production partnership in March 2017, with encouraging early results

- Improved second half performance in ABS as a result of actions taken to strengthen execution and improve efficiency
  - Volumes growth of 8% in H2 resulting in volumes growth of 1% overall in the year (2016: 6% lower)
  - Full year operating profit 13% lower (30% lower in H1)
  - Appointed new Chief Operating Officer ('COO') of Genus ABS Dairy in January 2017
  - IVB continued to grow its presence with large accounts in the US and in its newly established Mexican business, which is already performing well
  - Acquired the remaining 49% stake in IVB for £11.4m in March 2017 to further accelerate integration and growth

- Research and development investment increased as planned by 27% (12% in constant currency) as key initiatives in genomic selection, gender skew and gene editing made significant progress
  - Genus Sexed Semen ('GSS') technology successfully scaled up and manufacturing sexed semen in the US and India. Sexcel™, the marketing brand of GSS, launched with customers globally on 1 September 2017 and sales have now commenced
  - Successfully obtained a permanent injunction against Sexing Technologies ('ST'). ST commenced new patent infringement litigation in June 2017 which will be vigorously defended
  - Launched new dairy genetic improvement programme in September 2016, De Novo, in partnership with leading breeder De-Su with promising early results in scale and quality of genetics produced
  - PRRSv resistance development programme progressing as planned: launched a gene editing venture with new experimental facilities, optimised the molecular scissors for carrying out edits, obtained an Investigational New Animal Drug ('INAD') regulatory application from the US Food and Drug Administration ('FDA') and created the first gene edited pregnancies for the programme[6]

Commenting, Karim Bitar, Chief Executive said:

"Genus made substantial strategic progress in 2017 and performed in line with expectations for the year. We have now brought Sexcel, our proprietary innovative sexed semen product, to market and are excited about its prospects to improve the outcomes for our customers. ABS overall had an improved second half year following actions taken. IVB continued to perform well and we are pleased to now own 100% of this important business. PIC continued to perform well and we further strengthened it with the genetic acquisition and distribution and production partnership with Hermitage.

"As planned, we increased our investment in our gene editing platform and made good progress in the development plan. We expect to further increase this investment in 2018.

"We see solid growth opportunities in the year ahead across our businesses and anticipate performing in line with our expectations. Reflecting the Board's continuing confidence in the Group's prospects we are recommending a 10% increase in the dividend for the year."

An analyst meeting will be held at 9.00am today at Peel Hunt's offices (120 London Wall, London, EC2Y 5ET). 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://webcasting.brrmedia.co.uk/broadcast/5991aeb59ec769224a42b185

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

[1] Free cash flow is before debt repayments, acquisitions, investments and dividends.

[2] Cash conversion is the cash generated by operations £46.3m (2016: £43.3m) divided by adjusted operating profit from continuing operations £55.1m (2016: £49.3m).

[3] After tax return on invested capital is adjusted operating profit including joint ventures less tax of 25.0% (2016: 25.8%), divided by net operating assets on a historic cost basis, excluding net debt and pension liability.

[4] Based on adjusted results.

[5] Includes one new royalty agreement signed post period end in July 2017.

[6] The PRRSv programme refers to our development-phase gene editing programme to confer resistance to pigs to Porcine Reproductive and Respiratory Syndrome virus.

About Genus

Genus is a world-leading animal genetics company. We continuously produce better breeding livestock with desirable characteristics, which helps farmers to produce better quality meat and milk more efficiently and sustainably. We do this by analysing animals' DNA to select those with desirable characteristics, and then breed successive generations from those animals. We also own technology to screen and process semen for desirable traits, such as gender, and license technology to make precise, desirable gene edits to animals' DNA.

Genus's worldwide sales are made in over seventy countries under the trademarks 'ABS' (dairy and beef cattle) and 'PIC' (pigs) and comprise semen, embryos and breeding animals with superior genetics to those animals currently in production.

The Group's competitive edge has been created from the ownership and control of proprietary lines of breeding animals, proprietary technology and knowhow used to improve them, relationships with leading meat and milk producers, and its global supply chain and distribution networks.

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.

Chief Executive's Review

In 2017, Genus achieved an improving financial performance through the year and made strong strategic progress. We grew our investment in our leading-edge proprietary technology platform and positioned Genus to seize the significant growth opportunities ahead of us.

Group Performance

The Group performed in line with our expectations for the year. In constant currency terms, revenue increased by 6% while adjusted profit before tax including joint ventures was 1% lower, after our planned increase in R&D investment. In actual currency, revenue and adjusted profit before tax rose by 18% and 13% respectively.

Genus PIC continued to perform well, with adjusted operating profit including joint ventures up by 7% in constant currency. Growth in Asia was strong, particularly in China. Genus PIC continued to extend its royalty base, grew its presence with key integrated producers in China and won business with new large customers in North America.

We were disappointed with Genus ABS's performance in the first half of the year and took action to address the issues, including appointing a new COO for ABS Dairy to sharpen our commercial execution and drive our strategic initiatives. ABS Dairy performance improved in the second half, resulting in adjusted operating profits including non-controlling interest for the full year declining by 13% in constant currency compared with a 30% decline in the first half. We continue to be pleased with the performance of IVB.

Our R&D programme had a planned increased investment in gene editing, as well as other areas of research and product development. We achieved further strong results in porcine product development, with rates of genetic improvement exceeding our target. We also incurred pre-launch costs for our GSS technology, which we brought to market as planned after the end of the financial year (see below).

Strategic Progress

In addition to our increased investment in R&D, we concluded a number of important strategic developments in 2017 which continued to build Genus's leading position in pioneering animal genetic improvement.

Our efforts to improve Genus PIC's European business in recent years were rewarded with robust growth in 2017. To strengthen further this revitalised operation, we formed a strategic partnership with Hermitage and acquired its porcine genetics. This will help us to accelerate genetic improvement for the customers of both organisations, whilst we benefit from the substantial footprint of Hermitage's European supply chain. Early results of the partnership are encouraging.

In bovine, IVB's strong performance led us to acquire the outstanding 49% a year early in March 2017. The business continues to expand in the US and, with the successful launch of its operations, in the important Mexican market.

We also formed De Novo Genetics, a majority owned joint venture with De-Su, the leading independent Holstein breeder. De Novo has a world-leading dairy genetic improvement programme and significantly expands and strengthens our capability in dairy product development. While the biological results will take time to come through, De Novo has already produced industry leading bulls.

We launched Sexcel, our proprietary semen sexing product, on 1 September 2017. This followed the granting in our favour of a permanent injunction against ST, which was ruled to have wilfully maintained monopoly power in the US market for processing sexed bovine semen. We are excited by the prospects for Sexcel, which is the first competing technology in this space for over a decade. Sexcel is now available in the US, India and key markets around the world. ST has launched new patent litigation, which we had anticipated and will vigorously defend.

Our longer-term PRRSv-resistance programme made good progress in conjunction with our partner Caribou Biosciences. We have edited elite pig embryos and implanted them, achieving pregnancies. We co-founded RenOVAte Biosciences, a biotech company focused on creating gene edited livestock, which is supporting this programme. We also secured an INAD from the US FDA and continued to develop constructive relationships with regulatory authorities.

People

Nate Zwald joined us in January 2017 as COO of ABS Dairy. We are very pleased with the leadership, customer-centricity and people focus he has already brought to the business.

Catherine Glickman stepped down as Group HR Director and will retire from Genus at the end of 2017. I want to thank Catherine for her outstanding contribution to our progress during her six years at Genus. Angelle Rosata was promoted to the role from July 2017 and we welcome her to the Genus Executive Leadership Team.

I also extend my thanks to all my colleagues around the world. Their hard work and dedication to delivering for our customers enables Genus to succeed.

Outlook

The fundamental drivers of our markets remain favourable, with demand for superior genetics continuing to grow. We expect to make further strategic progress as we continue to invest in R&D and the benefits of this year's initiatives come through in both PIC and ABS We anticipate making further positive financial progress in 2018 and to perform in line with our expectations.

Karim Bitar

Chief Executive

6 September 2017

Financial and Operating Review

Financial Review

Genus achieved a solid financial performance in line with expectations in the year ended 30 June 2017, with revenue growth of 18% (6% in constant currency) and adjusted profit before tax up 13% (1% lower in constant currency) after increased investment in R&D. Adjusted earnings per share were also up 14% (flat in constant currency).

On a statutory basis, profit before tax was 33% lower primarily due to the significant pensions-related exceptional gain in the prior year. We continue to use adjusted results as our primary measures of financial performance as they better reflect our underlying progress. Unless stated otherwise, this financial review quotes constant currency adjusted growth rates.

The effect of exchange rate movements on the translation of our overseas profits was to increase the Group's adjusted profit before tax for the year by £7.0m or 14% compared with 2016 caused by the sharp devaluation of Sterling at the end of the prior period following the UK referendum on Brexit.

	Actual currency			Constant currency
	2017	2016	Movement	Movement
Adjusted Profit Before Tax*	**£m**	**£m**	**%**	**%**

Genus PIC	**94.8**	78.0	22	7
Genus ABS	**21.3**	22.0	(3)	(13)
Research and development	**(43.8)**	(34.4)	(27)	(12)
Central costs	**(12.2)**	(11.3)	(8)	5
Adjusted operating profit inc JV	**60.1**	54.3	11	(2)
Net finance costs	**(3.7)**	(4.6)	20	18
Adjusted profit before tax	**56.4**	49.7	13	(1)

* Includes share of adjusted pre-tax profits of joint ventures and removes share of profits of non-controlling interests.

Revenue

Revenue increased by 18% in actual currency and 6% in constant currency to £459.1m (2016: £388.3m) during the year. In Genus PIC, growth of 7% in constant currency was across all regions but was particularly strong in Asia where revenues grew 24%. All regions also grew royalty revenue with particularly notable growth in Europe of 22% and Asia of 28%. In Genus ABS, revenues grew 2% in constant currency (13% in actual currency) with mixed performances across regions. Growth was strongest in Latin America and IVB.

Adjusted Operating Profit including Joint Ventures

Adjusted operating profit including joint ventures was £60.1m (2016: £54.3m), up 11% in actual currency and 2% lower in constant currency. Within this, Genus's share of adjusted joint venture operating profits was higher at £7.1m (2016: £6.4m).

Genus PIC had another robust year, with profits including joint ventures up 7%. Volume growth of 4% included royalty volume growth of 6%, helped by 45% growth in royalty volumes in Asia which was particularly encouraging. Upfront sales reduced as planned.

Genus ABS had a challenging year, however performance improved in the second half as a result of actions taken. For the year, volumes grew 1%, while profit was 13% lower (3% lower in actual currency), driven by weaker performance in North America and China and an increase in ST-produced inventory provisions as we prepared to launch Sexcel. Performance improved in Europe and Latin America, and IVB continued to grow.

R&D costs increased by 12%, as planned, as we created our first gene edited pregnancies, ramped up GSS manufacturing processes, and incurred increased costs in our porcine nucleus herds.

Net Finance Costs

Net finance costs reduced to £3.7m (2016: £4.6m) principally due to lower IAS 19 pension interest of £1.2m (2016: £2.2m), following the prior year's agreement to change the inflation index used to pay pensions in the Milk Pension Fund. Average borrowings and debt interest in the year were higher, following the depreciation of Sterling after the Brexit referendum, the Hermitage acquisition, and the purchase of the remaining 49% of IVB for £11.4m. Off-setting this, the Group earned higher interest income through the year on Brazilian Real cash deposits hedging the anticipated 49% IVB acquisition.

Exceptional Items

There was a £2.5m net exceptional expense in 2017 (2016: £36.3m credit). The prior year included a large exceptional gain of £44.2m related to the Milk Pension Fund's adoption of CPI in place of RPI to determine pension increases. In comparison, the current year included an exceptional credit of £5.7m in respect of the arrangements for National Milk Records plc ('NMR') exiting the Milk Pension Fund in June 2017. There was also £5.3m for legal fees in Genus ABS's case against ST, £0.6m for acquisition and integration related expenses, primarily De Novo and Hermitage, net of a gain on the cancellation of the IVB put option, and other items of £2.3m including restructuring costs.

Statutory Profit Before Tax

The table below sets out a reconciliation between adjusted profit before tax and statutory profit before tax:

	2017	**2016**
	£m	**£m**
Adjusted Profit Before Tax	**56.4**	49.7
Operating profit attributable to non-controlling interest	**2.1**	1.4
Net IAS 41 valuation movement on biological assets in JVs and associates	**0.5**	1.9
Tax on JVs and associates	**(1.4)**	(1.4)
Adjusting items:-		

Net IAS 41 valuation movement on biological assets	**(1.1)**	(17.1)
Amortisation of acquired intangible assets	**(8.7)**	(6.1)
Share-based payment expense	**(4.6)**	(3.8)
Exceptional items	**(2.5)**	36.3
Statutory Profit Before Tax	**40.7**	60.9

Our statutory profit before tax was £40.7m (2016: £60.9m), with the prior year benefiting from a large exceptional credit relating to the Milk Pension Fund mentioned above. Statutory profit before tax also included a net IAS 41 valuation biological asset movement decline of £1.1m (2016: £17.1m), amortisation of acquired intangibles of £8.7m (2016: £6.1m) and share-based payment expense of £4.6m (2016: £3.8m). These items tend to be non-cash, can be volatile and do not correlate to the underlying trading performance in the period.

Taxation

The effective rate of tax for the year, based on adjusted profit before tax, was 25.0% (2016: 25.8%) reflecting a higher mix of profits in lower tax jurisdictions compared with the prior year. The effective rate remains higher than the UK corporate tax rate due to the mix of overseas profits, particularly the proportion of profits generated in the US and Latin America, where the statutory tax rates are typically between 30% and 39%, and the impact of withholding taxes on the repatriation of funds to the UK. These effects are partly mitigated by the availability of manufacturing relief, R&D credits and agricultural reliefs in certain jurisdictions.

The tax rate on statutory profits was 18.5% (2016: 19.3%) and is lower than the effective rate on adjusted profits primarily due to a reduction in the applicable deferred tax rate on the balance sheet carrying value of biological assets based on the anticipated mix of future sales by territory.

Earnings Per Share

Adjusted basic earnings per share increased by 14% to 69.4 pence (2016: 60.7 pence) and was unchanged in constant currency. Basic earnings per share on a statutory basis were 53.8 pence (2016: 81.1 pence), a decline of 34%, with the prior year benefiting from changing the index used for pension and deferred pension increases in the Milk Pension Fund from RPI to CPI.

Biological Assets

A feature of the Group's net assets is its substantial investment in biological assets, which under IAS 41 are stated at fair value. At 30 June 2017, the carrying value of biological assets was £375.3m (2016: £354.4m), as set out in the table below:

	2017	**2016**
	£m	**£m**
Non-current assets	**279.2**	264.6
Current assets	**73.9**	66.4
Inventory	**22.2**	23.4
	375.3	354.4
Represented by:		
Porcine	**215.6**	184.7
Dairy and beef	**159.7**	169.7
	375.3	354.4

The movement in the overall carrying value of biological assets, excluding the effect of exchange rate translation increases of £10.9m, includes:

- a £24.9m increase in the carrying value of porcine biological assets, due principally to an increase in the number of animals sold on royalty contracts; and
- a £14.8m decrease in the carrying value of dairy and beef biological assets, arising from the increasing sales mix of genomic bulls which tend to have shorter productive lives than proven bulls, offset partially by the assets acquired through the completion of De Novo Genetics.

The historical cost of these assets, less depreciation, was £51.5m at 30 June 2017 (2016: £42.5m), which is the basis used for the adjusted results. The historical cost depreciation of these assets included in adjusted results was £7.0m (2016: £5.5m).

Retirement Benefit Obligations

The Group's retirement benefit obligations at 30 June 2017, calculated in accordance with IAS 19 and IFRIC 14, were £40.9m (2016: £44.5m) before tax and £32.4m (2016: £34.9m) net of related deferred tax. The largest element of this liability relates to the multi-employer Milk Pension Fund, where we account for this scheme on the basis of Genus being responsible for 85% of the scheme since the exit of NMR (2016: 75%).

During the year, contributions payable in respect of the Group's defined benefit schemes amounted to £7.2m (2016: £6.7m).

Cash Flow

Free cash flow was strong at £25.4m (2016: £15.7m), driven by solid cash generated by operations of £46.3m (2016: £43.3m), representing conversion of adjusted operating profit of £55.1m (2016: £49.3m) into cash of 84% (2016: 88%), and strong cash inflows from joint ventures of £8.3m (2016: £3.4m) following good trading performance in our PIC joint ventures in China and Brazil. Capital expenditure of £18.9m (2016: £18.6m) included continued investment in GSS capacity and technology, research and continued investments in the Group's facilities.

The cash outflow from investments was £30.0m, primarily relating to the acquisition of De Novo Genetics, Hermitage Genetics and the purchase of the remaining 49% of IVB. This compares with £7.2m, net of cash acquired, from the acquisition of St Jacobs and an investment in Caribou Biosciences in 2016. The total cash outflow for the year after these investments and dividends was £18.1m (2016: outflow £3.7m).

	2017	**2016**
Cash Flow (before debt repayments)	**£m**	**£m**
Cash generated by operations	**46.3**	43.3
Interest and tax paid	**(11.7)**	(13.3)
Capital expenditure	**(18.9)**	(18.6)
Cash received from JVs	**8.3**	3.4
Other	**1.4**	0.9
Free cash flow	**25.4**	15.7
Acquisitions and investments	**(30.0)**	(7.2)
Dividends	**(13.5)**	(12.2)
	(18.1)	(3.7)

Net Debt

Net debt increased from £89.7m to £111.6m at 30 June 2017, primarily due to the £30.0m investments in De Novo Genetics, Hermitage Genetics and the remaining 49% of IVB. During the year, we exercised a portion of an accordion in our credit facilities to increase them by £29.2m and extended the facilities by one year to February 2022. At the end of June 2017 there was substantial headroom of £73.6m under the extended facilities of £202.0m

The Group's financial position and borrowing ratios remain strong with interest cover remaining at 37 times (2016: 35 times). EBITDA as calculated under our financing facilities includes cash received from joint ventures and historical cost depreciation of biological assets. The ratio of net debt to EBITDA on this basis moderately increased to 1.5 times (2016: 1.4 times) primarily due to acquisitions and investments in the year, partially offset by increased EBITDA.

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 19.9% after tax (2016: 19.1%), reflecting the increase in adjusted profit and lower tax rate in the year.

Dividend

Reflecting the Board's continuing confidence in the Group's prospects, it is recommending to shareholders a final dividend of 16.2 pence per ordinary share, resulting in a total dividend for the year of 23.6 pence per ordinary share, an increase of 10% for the year. Dividend cover by adjusted earnings remains consistently strong at 2.9 times (2016: 2.8 times).

It is proposed that the final dividend will be paid on 1 December 2017 to the shareholders on the register at the close of business on 17 November 2017.

Stephen Wilson

Group Finance Director

6 September 2017

Review of Operations

Genus PIC - Operating Review

	Actual currency			Constant currency
	2017	**2016**	**Movement**	**Movement**
	£m	**£m**	**%**	**%**
Revenue	**249.5**	207.5	20	7
Adjusted operating profit exc JV	**87.7**	71.7	22	8
Adjusted operating profit inc JV	**94.8**	78.0	22	7
Adjusted operating margin exc JV	**35.2%**	34.6%	0.6pts	0.3pts

Market

Market conditions for most of Genus PIC's customers improved during the year, primarily due to increased global trade with Asia. Other factors included tighter supply in Europe and continued favourable crop prices in North America and other key markets. Global pork prices increased 13% over the 12 months, and the outlook is generally moderately favourable.

In China, supply constraints following reductions in the sow herd in prior years, continued to support elevated pig prices and stimulated record pork imports. However, prices have more recently returned to more normal levels as large producers have expanded supply and imports have also slowed. Production also expanded in Russia and in other core Asian markets such as the Philippines.

Increasing demand prompted expansion in the US breeding herd during 2017, which will lead to further production growth. While processors recorded significant profits, US producers realised more modest returns. With new production and packing capacity coming online in 2018, continued strong domestic and export demand is required for future producer profitability.

The European porcine industry enjoyed a steady recovery in pig prices and producer profitability after a prolonged period of losses. The main drivers were a 1.6% decline in the European sow herd and increased exports to China.

Brazilian producers experienced volatile input prices and pig prices, following political and market turbulence involving the meat industry. During the past five months, producers have returned to slightly positive margins per pig, after 12 months of losses. In Mexico, the second largest producer in Latin America, pig producers have been expanding. However, the industry is still suffering significant impacts from disease.

The porcine genetics market saw further consolidation in 2017. Genus PIC took a leading role, partnering with and acquiring the genetic rights of Hermitage. Other North American and European competitors have also entered into partnerships and distribution agreements, to expand their reach.

Performance

Genus PIC achieved a good performance, with operating profits including joint ventures of £94.8m, up 7% in constant currency. Volumes grew by 4% and revenue was 7% higher, primarily due to royalty growth and higher breeding stock sales.

Asia's results were particularly strong, with a 45% increase in royalty volumes and 60% increase in operating profit. China profits grew over 80% in constant currency, with strong demand from large scale producers for PIC genetics. PIC China has signed up a further three royalty customers. Strong double-digit growth in Russia, Philippines and franchises further underpinned performance across Asia.

In North America, volumes were stable and revenue grew 2%, but stockings of new customer systems contributed to 12% growth in breeding stock shipments, positioning the business for future royalty growth. To support this future growth, PIC invested in expanding the supply chain, upgrading Company-owned facilities, and increasing the quality and number of staff, leading to a 3% reduction in profit in the year.

Latin American profits improved by 2% in constant currency, on stable volumes. Mexico performed strongly and operating profit increased by 11%. This growth was offset by the Andean region, where profit declined by 15% due to on-going economic instability in Venezuela. In Brazil, profit increased by 5% in constant currency, despite market volatility.

Europe once again achieved strong growth, with revenue and volumes up 8% and 6% respectively and profits increased by 26% in constant currency, driven primarily by higher royalty fees and lower costs. Transforming Europe to focus on royalty business with producers that value genetics has been under way for several years and is delivering sustained benefits, which will be further enhanced by the Hermitage Genetics acquisition and partnership.

Overall, Genus PIC performed well, despite varying global market conditions and continued investment to enhance product supply and differentiation. These investments will continue to enable Genus PIC to better serve customers, mitigate market risks and support future growth.

Genus ABS - Operating Review

	Actual currency			Constant currency
	2017	**2016**	**Movement**	**Movement**
	£m	**£m**	**%**	**%**
Revenue	**195.9**	172.8	13	2
Adjusted operating profit	**22.3**	23.3	(4)	(15)
Adjusted operating profit less non-controlling interest	**21.3**	22.0	(3)	(13)
Adjusted operating margin	**11.4%**	13.5%	(2.1)pts	(2.1)pts

Market

Global dairy producers started to recover in 2017 from their unprecedentedly low profitability in 2016. In Europe, the legacy of the low prices resulted in milk supply contracting, with France, Germany, the Netherlands and UK producing 3% less milk in the first four months of 2017 compared with 2016. Combined with modest increases in demand, this has resulted in Europe experiencing firmer farm gate milk prices.

Global milk output in the first four months of 2017 was at the same level as 2016 due to increases in production in Argentina, the US, Australia and New Zealand. The US increased production 2%, with 0.6% of this contributed by increasing cow numbers. Consistently low milk prices in China continue to challenge smaller farms, leading to consolidation to fewer, larger dairy farms, and to reduced imports during the year, although recent signs suggest an improved outlook.

Following two years of strong beef cattle prices in the US, producers faced a sudden and unexpected decline in prices in the first half of the year, due to increased cattle numbers and reduced packer capacity. This resulted in a rapid drop in the rate of herd expansion and reduced artificial insemination usage in this key beef market. Beef prices and producer profitability in Brazil were adversely impacted by the tainted meat scandal in the second half of the year.

Challenging conditions for customers over the last two years have constrained demand for quality bovine genetics as customers conserved cash. This has affected the bovine genetics market, driving consolidation and a focus on distribution chain efficiencies, exemplified by the takeover of the Accelerated Genetics cooperative in the US by Select Sires, a major US cooperative.

Performance

Adjusted operating profits for Genus ABS fell by 13% in constant currency with the decline all in the first half of the year. Volumes in the second half grew significantly, up 8% year to year, resulting in a positive second half performance. For the year as a whole, volumes increased 1% and revenues 2%. North America and Asia were key contributors to the lower results for the year but performance improved in Europe and Latin America, and IVB continued to grow. Results in the second half were also impacted by provisions for ST-produced sorted inventory as we prepared for the launch of Sexcel.

In North America, profits decreased by 12% in constant currency, driven by an 8% dairy volume decrease, partially offset by a 25% increase in sexed semen volumes and strong cost management. A strengthened focus on strategic key account management led to the addition of a top five US enterprise dairy as an IVB customer. Beef volumes were down 13% against the record prior year, due to low market steer prices and competition with natural service.

In Europe, profits increased by 8% in constant currency. The severe dairy market weakness experienced in 2016 improved in 2017, with many customers returning to profitability and dairy volumes increased by 5%. Beef volumes also increased by 9%, as dairy customers continued to produce beef cross-bred offspring for slaughter. A continued focus on cost reduction and improving service margins, also yielded benefits throughout the year.

In Latin America, profits grew 41% in constant currency, despite volumes declining 2% due to tough beef markets. Genus ABS continued to take the lead in increasing selling prices in key markets, and by June, ABS prices were on average 9% higher. Beef volumes were down 6% from last year, hampered by political turmoil as well as misconduct allegations in the downstream supply chain in Brazil.

Results in Asia were 32% lower, driven primarily by adverse trading conditions in China, where many producers have been loss-making. Australian producers also struggled with reduced milk prices and trading in India was impacted by the demonetisation process. Despite these challenges, Asia performance improved in the second half of the year.

IVB continued to deliver strongly with revenues and operating profit less non-controlling interest both up over 30% in constant currency (over 60% in actual currency), on embryo volume growth of 20%. Commercial integration between ABS and IVB enabled over 15 new accounts to be won in Mexico, including two large enterprise accounts, leveraging a new world class IVF facility in Torreon. In North America, IVB secured a new key account with a herd of over 6,000 animals, with a new laboratory to serve it starting in early FY18.

Research and Development - Operating Review

	Actual currency			Constant currency
	2017	**2016**	**Movement**	**Movement**
	£m	**£m**	**%**	**%**
Gene editing	**3.5**	0.9	289	251
Other research	**8.4**	7.1	18	2
Porcine product development	**16.6**	13.5	23	7
Bovine product development	**15.3**	12.9	19	6
Net expenditure in R&D less non-controlling interest	**43.8**	34.4	27	12

Performance

As planned, R&D investment increased by 12% in constant currency, while capital spending remained flat. This reflected increased investments in gene editing capabilities, genome science, advancing GSS and furthering our computational capabilities in bovine product development.

Our investment in gene editing increased by £2.6m, as we built platform capabilities, co-founded a gene editing company, RenOVAte Biosciences, to perform the edits, selected and optimised the gene editing reagents, created the first pregnancies of gene edited pigs for testing, and carried expenses for our collaboration with Caribou Biosciences from which we license market leading and proprietary CRISPR-Cas9 gene editing technology. We secured an INAD with the US FDA for the PRRSv programme. As planned, we expect gene editing expense to grow to around £6.0m in 2018.

As in previous years, our research focused on genomic evaluation, gender skew and animal health and wellbeing. Research expenditure increased by 2% this year. We also continued to invest in core informatics capabilities and expanded research efforts in a number of promising areas. Additionally, we continued to build our internal capabilities in intellectual property development, regulatory affairs and research strategy.

Bovine product development expenditure increased by 6% in constant currency, as we incurred pre-launch costs of GSS partially offset by strategically increasing the efficiency of our product development programme, including reducing the size of our bull herd and the expenses associated with progeny testing. In GSS, we continued to refine and scale up our manufacturing processes in preparation for commercial launch incurring costs in the year in excess of £2m. We added resources in quality and operational controls and invested in technology improvements to the current GSS system, which enhanced the technology's performance and promise further advances in fertility.

De Novo achieved promising genetic results, while running to plan financially. We also brought into production 23% (2016: 20%) of our bulls from our ABS internal herd with the impact of De Novo expected to grow significantly in future years. We continued to invest in genetic services resources, to develop proprietary breeding indices and predictive genomic mating, to deliver higher genetic control and differentiation. We leveraged this work through our beef nucleus breeding programme to launch our proprietary NuEra Genetics™ beef genetics in the market after the end of the year.

Within porcine product development, the single-step genomic evaluation of all pure line populations, retail products and traits of economic importance is continuing to exceed the aim of a 35% increase in the rate of genetic gain compared with the period before its implementation. Porcine product development costs increased 7% in constant currency, driven by increased animal volumes and the related operating expenses in our nucleus herds, and lower market prices for by-product pigs. These cost increases were partially offset by lower genetic testing fees, due to project phasing, and reduced global genetic dissemination costs.

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 facing Genus and how we manage them.

The Directors confirm that they have undertaken a robust assessment of the principal risks and uncertainties facing the Group. As part of this assessment, we considered the Group's increased investment in leading-edge R&D, along with the technical and customer-facing skills needed to deliver our growth plans. In response to the latter issue, we identified and evaluated a new principal risk relating to our ability to hire and retain talented people, as detailed below.

Strategic Risks

Risk description	How we manage risk	Risk change in 2017
Developing products with competitive advantage • Development programmes fail to produce best genetics for customers. • Increased competition to secure elite genetics.	Dedicated teams align our product development to customer requirements. We use large-scale data and advanced genomic analysis to ensure our breeding goals are met. We frequently measure our performance against competitors in customers' systems, to ensure the value added by our genetics remains competitive.	No change in porcine but decreased in bovine, due to the acquisition of De Novo genetics, which has secured increased access to elite dairy genetics.
Commercialising GSS technology • Failure to manage the technical, production and financial risks associated with launching a new product technology. • The industry response to the introduction of competition into the sexed semen market.	We have rigorously prepared for the successful commercial launch of our GSS technology, supported by dedicated internal resources and external expert advice. We initiated legal proceedings against ST in the US in 2014, to open the market to competition.	Reduced. The granting of a permanent injunction against ST in the US legal proceedings removed certain research, marketing and non-compete restrictions. Technical progress on GSS continued as we scaled up for commercial launch in September 2017, with strong product trial results. In June 2017 new patent infringement proceedings were filed by ST in the US which the Group is defending vigorously.
Developing and commercialising gene editing technologies • Failure to develop successfully and commercialise gene editing technologies due to technical, IP, market, regulatory or financial barriers. • 'Game-changing' technology secured by competitors.	We maintain awareness of new technology opportunities through a wide network of academic and industry contacts. Our R&D Portfolio Management Team oversees our own research, ensures we correctly prioritise our R&D investments and assesses the adequacy of resources and the relevant IP landscapes. We have formal collaboration agreements with key partners, to ensure responsible exploration and development of technologies and the protection of IP. The Board is updated regularly on key development projects.	Increased, due to our discovery and pursuit of new gene editing applications and consequent higher investment in 2018 and beyond. Key initiatives are progressing through the R&D life cycle.
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 material projects. We also have a structured post-acquisition integration planning and execution process.	No change. The acquisition process continues to provide valuable and timely access to the right investment opportunities. Our experiences with post-acquisition integration provide a platform for integrating newly acquired businesses.
Growing in emerging markets • Failure to appropriately develop our business in China and other emerging markets.	We have a robust organisation, blending local and expatriate executives, supported by the global species teams. This allows us to grow our business in key markets, while managing risks and ensuring we comply with our global standards.	No change. Business performance has continued to be strong in China. However, we remain exposed to the pig cycle in China, as the majority of our business there is not yet on a royalty model.

Operational Risks

Risk description	How we manage risk	Risk change in 2017
Protecting Intellectual Property ('IP') • Failure to protect our IP could mean Genus-developed genetic material, methods, systems and technology 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.	No change.
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. • Lower demand for our products, due to industry-wide disease outbreaks.	We have stringent biosecurity standards, with independent reviews throughout the year to ensure compliance. We regularly review the geographical diversity of our production facilities, to avoid over-reliance on single sites.	No change.
Hiring and retaining talented people • Failure to attract, recruit, develop and retain the global talent needed to deliver our R&D programmes and growth plans in our chosen markets.	We have a robust talent and succession planning process, including annual assessments of our global talent pool and active leadership development programmes. The Group's reward and remuneration policies are reviewed regularly, to ensure their competitiveness. We work closely with a number of specialist recruitment agencies to identify candidates with the skills we need.	New principal risk. Growth in new business areas (including IVB and GSS) and delivery of our R&D programmes depend on having people with appropriate skills.

Financial Risks

Risk description	How we manage risk	Risk change in 2017
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.	No change.
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 closed to future service and has an agreed deficit recovery plan, based on the 2015 actuarial valuation. In agreement with the employers, the trustees implemented an investment de-risking strategy and have started a liability management exercise. We also monitor the strengths of other employers in the fund and have retained external consultants to provide expert advice.	Reduced. During the year the trustees and Genus consented to a Flexible Appointment Agreement ('FAA') resulting in the NMR Group leaving the scheme after making payments to the fund and to Genus.

Group Income Statement
For the year ended 30 June 2017

Genus plc

	Note	2017 £m	2016 £m
REVENUE	2	**459.1**	388.3
ADJUSTED OPERATING PROFIT	2	**55.1**	49.3
Adjusting items:			
- Net IAS 41 valuation movement on biological assets	9	**(1.1)**	(17.1)
- Amortisation of acquired intangible assets	8	**(8.7)**	(6.1)
- Share-based payment expense		**(4.6)**	(3.8)
		(14.4)	(27.0)
- Exceptional items:	3		
- Pension related		**5.7**	44.2
- Litigation		**(5.3)**	(6.9)
- Acquisition and integration		**(0.6)**	(0.2)
- Other (including restructuring)		**(2.3)**	(0.8)
Total exceptional items		**(2.5)**	36.3
Total adjusting items		**(16.9)**	9.3
OPERATING PROFIT		**38.2**	58.6
Share of post-tax profit of joint ventures and associates retained		**6.2**	6.9
Finance costs	4	**(4.5)**	(4.7)
Finance income	4	**0.8**	0.1
PROFIT BEFORE TAX		**40.7**	60.9
Taxation	5	**(6.4)**	(10.6)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**34.3**	50.3
ATTRIBUTABLE TO:			
Owners of the Company		**32.8**	49.3
Non-controlling interest		**1.5**	1.0
		34.3	50.3
EARNINGS PER SHARE FROM CONTINUING OPERATIONS	6		
Basic earnings per share		**53.8p**	81.1p
Diluted earnings per share		**53.0p**	80.3p
ALTERNATIVE MEASURE OF PERFORMANCE			
Adjusted operating profit from continuing operations		**55.1**	49.3
Adjusted operating profit attributable to non-controlling interest		**(2.1)**	(1.4)
Pre-tax share of profits from joint ventures and associates excluding net IAS 41 valuation movement		**7.1**	6.4
ADJUSTED OPERATING PROFIT INCLUDING JOINT VENTURES AND ASSOCIATES		**60.1**	54.3
Net finance costs	4	**(3.7)**	(4.6)
ADJUSTED PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		**56.4**	49.7
ADJUSTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS	6		
Basic adjusted earnings per share		**69.4p**	60.7p
Diluted adjusted earnings per share		**68.4p**	60.1p

Group Statement of Comprehensive Income
For the year ended 30 June 2017

Genus plc

	2017 £m	2017 £m	2016 £m	2016 £m

PROFIT FOR THE YEAR		**34.3**		50.3
Items that may be reclassified subsequently to profit or loss				
Foreign exchange translation differences	**7.7**		76.6	
Fair value movement on net investment hedges	**(2.7)**		(13.3)	
Fair value movement on cash flow hedges	**2.1**		(0.7)	
Tax relating to components of other comprehensive income	**(4.6)**		(16.8)	
		2.5		45.8
Items that may not be reclassified subsequently to profit or loss				
Actuarial gain/(loss) on retirement benefit obligations	**1.2**		(12.8)	
Movement on pension asset recognition restriction	**0.3**		(0.6)	
Recognition of additional pension liability	**(4.3)**		(14.9)	
Tax relating to components of other comprehensive income	**0.4**		4.5	
		(2.4)		(23.8)
OTHER COMPREHENSIVE INCOME FOR THE YEAR		**0.1**		22.0
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**34.4**		72.3
ATTRIBUTABLE TO:				
Owners of the Company		**33.8**		72.1
Non-controlling interest		**0.6**		0.2
		34.4		72.3

Group Statement of Changes in Equity

Genus plc

For the year ended 30 June 2017

	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 2015		6.1	112.2	(0.1)	(10.1)	-	202.7	310.8	(5.7)	305.1
Foreign exchange translation differences, net of tax		-	-	-	58.2	-	-	58.2	(1.2)	57.0
Fair value movement on net investment hedges, net of tax		-	-	-	(10.6)	-	-	(10.6)	-	(10.6)
Fair value movement on cash flow hedges, net of tax		-	-	-	-	(0.6)	-	(0.6)	-	(0.6)
Actuarial loss on retirement benefit obligations, net of tax		-	-	-	-	-	(11.0)	(11.0)	-	(11.0)
Movement on pension asset recognition restriction, net of tax		-	-	-	-	-	(0.6)	(0.6)	-	(0.6)
Recognition of additional pension liability, net of tax		-	-	-	-	-	(12.2)	(12.2)	-	(12.2)
Other comprehensive (expense)/income for the year		-	-	-	47.6	(0.6)	(23.8)	23.2	(1.2)	22.0
Profit for the year		-	-	-	-	-	49.3	49.3	1.0	50.3
Total comprehensive income for the year		-	-	-	47.6	(0.6)	25.5	72.5	(0.2)	72.3
Recognition of share-based payments, net of tax		-	-	-	-	-	3.3	3.3	-	3.3
Adjustment arising from change in non-controlling interest and written put option		-	-	-	-	-	-	-	(0.5)	(0.5)
Dividends	7	-	-	-	-	-	(12.2)	(12.2)	-	(12.2)
Issue of ordinary shares		-	0.1	-	-	-	-	0.1	-	0.1

BALANCE AT 30 JUNE 2016	6.1	112.3	(0.1)	37.5	(0.6)	219.3	374.5	(6.4)	368.1
Foreign exchange translation differences, net of tax	-	-	-	3.9	-	-	3.9	(0.9)	3.0
Fair value movement on net investment hedges, net of tax	-	-	-	(2.2)	-	-	(2.2)	-	(2.2)
Fair value movement on cash flow hedges, net of tax	-	-	-	-	1.7	-	1.7	-	1.7
Actuarial gain on retirement benefit obligations, net of tax	-	-	-	-	-	1.0	1.0	-	1.0
Movement on pension asset recognition restriction, net of tax	-	-	-	-	-	0.3	0.3	-	0.3
Recognition of additional pension liability, net of tax	-	-	-	-	-	(3.7)	(3.7)	-	(3.7)
Other comprehensive (expense)/income for the year	-	-	-	1.7	1.7	(2.4)	1.0	(0.9)	0.1
Profit for the year	-	-	-	-	-	32.8	32.8	1.5	34.3
Total comprehensive income for the year	-	-	-	1.7	1.7	30.4	33.8	0.6	34.4
Recognition of share-based payments, net of tax	-	-	-	-	-	4.0	4.0	-	4.0
Adjustment arising from change in non-controlling interest	-	-	-	-	-	-	-	8.6	8.6
Dividends 7	-	-	-	-	-	(13.5)	(13.5)	-	(13.5)
Issue of ordinary shares	-	0.5	-	-	-	-	0.5	-	0.5
BALANCE AT 30 JUNE 2017	**6.1**	**112.8**	**(0.1)**	**39.2**	**1.1**	**240.2**	**399.3**	**2.8**	**402.1**

Group Balance Sheet
As at 30 June 2017

Genus plc

	Note	**2017 £m**	2016 £m
ASSETS			
Goodwill	8	**104.7**	86.0
Other intangible assets	8	**88.3**	78.0
Biological assets	9	**279.2**	264.6
Property, plant and equipment		**67.5**	61.8
Interests in joint ventures and associates		**22.7**	24.3
Other investments		**5.5**	3.6
Derivative financial asset		**0.1**	-
Deferred tax assets		**3.8**	4.7
TOTAL NON-CURRENT ASSETS		**571.8**	523.0
Inventories		**33.1**	35.7
Biological assets	9	**73.9**	66.4
Trade and other receivables	10	**88.8**	78.1
Cash and cash equivalents		**26.5**	34.0
Income tax receivable		**1.9**	1.0
Derivative financial asset		**1.3**	0.6
Asset held for sale		**0.3**	0.3
TOTAL CURRENT ASSETS		**225.8**	216.1
TOTAL ASSETS		**797.6**	739.1
LIABILITIES			
Trade and other payables		**(76.4)**	(65.1)
Interest-bearing loans and borrowings		**(7.7)**	(4.6)
Provisions		**(2.7)**	(1.2)
Obligations under finance leases		**(1.4)**	(1.1)
Current tax liabilities		**(5.2)**	(4.9)
Derivative financial liabilities		**(0.6)**	(0.5)
TOTAL CURRENT LIABILITIES		**(94.0)**	(77.4)

Interest-bearing loans and borrowings		**(127.2)**	(115.3)
Retirement benefit obligations	11	**(40.9)**	(44.5)
Provisions		**(3.7)**	-
Deferred tax liabilities		**(124.2)**	(118.5)
Derivative financial liabilities		**(3.7)**	(12.6)
Obligations under finance leases		**(1.8)**	(2.7)
TOTAL NON-CURRENT LIABILITIES		**(301.5)**	(293.6)
TOTAL LIABILITIES		**(395.5)**	(371.0)
NET ASSETS		**402.1**	368.1

	2017	2016
	£m	£m
EQUITY		
Called up share capital	**6.1**	6.1
Share premium account	**112.8**	112.3
Own shares	**(0.1)**	(0.1)
Translation reserve	**40.0**	37.5
Hedging reserve	**1.1**	(0.6)
Retained earnings	**239.4**	219.3
Equity attributable to owners of the Company	**399.3**	374.5
Non-controlling interest	**6.1**	5.0
Put option over non-controlling interest	15 **(3.3)**	(11.4)
Total non-controlling interest	**2.8**	(6.4)
Total equity	**402.1**	368.1

Group Statement of Cash Flows
For the year ended 30 June 2017

Genus plc

	Note	**2017**	2016
		£m	£m
NET CASH FLOW FROM OPERATING ACTIVITIES	12	**34.6**	30.0
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received from joint ventures and associates		**3.8**	2.4
Joint venture loan repayment		**3.0**	1.0
Acquisition of subsidiaries, net of cash acquired	14	**(17.5)**	(3.5)
Increase in investment in subsidiaries	14	**(12.0)**	-
Acquisition of investment		**(0.3)**	(3.5)
Acquisition of investment in joint venture		**(0.2)**	(0.2)
Disposal of subsidiary, net of cash disposed		**-**	0.1
Disposal of joint venture		**1.5**	-
Purchase of property, plant and equipment		**(13.4)**	(11.8)
Purchase of intangible assets		**(5.5)**	(6.8)
Proceeds from sale of property, plant and equipment		**1.4**	1.8
Proceeds from sale of assets held for sale		**-**	0.7
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		**(39.2)**	(19.8)
CASH FLOWS FROM FINANCING ACTIVITIES			
Drawdown of borrowings		**68.1**	53.6
Repayment of borrowings		**(55.7)**	(37.3)
Payment of finance lease liabilities		**(2.0)**	(1.9)
Equity dividends paid		**(13.5)**	(12.2)
Dividend to non-controlling interest		**(0.1)**	(0.4)
Issue of ordinary shares		**0.5**	0.1
Debt issue costs		**(0.4)**	(1.4)
NET CASH (OUTFLOW)/INFLOW FROM FINANCING ACTIVITIES		**(3.1)**	0.5

NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(7.7)**	10.7
Cash and cash equivalents at start of the year	**34.0**	21.3
Net (decrease)/increase in cash and cash equivalents	**(7.7)**	10.7
Effect of exchange rate fluctuations on cash and cash equivalents	**0.2**	2.0
TOTAL CASH AND CASH EQUIVALENTS AT 30 JUNE	**26.5**	34.0

Notes to the Preliminary Results

Genus plc

For the year ended 30 June 2017

1. REPORTING ENTITY

Status of audit

The financial information given does not constitute the Company's statutory accounts for the year ended 30 June 2017 or the year ended 30 June 2016, but is derived from those accounts. Statutory accounts for the year ended 30 June 2016 have been delivered to the Registrar of Companies and those for the year ended 30 June 2017 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 2017 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**		
	2017	2016	2015	**2017**	2016	2015
US Dollar/£	**1.27**	1.47	1.57	**1.30**	1.34	1.57
Euro/£	**1.16**	1.33	1.32	**1.14**	1.20	1.41
Brazilian Real/£	**4.11**	5.47	4.26	**4.30**	4.28	4.89
Mexican Peso/£	**24.61**	25.38	22.68	**23.51**	24.66	24.68

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 2017. These financial statements have also been prepared in accordance with the accounting policies set out in the 2016 Annual Report and Financial Statements, as amended by the following new accounting standards.

New standards and interpretations

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

- Amendments to IFRS 11*'Accounting for acquisitions of interests in Joint ventures'*, IAS 27*'Equity method in separate financial statements'*, IAS 1 *'Disclosure Initiatives'*;
- Amendments to IFRS 10, IFRS 12 and IAS 28 *'Investment entities: Applying the consolidation exception';*
- Amendments to IAS 16 and IAS 38 *'Clarification of acceptable method of depreciation and amortisation';* and
- *'Annual Improvements to IFRS 2012 - 2014 cycle'*.

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

New standards and interpretations not yet adopted

At the date of authorisation of these Group Financial Statements, the following standards and interpretations were in issue but not yet effective (and in some cases had not yet been adopted by the EU). These standards and interpretations have not been applied in preparing these Group Financial Statements:

- '*Annual improvement 2014-2016 cycle*';
- IFRIC 22 *'Foreign currency transaction and advance consideration';*
- IAS 7 (amendments) '*Disclosure Initiative';*
- IAS 12 *'Recognition of deferred tax assets for unrealised losses';*
- IFRS 2 (amendments) '*Classification and Measurement of Share-based Payment Transactions';*
- IFRS 9 '*Financial Instruments*';
- IFRS 10 and IAS 28 (amendments) *'Sale or Contribution of Assets between an Investor and its Associate or Joint venture';*
- IFRS 15 '*Revenue from Contracts with Customers'; and*
- IFRS 16 *'Leases'.*

The Group is currently assessing the impact of the new pronouncements on its results, financial position and cash flows. 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 making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue its operational existence for the foreseeable future and for a period of at least twelve months from the date of this report. Accordingly, the Directors continue to adopt and consider appropriate the going concern basis in preparing the Annual Report and Accounts.

Alternative performance measures

In reporting financial information, the Group presents alternative performance measures, ('APMs'), which are not defined or specified under the requirements of IFRS.

The Group believes that these APMs, which are not considered to be a substitute for or superior to IFRS measures, provide stakeholders with additional helpful information on the performance of the business. The APMs are consistent with how the business performance is planned and reported within the internal management reporting to the Board and the executive leadership committee. Some of these measures are also used for the purpose of setting remuneration targets.

The key APMs that the Group uses include: adjusted operating profit, adjusted profit before tax from continuing operations, adjusted earnings per share, adjusted EBITDA and net debt.

The Group reports some financial measures, on both a reported and constant currency basis. The constant currency basis, which is an APM, retranslates the previous year results at the average actual periodic exchange rates used in the current financial year. This measure is presented as a means of eliminating the effects of exchange rate fluctuations on the year-on-year reported results.

The Group makes certain adjustments to the statutory profit measures in order to derive many of these APMs. The Group's policy is to exclude items that are considered to be significant in both nature and/or quantum and where treatment as an adjusted item provides stakeholders with additional useful information to assess the year-on-year trading performance of the Group. On this basis, the following were included within adjusted items for the year ended 30 June 2017:

- net IAS 41 valuation movements on biological assets - movements can be materially volatile and do not directly correlate to the underlying trading performance in the period. Furthermore, the movement is non-cash related and many assumptions used in the valuation model are based on future projections rather than current trading;

- amortisation of acquired intangible assets - by excluding it helps the comparability between acquired operations and organically grown operations, as the latter are not able to recognise internally generated intangible assets. Adjusting for amortisation provides a more consistent basis for comparison between the two;

- share based payments - this expense is considered to be relatively volatile and is not fully reflective of the current period trading as the performance criteria are based on EPS performance over a three year period and include estimates of future period performance; and

- exceptional items - are items which either due to their size or their nature are excluded to improve the understanding of the Company's underlying performance, see note 3 for further details.

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. All other reconciliations are included within the Financial Review section.

This preliminary announcement was approved by the Board on 6 September 2017.

2. SEGMENTAL INFORMATION

IFRS 8 '*Operating Segments*' requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Group Chief Executive and the Board to allocate resources to the segments and to assess their performance. For management purposes effective from 1 July 2016, the Group's operating and reporting structure comprises three operating segments: Genus PIC, Genus ABS and Research and Development.

These segments are the basis on which the Group reports its segmental information. The principal activities of each segment are as follows:

Genus PIC - our global porcine sales business;

Genus ABS - our global bovine sales business and

Research and Development - our global spend on research and development.

A segment analysis of revenue, operating profit, depreciation, amortisation and non-current asset additions and segment assets and liabilities are detailed below. We do not include our adjusting items in the segments, as we believe these do not reflect the underlying progress of the segments. The accounting policies of the reportable segments are the same as the Group's accounting policies, as described in the Financial Statements.

Revenue	**2017**	2016
	£m	£m
Genus PIC	**249.5**	207.5
Genus ABS	**195.9**	172.8
Research and Development		
Research	**-**	-
Porcine Product Development	**10.7**	8.0
Bovine Product Development	**3.0**	-
	13.7	8.0
	459.1	388.3

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.

Adjusted operating profit	**2017**	2016
	£m	£m
Genus PIC	**87.7**	71.7
Genus ABS	**22.3**	23.3
Research and Development		
Research	**(11.9)**	(8.0)
Porcine Product Development	**(16.6)**	(13.5)
Bovine Product Development	**(14.2)**	(12.9)
	(42.7)	(34.4)
Adjusted segment operating profit	**67.3**	60.6
Central	**(12.2)**	(11.3)
Adjusted operating profit	**55.1**	49.3

Our business is not highly seasonal and our customer base is diversified, with no individual customer generating more than 2% of revenue.

Other segment information

	Depreciation		**Amortisation**		**Additions to non-current assets**	
	2017	2016	**2017**	2016	**2017**	2016
	£m	£m	**£m**	£m	**£m**	£m
Genus PIC	**0.8**	0.8	**6.0**	5.9	**1.1**	1.4
Genus ABS	**2.1**	1.7	**2.1**	1.1	**3.4**	2.6
Research and Development						
Research	**0.3**	-	**0.9**	-	**2.5**	3.6
Porcine Product Development	**1.9**	1.8	**-**	-	**2.6**	1.7
Bovine Product Development	**1.4**	1.4	**2.2**	-	**5.6**	7.3
	3.6	3.2	**3.1**	-	**10.7**	12.6
Segment total	**6.5**	5.7	**11.2**	7.0	**15.2**	16.6
Central	**2.3**	2.2	**-**	-	**5.0**	4.3
Total	**8.8**	7.9	**11.2**	7.0	**20.2**	20.9

	Segment assets		Segment liabilities	
	2017	2016	**2017**	2016
	£m	£m	**£m**	£m
Genus PIC	**258.3**	233.5	**(60.1)**	(50.3)
Genus ABS	**132.8**	144.4	**(41.1)**	(47.7)
Research and Development				
Research	**5.9**	3.7	**(1.4)**	(0.4)
Porcine Product Development	**182.4**	146.7	**(72.0)**	(59.6)
Bovine Product Development	**202.7**	203.1	**(52.6)**	(51.2)
	391.0	353.5	**(126.0)**	(111.2)
Segment total	**782.1**	731.4	**(227.2)**	(209.2)
Central	**15.5**	7.7	**(168.3)**	(161.8)
Total	**797.6**	739.1	**(395.5)**	(371.0)

Exceptional items of £2.5m expense (2016: £36.3m credit), relate to Genus ABS (£6.9m expense), Genus PIC (£2.1m expense) and our central segment (£6.5m credit). Note 3 provides details of these exceptional items.

We consider share-based payment expenses on a Group-wide basis and do not allocate them to reportable segments.

Geographical information

The analysis of revenue by geographical area is stated on the basis of where the legal entity is incorporated and therefore in the country the revenue will be reported. The Group's revenue by geographical segment is analysed below:

Revenue

	2017	2016
	£m	£m
North America	**214.5**	178.7
Latin America	**71.4**	58.6
Rest of Europe, Middle East and Africa	**48.5**	40.7
UK	**70.0**	65.2
Asia	**54.7**	45.1
	459.1	388.3

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

	2017	2016
	£m	£m
North America	**407.9**	376.0
Latin America	**47.2**	43.2
Rest of Europe, Middle East and Africa	**37.1**	22.0
UK	**60.9**	59.6
Asia	**14.8**	17.5
	567.9	518.3

Revenue by type

	2017	2016
	£m	£m
Sale of animals, semen, embryos and associated products and services	**335.7**	283.5
Royalties - animal and semen	**116.1**	97.8
Consulting services	**7.3**	7.0
	459.1	388.3
Interest income (see note 4)	**0.8**	0.1
	459.9	**388.4**

3. EXCEPTIONAL ITEMS

Operating (expense)/income:	**2017 £m**	2016 £m
Pension related	**5.7**	44.2
Litigation	**(5.3)**	(6.9)
Acquisition and integration	**(0.6)**	(0.2)
Other (including restructuring)	**(2.3)**	(0.8)
	(2.5)	36.3

Pension related

On 23 June 2017, National Milk Records plc ('NMR') withdrew from the MPF under a Flexible Apportionment Arrangement between NMR, Genus and the Trustees of the MPF. In return for the right to withdraw from the MPF, NMR made a one-off, lump sum cash payment of £10.1m to the MPF, equivalent to the undiscounted value of all NMR's future payments under the existing MPF recovery plan which extends to March 2026; and NMR also made a payment to Genus of £4.7m, with £1.4m being satisfied by the issue NMR shares.

As a result of the NMR withdrawal, Genus has recognised £5.7m as an exceptional credit, with £4.5m (£4.7m payment net of fees) being received directly from NMR, and £1.2m from the MPF pension scheme reflecting the impact of NMR paying undiscounted amounts into the scheme. See note 11 for further details.

During the prior year, a gain of £43.9m arose as a result of changing the index used for pensions and deferred pension increases in the Milk Pension Fund from RPI to CPI, and a £0.3m settlement gain arose from members leaving the same scheme.

Litigation

Litigation includes legal fees of £5.3m (2016: £5.4m) related to the action by ABS Global, Inc. ('ABS') against Inguran, LLC (aka Sexing Technologies ('ST')) and £nil (2016: £1.5m (US$2m)) for up-front damages related to patent infringement and confidential information.

On 14 July 2014, ABS launched a legal action against ST in the US District Court for the Western District of Wisconsin alleging, among other matters, that ST: (i) has a monopoly in the processing of sexed bovine semen in the US; and (ii) unlawfully maintains this monopoly through anticompetitive conduct. The legal action aimed to remove these barriers and allow free and fair competition in the sexed bovine semen processing market ('ABS Action'). In parallel with the ABS Action, ABS also filed Inter-Partes Review applications ('IPR') before the US Patent Office challenging the validity of several of ST's group patents, including US Patent No. 7,195,920 (the ''920 patent'), US Patent No. 7,820,425 (the ''425 patent'), US Patent No. 8,206,987 (the ''987 patent') and US Patent No. 8,198,092 (the ''092 patent').

ST and its subsidiary XY Inc. filed an Answer and Counterclaim to the ABS Action, denying any anticompetitive activities, and alleging, among other matters, that the Company and ABS infringed the '920, '425, '987 and '092 patents.

On 29 April 2015, the Patent Trial and Appeal Board ('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. However, trials were instituted for the other three patents. On 11 January and 15 April 2016, the PTAB ruled that the '920 and '425 patents were unpatentable. ST has appealed these decisions. The parties await a decision from the PTAB on whether the '092 patent is unpatentable.

On 1 August 2016, the trial of the ABS Action commenced and lasted for approximately two weeks. Following the jury verdicts, both sides filed post-trial motions. On 31 March 2017, the Court entered a judgment which confirmed: (i) the Company and ABS had proved that ST had wilfully maintained a monopoly in the market for sexed bovine semen processing in the US since July 2012, and awarded a permanent injunction against ST which, among other matters, relieved ABS of certain research, marketing and other non-compete restrictions contained in the 2012 semen sorting agreement between the parties; (ii) ST's '987 and '092 patents were valid and infringed; and (iii) that ABS had materially breached the confidentiality obligations under the 2012 semen sorting agreement. The Court also confirmed that: (i) the Company and ABS should pay ST an up-front amount of US$750,000 and an on-going royalty of US$1.25 per straw on commercialisation of the Genus Sexed Semen technology for the use of ST's '987 patent in the US; (ii) the Company and ABS should pay ST an up-front payment of US$500,000 and an on-going royalty of US$0.50 per straw for the use of ST's '092 patent in the US and (iii) ABS should pay ST damages of US$750,000 for having breached the confidentiality obligations under the 2012 semen sorting agreement. Both parties have appealed the Court's decision.

On 7 June 2017, ST, XY LLC and Cytonome/ST, LLC filed proceedings against ABS Global, Inc., the Company and Premium Genetics (UK) Limited ('PG') in the United States District Court for the Western District of Wisconsin ("New Litigation"). The New Litigation alleges that ABS and the Company infringe seven patents and asserts trade secret and breach of contract claims. ABS, the Company and PG have filed a Motion to dismiss the trade

secret and breach of contract claims. The Company and ABS intend to vigorously defend the patent infringement claims.

Acquisitions and integration

During the period, £0.6m of expenses were incurred, with £1.6m of expenses in relation to acquisitions and integration, principally of De Novo Genetics and Hermitage Genetics, being partially offset by a gain on cancellation of the IVB put option.

Other (including restructuring)

Included within 'other' of £2.3m is £1.8m restructuring costs primarily relating to ABS operating business, especially supply chain.

4. NET FINANCE COSTS

	2017 **£m**	2016 £m
Interest payable on bank loans and overdrafts	**(2.7)**	(1.7)
Amortisation of debt issue costs	**(0.4)**	(0.5)
Other interest payable	**(0.1)**	(0.1)
Net interest cost in respect of pension scheme liabilities	**(1.2)**	(2.2)
Net interest cost on derivative financial instruments	**(0.1)**	(0.2)
Total interest expense	**(4.5)**	(4.7)
Interest income on bank deposits	**0.8**	0.1
Total interest income	**0.8**	0.1
Net finance costs	**(3.7)**	(4.6)

5. INCOME TAX EXPENSE

Income tax expense	**2017** **£m**	2016 £m
Current tax expense		
Current period	**9.9**	10.4
Adjustment for prior periods	**0.4**	(1.4)
Total current tax expense in the Group Income Statement	**10.3**	9.0
Deferred tax expense		
Origination and reversal of temporary differences	**(2.6)**	0.7
Adjustment for prior periods	**(1.3)**	0.9
Total deferred tax expense in the Group Income Statement	**(3.9)**	1.6
Total income tax expense excluding share of income tax of equity accounted investees	**6.4**	10.6
Share of income tax of equity accounted investees	**1.4**	1.4
Total income tax expense in the Group Income Statement	**7.8**	12.0

6. EARNINGS PER SHARE

Basic earnings per share is the profit generated for the financial year attributable to equity shareholders divided by the weighted average number of shares in issue during the year.

Basic earnings per share from continuing operations	**2017**	2016
Basic earnings per share	**53.8p**	81.1p

The calculation of basic earnings per share from continuing operations for the year ended 30 June 2017 is based on the net profit attributable to owners of the Company from continuing operations of £32.8m (2016: £49.3m) and a weighted average number of ordinary shares outstanding of 60,944,000 (2016: 60,814,000), which is calculated as follows:

Weighted average number of ordinary shares (basic)	**2017 000s**	2016 000s
Issued ordinary shares at the start of the year	**61,013**	60,968
Effect of own shares held	**(163)**	(177)
Shares issued on exercise of stock options	**47**	23
Shares issued in relation to Employee Benefit Trust	**47**	-
Weighted average number of ordinary shares in year	**60,944**	60,814

Diluted earnings per share from continuing operations

	2017	2016
Diluted earnings per share	**53.0p**	80.3p

The calculation of diluted earnings per share from continuing operations for the year ended 30 June 2017 is based on the net profit attributable to owners of the Company from continuing operations of £32.8m (2016: £49.3m) and a weighted average number of ordinary shares outstanding, after adjusting for the effects of all potential dilutive ordinary shares, of 61,833,000 (2016: 61,387,000), which is calculated as follows:

Weighted average number of ordinary shares (diluted)	**2017 000s**	2016 000s
Weighted average number of ordinary shares (basic)	**60,944**	60,814
Dilutive effect of share options	**889**	573
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**61,833**	61,387

Adjusted earnings per share from continuing operations	**2017**	2016
Adjusted earnings per share	**69.4p**	60.7p
Diluted adjusted earnings per share	**68.4p**	60.1p

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 £42.3m (2016: £36.9m), which is calculated as follows:

	2017 £m	2016 £m
Profit before tax from continuing operations	**40.7**	60.9
Add/(deduct):		
Net IAS 41 valuation movement on biological assets	**1.1**	17.1
Amortisation of acquired intangible assets	**8.7**	6.1
Share-based payment expense	**4.6**	3.8
Exceptional items (see note 3)	**2.5**	(36.3)
Net IAS 41 valuation movement on biological assets in joint ventures	**(0.5)**	(1.9)
Tax on joint ventures and associates	**1.4**	1.4
Attributable to non-controlling interest	**(2.1)**	(1.4)

Adjusted profit before tax	**56.4**	49.7
Adjusted tax charge	**(14.1)**	(12.8)
Adjusted profit after tax	**42.3**	36.9
Effective tax rate on adjusted profit	**25.0%**	25.8%

7. DIVIDENDS

Amounts recognised as distributions to equity holders in the year

	2017 £m	2016 £m
Final dividend		
Final dividend for the year ended 30 June 2016 of 14.7 pence per share	**9.0**	-
Final dividend for the year ended 30 June 2015 of 13.4 pence per share	**-**	8.1
Interim dividend		
Interim dividend for the year ended 30 June 2017 of 7.4 pence per share	**4.5**	-
Interim dividend for the year ended 30 June 2016 of 6.7 pence per share	**-**	4.1
	13.5	12.2

The Directors have proposed a final dividend of 16.2 pence per share for 2017. 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.

8. INTANGIBLE ASSETS

	Technology	Brand, multiplier contracts and customer relationships	Separately identified acquired intangible assets	Software	Genus Sexed Semen	Patents, licence and other	Total	Goodwill
	£m	£m	£m	£m	£m	£m	£m	£m
Cost								
Balance at 1 July 2015	46.1	61.5	107.6	6.6	11.1	0.3	125.6	73.9
Additions	-	-	-	-	4.6	2.2	6.8	-
Acquisition	-	0.7	0.7	-	-	-	0.7	1.9
Effect of movements in exchange rates	0.5	10.5	11.0	0.3	2.1	0.1	13.5	10.2
Balance at 30 June 2016	46.6	72.7	119.3	6.9	17.8	2.6	146.6	86.0
Additions	-	-	-	0.9	3.1	1.5	5.5	-
Acquisition (see note 14)	6.7	7.4	14.1	-	-	-	14.1	16.2
Reclassified from tangible fixed assets	-	-	-	1.0	-	-	1.0	-
Effect of movements in exchange rates	0.1	2.2	2.3	-	0.4	-	2.7	2.5
Balance at 30 June 2017	**53.4**	**82.3**	**135.7**	**8.8**	**21.3**	**4.1**	**169.9**	**104.7**
Amortisation and impairment losses								
Balance at 1 July 2015	19.8	31.5	51.3	4.5	-	-	55.8	-
Amortisation for the year	2.3	3.8	6.1	0.7	-	0.2	7.0	-
Effect of movements in exchange rates	-	5.6	5.6	0.2	-	-	5.8	-
Balance at 30 June 2016	22.1	40.9	63.0	5.4	-	0.2	68.6	-

Reclassified from tangible fixed assets	-	-	-	0.7	-	-	0.7	-
Amortisation for the year	2.7	6.0	8.7	1.3	0.4	0.8	11.2	-
Effect of movements in exchange rates	-	1.0	1.0	0.1	-	-	1.1	-
Balance at 30 June 2017	**24.8**	**47.9**	**72.7**	**7.5**	**0.4**	**1.0**	**81.6**	**-**
Carrying amounts								
At 30 June 2017	**28.6**	**34.4**	**63.0**	**1.3**	**20.9**	**3.1**	**88.3**	**104.7**
At 30 June 2016	24.5	31.8	56.3	1.5	17.8	2.4	78.0	86.0
At 30 June 2015	26.3	30.0	56.3	2.1	11.1	0.3	69.8	73.9

Additions in the year to intangible assets of £3.1m relates to costs capitalised in respect of the GSS development project. Included above is £20.9m of capitalised development expenses in respect of GSS, and a further £9.3m is included within fixed assets relating to GSS.

Additions to patents and licences of £1.5m relate to a stage payment for the worldwide licence to use Caribou Biosciences, Inc.'s leading CRISPR-Cas9 gene editing technology platform.

9. BIOLOGICAL ASSETS

Fair value of biological assets	**Bovine £m**	**Porcine £m**	**Total £m**
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
Increases due to purchases	7.7	112.9	120.6
Decreases attributable to sales	-	(152.0)	(152.0)
Decrease due to harvest	(31.6)	(18.0)	(49.6)
Changes in fair value less estimated sale costs	2.1	67.7	69.8
Acquisition	1.9	-	1.9
Effect of movements in exchange rates	21.4	26.0	47.4
Balance at 30 June 2016	146.3	184.7	331.0
Non-current biological assets	146.3	118.3	264.6
Current biological assets	-	66.4	66.4
Balance at 30 June 2016	146.3	184.7	331.0
Increases due to purchases	11.9	176.0	187.9
Decreases attributable to sales	-	(197.8)	(197.8)
Decrease due to harvest	(40.7)	(19.3)	(60.0)
Changes in fair value less estimated sale costs	10.3	66.0	76.3
Acquisition	5.4	-	5.4
Effect of movements in exchange rates	4.3	6.0	10.3
Balance at 30 June 2017	**137.5**	**215.6**	**353.1**
Non-current biological assets	137.5	141.7	279.2
Current biological assets	-	73.9	73.9
Balance at 30 June 2017	**137.5**	**215.6**	**353.1**

Bovine biological assets include £6.9m (2016: £7.8m) representing the fair value of bulls owned by third parties but managed by the Group, net of expected future payments to such third parties and are therefore treated as assets held under finance leases.

There are no movements in the carrying value of the bovine biological assets in respect of sales or other changes during the year.

The current market-determined 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% (2016: 8.0%).

Decreases due to harvest represent the semen extracted from the biological assets. Inventories of such semen are shown as biological asset harvest.

Included in increases due to purchases is £87.0m arising on the initial recognition of biological assets acquired through multiplier purchases, other than parent gilts (2016: £49.4m).

Decreases attributable to sales during the period of £197.8m (2016: £152.0m) include £66.6m (2016: £49.6m) 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.

Porcine biological assets include £111.0m (2016: £69.3m) relating to the fair value of the retained interest in the genetics animals, other than parent gilts, transferred to customers under royalty contracts.

Total revenue in the period, including parent gilts, includes £159.5m (2016: £127.2m) in respect of these contracts, comprising £54.0m (2016: £38.1m) on the initial transfer of animals to customers and £105.5m (2016: £89.1m) in respect of royalties received.

For pure line porcine herds, the net cash flows from the herds' expected output 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% (2016: 11.0%). The number of future generations taken into account is seven (2016: seven) and their estimated useful lifespan is 1.4 years (2016: 1.3 years).

Year ended 30 June 2017	**Bovine £m**	**Porcine £m**	**Total £m**
Net IAS 41 valuation movement on biological assets*			
Changes in fair value of biological assets+	**10.3**	**66.0**	**76.3**
Inventory transferred to cost of sales at fair value	**(38.8)**	**(19.3)**	**(58.1)**
Biological assets transferred to cost of sales at fair value	**-**	**(18.8)**	**(18.8)**
	(28.5)	**27.9**	**(0.6)**
Fair value movement in related financial derivative	**-**	**(0.5)**	**(0.5)**
	(28.5)	**27.4**	**(1.1)**

Year ended 30 June 2016	**Bovine £m**	**Porcine £m**	**Total £m**
Net IAS 41 valuation movement on biological assets*			
Changes in fair value of biological assets	2.1	67.7	69.8
Inventory transferred to cost of sales at fair value	(28.6)	(18.0)	(46.6)
Biological assets transferred to cost of sales at fair value	-	(39.7)	(39.7)
	(26.5)	10.0	(16.5)
Fair value movement in related financial derivative	-	(0.6)	(0.6)
	(26.5)	9.4	(17.1)

* 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.

+ Includes £2.1m write down in bovine assets.

10. TRADE AND OTHER RECEIVABLES

	2017 £m	2016 £m
Trade receivables	**73.7**	65.0
Other debtors	**5.4**	5.5
Prepayments and accrued income	**7.8**	5.3
Other taxes and social security	**1.9**	2.3
	88.8	78.1

Trade receivables

The average credit period our customers take on the sales of goods is 59 days (2016: 61 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 (2016: nil).

At 30 June 2017, £56.4m (2016: £50.3m) of trade receivables were not yet due for payment.

11. RETIREMENT BENEFIT OBLIGATIONS

The Group operates 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 UK, which are defined benefit schemes. The assets of these funds are held separately from the assets of the Group and are 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 and IFRIC 14, are aggregated for disclosure purposes. The liability split by principal scheme is set out below.

	2017 £m	2016 £m
The Milk Pension Fund - Genus's share	**30.4**	34.3
The Dalgety Pension Fund	**-**	-
Other retirement benefit obligations and other unfunded schemes	**10.5**	10.2
Overall net pension liability	**40.9**	44.5

Overall, we expect to pay £7.3m (2017: £7.1m) in contributions to defined benefit plans in the 2018 financial year.

Summary of movements in Group deficit during the year

	2017 £m	2016 £m
Deficit in schemes at the start of the year	**(44.5)**	(63.1)
Administration expenses	**(0.6)**	(0.7)
Gains on curtailments and settlements	**-**	0.3
Exceptional gain on NMR withdrawal from MPF	**1.2**	-
Change from RPI to CPI for benefit increases in the MPF	**-**	43.9
Contributions paid into the plans	**7.2**	6.7
Net pension finance cost	**(1.2)**	(2.2)
Actuarial loss recognised during the year	**1.2**	(12.8)
Movement in restriction of assets	**0.3**	(0.6)
Recognition of additional liability	**(4.3)**	(14.9)
Exchange rate adjustment	**(0.2)**	(1.1)
Deficit in schemes at the end of the year	**(40.9)**	(44.5)

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

	2017 £m	2016 £m
Administrative expenses	**0.6**	0.7
Settlement gain in exceptional items	**-**	(0.3)
Exceptional gain on NMR withdrawal from MPF	**(1.2)**	-
Change from RPI to CPI for benefit increases in the MPF in exceptional items	**-**	(43.9)
Net finance charge	**1.2**	2.2
	0.6	(41.3)

Actuarial assumptions and sensitivity analysis

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

	2017	2016

Discount rate	**2.65%**	2.8%
Consumer Price Index (CPI)	**2.05%**	1.6%
Retail Price Index (RPI)	**3.15%**	2.7%

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 2017, the mortality tables used are 97% of the SN2A tables, with birth year and 2014 CMI projections, subject to a long-term rate of improvement of 1.25% for males and females (2016: the mortality tables used are 97% of the SN2A tables, with birth year and 2014 CMI projections, subject to a long-term rate of improvement of 1.25% for males and females).

12. NOTES TO THE CASH FLOW STATEMENT

	2017 £m	2016 £m
Profit for the year	**34.3**	50.3
Adjustment for:		
Net IAS 41valuation movement on biological assets	**1.1**	17.1
Amortisation of acquired intangible assets	**8.7**	6.1
Share-based payment expense	**4.6**	3.8
Share of profit of joint ventures and associates	**(6.2)**	(6.9)
Finance costs (net)	**3.7**	4.6
Income tax expense	**6.4**	10.6
Exceptional items	**2.5**	(36.3)
Adjusted operating profit from continuing operations	**55.1**	49.3
Depreciation of property, plant and equipment	**8.8**	7.9
Loss/(profit) on disposal of plant and equipment	**0.2**	(0.2)
Gain on asset held for sale	**-**	(0.2)
Amortisation of intangible assets	**2.5**	0.9
Adjusted earnings before interest, tax, depreciation and amortisation	**66.6**	57.7
Exceptional item cash	**(5.4)**	(4.7)
Other movements in biological assets and harvested produce	**(5.7)**	(3.8)
Increase/(decrease) in provisions	**0.1**	(1.2)
Additional pension contributions in excess of pension charge	**(6.6)**	(6.1)
Other	**(0.9)**	0.3
Operating cash flows before movement in working capital	**48.1**	42.2
Decrease/(increase) in inventories	**1.4**	(0.7)
(Increase)/decrease in receivables	**(9.0)**	2.6
Increase/(decrease) in payables	**5.8**	(0.8)
Cash generated by operations	**46.3**	43.3
Interest received	**0.8**	0.1
Interest and other finance costs paid	**(3.1)**	(1.6)
Cash flow from derivative financial instruments	**0.6**	0.1
Income taxes paid	**(10.0)**	(11.9)
Net cash from operating activities	**34.6**	30.0

Analysis of net debt

	At 1 July 2016 £m	Net cash flows £m	Foreign exchange £m	Non-cash movements £m	**At 30 June 2017 £m**
Cash and cash equivalents	34.0	(7.7)	0.2	-	**26.5**

Interest-bearing loans - current	(4.6)	(3.0)	(0.1)	-	**(7.7)**
Obligation under finance leases - current	(1.1)	2.0	-	(2.3)	**(1.4)**
	(5.7)	(1.0)	(0.1)	(2.3)	**(9.1)**
Interest-bearing loans - non- current	(115.3)	(9.4)	(2.5)	-	**(127.2)**
Obligation under finance lease - non- current	(2.7)	-	(0.1)	1.0	**(1.8)**
	(118.0)	(9.4)	(2.6)	1.0	**(129.0)**
Net debt	(89.7)	(18.1)	(2.5)	(1.3)	**(111.6)**

Included within non-cash movements is £1.3m in relation to new finance leases.

13. CONTINGENCIES AND BANK GUARANTEES

Contingent liabilities are potential future cash outflows, where the likelihood of payments is considered more than remote but is not considered probable or cannot be measured reliably.

The retirement benefit obligations referred to in note 11 include obligations relating to the Milk Pension Fund 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 85% (2016: 75%) of the MPF. 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. The total deficit of the MPF scheme from the most recent triennial valuation can be found in note 11.

During the year, as part of a commercial agreement in favour of a third party, we entered into a bank guarantee for £4.1m which will expire within 2 years.

14. ACQUISITION OF SUBSIDIARIES

De Novo Genetics

On 1 September 2016, we formed De Novo Genetics, a 51% owned Holstein breeding strategic partnership, with De-Su, the world's leading independent Holstein breeder. De Novo will further accelerate the proportion of bulls Genus produces internally by combining ABS's and De-Su's elite Holstein breeding programmes. This gives us greater control of the genetics we need to create differentiated solutions that help commercial dairy farmers increase profitability through improved herd productivity, health and efficiency.

The preliminary amounts recognised in respect of the identifiable assets acquired/transferred and liabilities assumed, at the date of acquisition, are set out in the table below.

	£m
Intangible assets identified - customer relationships	**5.0**
Biological assets (including asset transferred)	**11.5**
Financial assets	**0.5**
Financial liabilities	**(6.3)**
Total identifiable net assets	**10.7**
Equity attributable to non-controlling interest	**(5.3)**
	5.4
Goodwill	**4.8**
Total consideration	**10.2**
Satisfied by:	
Net cash outflow arising on acquisition of subsidiary	**2.3**
Deferred cash consideration	**3.5**
Deferred contingent cash consideration	**0.8**
Biological assets transferred	**3.6**
	10.2

The goodwill of £4.8m arising from the acquisition consists largely of future 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 £0.5m.

Hermitage Genetics

On 31 March 2017, we acquired the entire share capital of Hermitage Genetics, which included technology being the genetic rights and intellectual property of Hermitage. As part of the agreement, the remaining Hermitage business will also become a strategic supply chain and distribution partner for PIC covering the supply of porcine genetics in several markets.
In addition, we acquired certain Hermitage customer relationships in various geographies including Russia, the US and several European countries.

The preliminary amounts recognised in respect of the identifiable assets acquired/transferred and liabilities assumed, at the date of acquisition, are set out in the table below.

	£m
Intangible assets identified	
- Technology	**6.7**
- Customer relationships	**2.4**
Financial assets	**0.1**
Financial liabilities	**(1.1)**
Total identifiable net assets	**8.1**
Goodwill	**11.4**
Total consideration	**19.5**
Satisfied by:	
Cash consideration	**15.2**
Deferred contingent cash consideration	**4.3**
	19.5

The goodwill of £11.4m arising from the acquisition consists largely of future 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 £0.1m and a gross contractual value of £0.1m.

If the acquisition of Hermitage Genetics had been completed on the first day of the financial period, Group revenues and Group profit would have been £2.9m and £1.5m, respectively.

In Vitro Brasil S.A.

During the year, with the agreement of the existing shareholder we purchased the remaining 49% of In Vitro Brasil S.A. for £11.4m, and the option was cancelled, with a gain of £1.0m being recognised as an exceptional credit.

PIC Italia S.r.l

On 29 September 2016, we increased our shareholding in PIC Italia S.r.l from 50% to 85%, for a cash consideration of £0.6m.

Net acquisition and integration related costs included within exceptional items amount to £0.6m.

15. NON-CONTROLLING INTEREST

	2017	2016
	£m	£m
Non-controlling interest	**6.1**	5.0
Put option over non-controlling interest	**(3.3)**	(11.4)
Total non-controlling interest	**2.8**	(6.4)

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

	2017
De Novo Genetics	**£m**

De Novo Genetics	£m
Biological assets	**10.2**
Current assets	**1.4**
Non-current assets	**2.4**
Current liabilities	**(2.1)**
Net assets	**11.9**
Equity attributable to owners of the Company	**(6.1)**
Non-controlling interest for De Novo Genetics	**5.8**
Other non-controlling interest	**0.3**
Non-controlling interest	**6.1**

During the year £0.1m of dividends were paid to non-controlling interests (2016: £0.4m).

During the year, with the agreement of the existing shareholder we purchased the remaining 49% of In Vitro Brasil S.A. for £11.4m.

16. POST BALANCE SHEET EVENTS

There are no post balance sheet events.

This information is provided by RNS
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