

PIONEERING

ANIMAL GENETIC IMPROVEMENT

Genus plc | Annual Report 2017



A WORLD LEADER

IN ANIMAL GENETIC IMPROVEMENT

GENUS HELPS FARMERS TO PRODUCE HIGH-QUALITY MEAT AND MILK MORE EFFICIENTLY AND SUSTAINABLY, WHICH INCREASES THE AVAILABILITY OF SAFE, AFFORDABLE ANIMAL PROTEIN FOR CONSUMERS.



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BUSINESS MODEL



For more information
See pages 4-7



STRATEGY IN ACTION



For more information
See pages 18-23



PEOPLE AND CULTURE



For more information
See pages 34-35



IN 2017, GENUS ACHIEVED AN IMPROVING
FINANCIAL PERFORMANCE THROUGH
THE YEAR AND MADE STRONG
STRATEGIC PROGRESS

KARIM BITAR, CEO



A YEAR OF SUCCESSFUL DEVELOPMENT WITH STRONG STRATEGIC PROGRESS AND SOLID FINANCIAL PERFORMANCE

FINANCIAL HIGHLIGHTS¹

£459.1m

- 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)

£56.4m

- 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

£40.7m

- 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)

GROUP REVENUE (£M)

2017	459.1
2016	388.3
2015	398.5
2014	372.2
2013	345.3

ADJUSTED PROFIT BEFORE TAX (£M)

2017	56.4
2016	49.7
2015	46.6
2014	39.3
2013	42.5

STATUTORY PROFIT BEFORE TAX (£M)

2017	40.7
2016	60.9
2015	57.8
2014	38.2
2013	33.4

OPERATIONAL HIGHLIGHTS³

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 eight⁴
- 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

- Volume growth of 8% in H2 resulting in volume 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

1 For definitions of adjusted profit, free cash flow, cash conversion and return on invested capital, see Financial Review on pages 30 to 33. Results discussed throughout the Annual Report are on an adjusted basis unless otherwise stated.

2 For definition of adjusted earnings per share, see note 12 on page 108.

3 Based on adjusted results.

4 Includes one new royalty agreement signed post period end in July 2017.

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



69.4p

- Adjusted basic earnings per share² 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

ADJUSTED BASIC EARNINGS PER SHARE (PENCE)

2017	69.4
2016	60.7
2015	56.8
2014	46.5
2013	49.1

£25.4m

- Strong free cash flow of £25.4m (2016: £15.7m), with solid cash conversion of 84% (2016: 88%) and good cash inflows from joint ventures ('JVs') 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)

FREE CASH FLOW (£M)

2017	25.4
2016	15.7
2015	22.6
2014	26.2
2013	17.2

19.9%

- After tax return on invested capital 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)

DIVIDEND PER SHARE (PENCE)

2017	23.6
2016	21.4
2015	19.5
2014	17.7
2013	16.1

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 programme⁵

This Strategic Report was approved by the Board of Directors on 6 September 2017 and signed on its behalf by:

Karim Bitar
Chief Executive

Stephen Wilson
Group Finance Director



PRODUCING

SUPERIOR BREEDING LIVESTOCK THROUGH GENETIC IMPROVEMENT

WHAT WE DO

Genus is a world-leading animal genetics company. We continuously develop better bovine and porcine breeding livestock with desirable characteristics, helping farmers to produce better quality meat and milk more efficiently and sustainably.


Examples of desirable characteristics include feed efficiency, disease resistance, protein and fat content, and fertility.



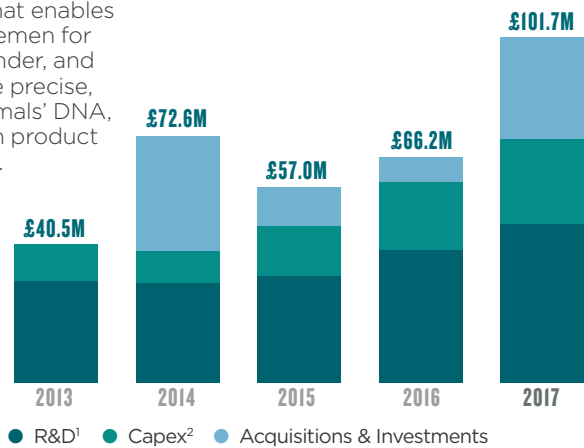
HOW WE DO IT

We analyse animals' DNA and look for markers that are linked to desirable characteristics. We then select animals with the strongest genetic profile and breed them to produce even stronger offspring, which we then sell to our customers in the form of live breeding animals, semen or embryos.

We also own technology that enables us to screen and process semen for desirable traits, such as gender, and license technology to make precise, desirable gene edits to animals' DNA, which we are employing on product development programmes.

 [For more information](#)
See pages 6-7

£100M+
INVESTED IN 2017



1 Includes GSS capitalised development expenses.
2 Includes biological asset increases due to purchases.

OUR BUSINESS

SERVING PORK, BEEF AND DAIRY FARMERS WITH SUPERIOR GENETICS

PORK



Our porcine genetics business PIC sells genetically superior sows, boars and semen, to breed pigs with desirable characteristics for pork production.



DAIRY AND BEEF



Our bovine genetics business ABS primarily sells bull semen and embryos, which are delivered through artificial insemination to breed dairy and beef cattle with desirable characteristics for milk and beef production. ABS's subsidiary IVB offers comprehensive IVF services.



SALES PRESENCE IN

35+

COUNTRIES¹

2,000+

CUSTOMERS GLOBALLY

SALES PRESENCE IN

70+

COUNTRIES³

50K+

CUSTOMERS



139M

MPes²

17M+

CATTLE INSEMINATIONS
AND EMBRYO TRANSFERS

REVENUE

£250m



£196m

OPERATING PROFIT

£95m

£21m

Note: Excludes Genus R&D revenues & costs.

● Porcine ● Bovine

1 Including through franchises, distributors and joint ventures.

2 MPes refers to market pig equivalents, a standardised measure of slaughter animals produced by our customers that contain our genetics.

3 Including through distributors.



HOW WE DRIVE AND DELIVER GENETIC IMPROVEMENT

1

PRODUCE SUPERIOR GENETICS

OUR STRENGTHS AND RESOURCES

GLOBAL POSITION

Genus is uniquely placed as a global player, with leading market positions and well-respected brands
.....

ELITE ANIMALS

We own elite livestock with desirable traits for farmers
.....

PROPRIETARY TECHNOLOGY

We own leading genomic and breeding technology, developed in-house and through strategic partnerships, or licensed from strategic partners
.....

CUSTOMER RELATIONSHIPS

We serve over 50,000 customers globally, including world-leading meat and milk producers
.....

EXPERT PEOPLE

We have over 100 PhD qualified employees and collaborative relationships with leading research institutions
.....

SUPPLY CHAIN AND DISTRIBUTION

We have production facilities in key locations worldwide, coupled with sales forces and agents in over 70 countries
.....

FINANCIAL STRENGTH

Genus is a cash generative company with a strong financial position, allowing us to invest for the future

SHARED PROPRIETARY TECHNOLOGY PLATFORM

GENOMIC SELECTION

Breeding successive generations of animals by scientifically selecting superior parents through DNA analysis
.....

BIOSYSTEMS ENGINEERING

GSS: processing bovine semen using laser technology to deliver offspring of a desired sex
.....

GENE EDITING

Making precise, controllable changes directly to animals' genes
.....

GENOME SCIENCE

Researching DNA to understand the links between genetic code and the observable characteristics of animals, and how these can be influenced

LINK TO STRATEGY

1

Increasing Genetic Control and Product Differentiation

2

Targeting Key Markets and Segments

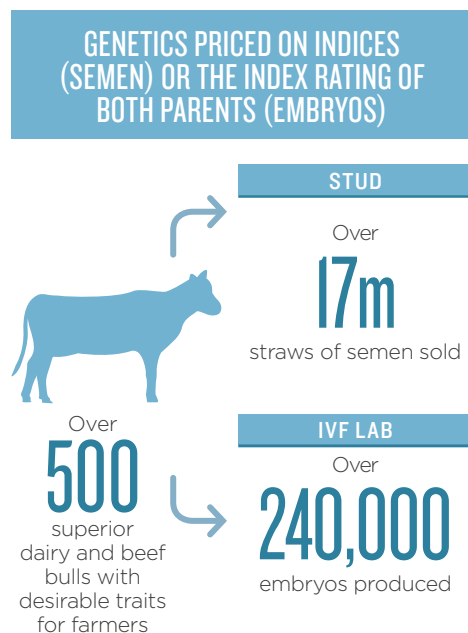
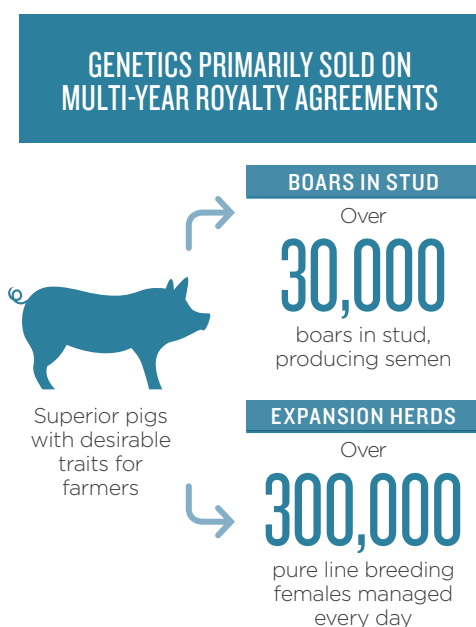
3

Sharing in the Value Delivered



2

DELIVER IMPROVED ANIMALS



3

DELIVER VALUE AND PRICE ACCORDINGLY

DELIVERING FOR OUR STAKEHOLDERS

CUSTOMERS

We help our customers to produce better meat and milk more efficiently, improving their profitability

.....

CONSUMERS

We increase consumers' access to safe, affordable and nutritious animal protein

.....

COMMUNITIES AND ENVIRONMENT

We make farming more sustainable by reducing the consumption of feed, water and other resources

.....

PEOPLE

Our employees can develop their careers and apply their scientific knowledge to benefit our customers and society

.....

INVESTORS

By sharing in the value we deliver to customers, we deliver returns to our investors and generate funds to reinvest in our company

CUSTOMER

139m

MPEs produced

CUSTOMER

6-7m

dairy and beef
calves born

Note: MPEs refers to market pig equivalents, a standardised measure of slaughter animals that contain our genetics.

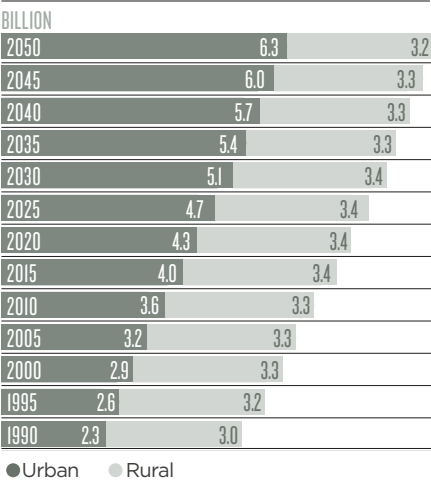


GROWING IMPACT OF ANIMAL GENETIC IMPROVEMENT

LONG-TERM DRIVERS OF ANIMAL GENETIC IMPROVEMENT

THE GLOBAL POPULATION IS GROWING AND MOVING TO CITIES. URBAN POPULATIONS TEND TO BECOME WEALTHIER, LEADING TO GREATER APPETITE FOR ANIMAL PROTEIN.

WORLD POPULATION GROWTH 1990-2050



Source: United Nations, Department of Economic and Social Affairs, Population Division (2014).

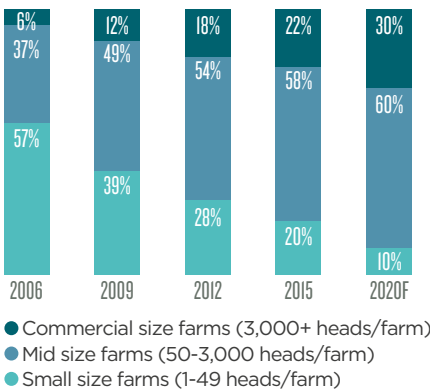


GROWING CONSUMER AWARENESS IS DRIVING DEMAND FOR HIGH-QUALITY PRODUCTS, WHICH ARE PRODUCED WITH FEWER DRUGS.



FARMS ARE CONSOLIDATING. LARGER PRODUCERS TYPICALLY MEASURE PERFORMANCE IN MORE DETAIL AND BETTER UNDERSTAND THE BENEFITS OF SUPERIOR GENETICS.

CHANGES IN PIG POPULATION BY SIZE OF FARM IN CHINA



Source: Rabobank.



CONSOLIDATION AND ADOPTION OF TECHNOLOGY

CONSOLIDATION OF HIGH-QUALITY BREEDING HERDS. THE NUMBER OF BREEDERS CONSISTENTLY PRODUCING HIGH RANKING DAIRY GENETICS HAS FALLEN IN RECENT YEARS, DUE TO THE CONSOLIDATION OF ELITE GENETIC HERDS. ELITE PORCINE BREEDING HERDS ARE ALSO CONSOLIDATING, WITH SOME BREEDERS ENTERING INTO STRATEGIC ALLIANCES TO PRODUCE AND DISTRIBUTE OTHERS' GENETICS.

CONSOLIDATION MEANS THAT THERE ARE FEWER SOURCES OF ELITE GENETICS, AND HENCE IT IS INCREASINGLY IMPORTANT FOR GENETICS COMPANIES TO OWN AND CONTROL THEIR OWN GENETICS.

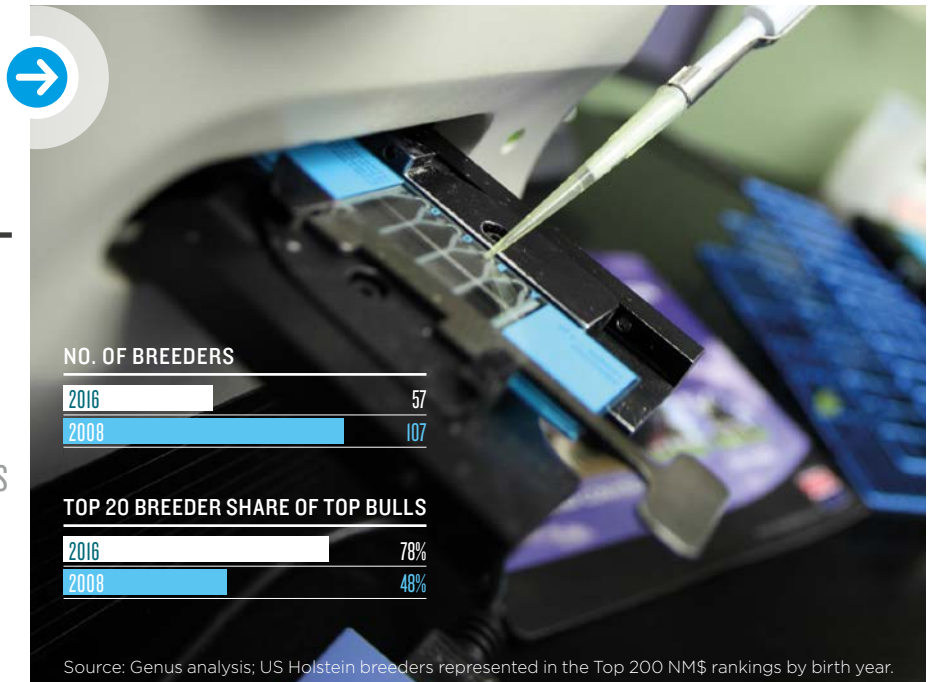
ADOPTION OF TECHNOLOGY. ADOPTION OF SEMEN SEXING TECHNOLOGY AND IVF IS GROWING FAST ACROSS DAIRY AND BEEF HERDS. THESE ARE LIKELY TO REMAIN AREAS OF STRONG MARKET GROWTH IN THE COMING YEARS.

+1% GROWTH IN CONVENTIONAL SEMEN

+10% GROWTH IN SEXED SEMEN

+20% GROWTH IN EMBRYOS

Note: Growth rates refer to actual volume growth rates for 2017 delivered by ABS. Conventional and sexed volumes relate to global dairy semen volumes. Embryos relate to total global embryo volumes.

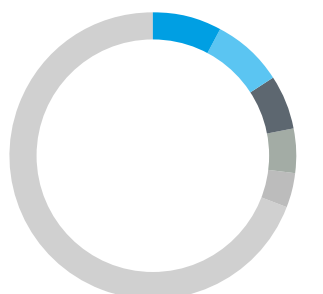


BREAKTHROUGH TECHNOLOGY AND DATA. THE ANIMAL GENETICS INDUSTRY IS PURSUING ALTERNATIVE SOLUTIONS IN THE FIGHT AGAINST ANIMAL DISEASE AND SUFFERING. THESE INCLUDE USING DATA AND HEALTH-FOCUSED BREEDING INDICES, AND EXPLORING BREAKTHROUGH TECHNOLOGY, INCLUDING GENE EDITING.

OUR POSITION IN THE ANIMAL GENETICS INDUSTRY

GENUS IS A WORLD LEADER IN ANIMAL GENETIC IMPROVEMENT. OUR COMPETITORS ARE LARGELY PRIVATE COMPANIES AND FARMER-OWNED COOPERATIVES.

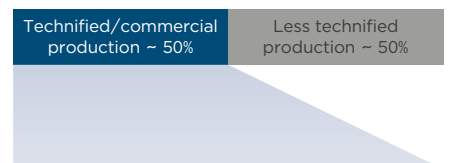
ABS MARKET SHARE¹



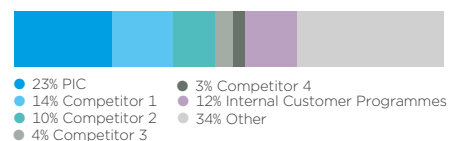
1 Source: Governmental agencies, local bovine genetics and agriculture organisations, Genus estimates. Market shares represent the estimated share of combined dairy and beef volumes (semen and embryos) in ABS's Top 30 target markets for dairy and Top 8 target markets for beef.

PIC MARKET SHARE²

Global porcine genetic supply:



Share of addressable market:



2 Source: Governmental agencies, local independent pork organisations, Genus estimates. Global porcine genetic supply represents production in top pig production markets, including small and non-industrial farming activity in those markets. Market shares in addressable market represent the estimated share of production in technified/commercial production in top pig production markets.



CAPTURING SIGNIFICANT GROWTH OPPORTUNITIES

GENUS HELPS FARMERS TO PRODUCE HIGH QUALITY MEAT AND MILK MORE EFFICIENTLY AND SUSTAINABLY. WE DO THIS BY CONTINUOUSLY PRODUCING AND DELIVERING BETTER GENETICS TO THEM.

INCREASING GENETIC CONTROL AND PRODUCT DIFFERENTIATION

To maintain and enhance our product leadership

We do this by using the latest technology to improve continuously our own herds, investing in new technology to strengthen our capabilities, and protecting our unique position by choosing how to deploy our genes and technology.

TARGETING KEY MARKETS AND SEGMENTS

To deliver the right offering for the right customers

We target leading global and regional meat and milk producers, and offer them our superior breeding animals, semen and embryos, together with technical services, tailored to their needs.

SHARING IN THE VALUE DELIVERED

To capture an appropriate share of the value we deliver to customers, aligning our interests with theirs

We do this by demonstrating the value of our genetics through trials and data, and linking our pricing to genetic indices and our customers' productivity.



What does success look like?

Creating better breeding animals for farmers, measured against proprietary and public indices weighted towards economic traits that help farmers operate more efficiently and sustainably.

How do we measure this success?

PORCINE GENETIC IMPROVEMENT INDEX (US\$)

2017	3.68
2016	4.12
2015	3.76
2014	2.42
2013	1.94

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

Definition

The index measures the marginal economic value improvement in customers' US\$ profitability, per commercial pig per year, on a rolling three-year average. Prior years' index ratings have been updated, to reflect the latest results from genomic selection and the economic values of pork production.

Performance

Implementing genomic selection technology in 2013 led to a step change in genetic gain value improvement in recent years and has delivered a further improvement of US\$3.68 per pig, per annum in 2017.

NET MERIT RANKINGS (DAUGHTER PROVEN AND GENOMIC BULLS)

2017	GENOMIC 19	PROVEN 17
2016	18	17
2015	13	23
2014	11	30
2013	11	31

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

Definition

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

Performance

Genus maintained a competitive industry line-up. We have continued to strengthen our position in the Holstein genomic bull category while also maintaining our position in proven bulls.

What does success look like?

Growing volumes, particularly with large commercial dairies and integrated meat producers who focus heavily on the efficiency and sustainability of their production systems.

How do we measure this success?

DAIRY AND BEEF VOLUME GROWTH (%)

2017	1
2016	(6)
2015	6
2014	5
2013	5

Tracks our global unit sales growth in dairy and beef.

Definition

The change in dairy, beef and sorted units of semen and embryos delivered or produced for customers in the year.

Performance

Bovine volumes returned to growth, improving by 1% to 17.7 million units in varying markets. Europe grew 6% as dairy markets improved and Asia grew 7% driven by India. However, the North America (-5%) and Latin America (-2%) markets remained challenging.

PORCINE VOLUME GROWTH (%)

2017	4
2016	4
2015	6
2014	9
2013	5

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

Definition

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

Performance

Volumes grew 4% to 139 million MPEs, with very strong double-digit growth in Asia from our China and Vietnam businesses and continued royalty volume growth across all regions. Volumes of upfront animals, where MPEs are counted at the time of initial sale, declined as planned.

What does success look like?

Generating profit resulting from the superior quality and performance of our products in customers' systems.

How do we measure this success?

OPERATING PROFIT PER MPE (£)

2017	0.61
2016	0.51
2015	0.43
2014	0.38
2013	0.41

Monitors porcine profitability by unit.

Definition

Net porcine adjusted operating profit globally, expressed per MPE. Results include our share of Agroceres PIC, our Brazilian Joint Venture.

Performance

Operating profit per MPE was £0.61, up £0.10, helped by strong growth in our China porcine business, beneficial exchange rates and higher royalty volumes across all sales regions.

OPERATING PROFIT PER DOSE (£)

2017	0.57
2016	0.60
2015	0.88
2014	1.03
2013	1.19

Monitors bovine profitability by unit.

Definition

Net dairy and beef adjusted operating profit globally, expressed per dose of semen or embryo delivered. Excludes India, as its characteristics are substantially different to the rest of our bovine business and the start up costs of our GSS manufacturing.

Performance

Operating profit per dose was £0.57, down £0.03. Challenging dairy markets, particularly in North America and Asia, held back operating profit growth in our sales regions. Initiatives to improve profitability include growing our presence with large Enterprise dairies, expanding IVF services and launching Sexcel™.



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 research and developments ('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.

More information on the types and levels of risks the Board is prepared to seek and accept in executing the strategy, and how we define our risk appetite and identify and manage risks, can be found in the Corporate Governance Statement on pages 52 and 53.

LINK TO STRATEGY

- 1 Increasing Genetic Control and Product Differentiation
- 2 Targeting Key Markets and Segments
- 3 Sharing in the Value Delivered

STRATEGIC RISKS			
RISK DESCRIPTION	HOW WE MANAGE RISK	STRATEGY	RISK CHANGE IN 2017
DEVELOPING PRODUCTS WITH COMPETITIVE ADVANTAGE		1 2	→
<ul style="list-style-type: none"> 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		1	↓
<ul style="list-style-type: none"> 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 (see note 7).
DEVELOPING AND COMMERCIALISING GENE EDITING TECHNOLOGIES		1 2	↑
<ul style="list-style-type: none"> Failure to develop successfully and commercialise gene editing technologies due to technical, intellectual property ('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 ('R&D PMT') 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		1 2 3	→
<ul style="list-style-type: none"> Failure to identify appropriate investment opportunities or to perform sound due diligence. Failure to successfully integrate an acquired business. 	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.



RISK DESCRIPTION	HOW WE MANAGE RISK	STRATEGY	RISK CHANGE IN 2017
GROWING IN EMERGING MARKETS		2	→
<ul style="list-style-type: none"> 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			
PROTECTING IP		3	→
<ul style="list-style-type: none"> 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		1 2	→
<ul style="list-style-type: none"> Loss of key livestock, owing to disease outbreak. Loss of ability to move animals or semen freely (including across borders) due to disease outbreak, environmental incident or international trade sanctions. 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		1 2	
<ul style="list-style-type: none"> 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			
MANAGING AGRICULTURAL MARKET AND COMMODITY PRICES VOLATILITY		3	→
<ul style="list-style-type: none"> 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		n/a	↩
<ul style="list-style-type: none"> 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 ('MPF') 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. More details on this arrangement can be found in note 27.



A YEAR OF GOOD STRATEGIC PROGRESS

This was another good year for Genus, as we grew revenue and invested for the future. Genus PIC was a strong contributor to our financial performance, with increases in both revenue and adjusted operating profit. While Genus ABS had a challenging start to the year, our actions contributed to an improving performance in the second half. Our planned increase in R&D investment, particularly in gene editing, is already delivering encouraging results.

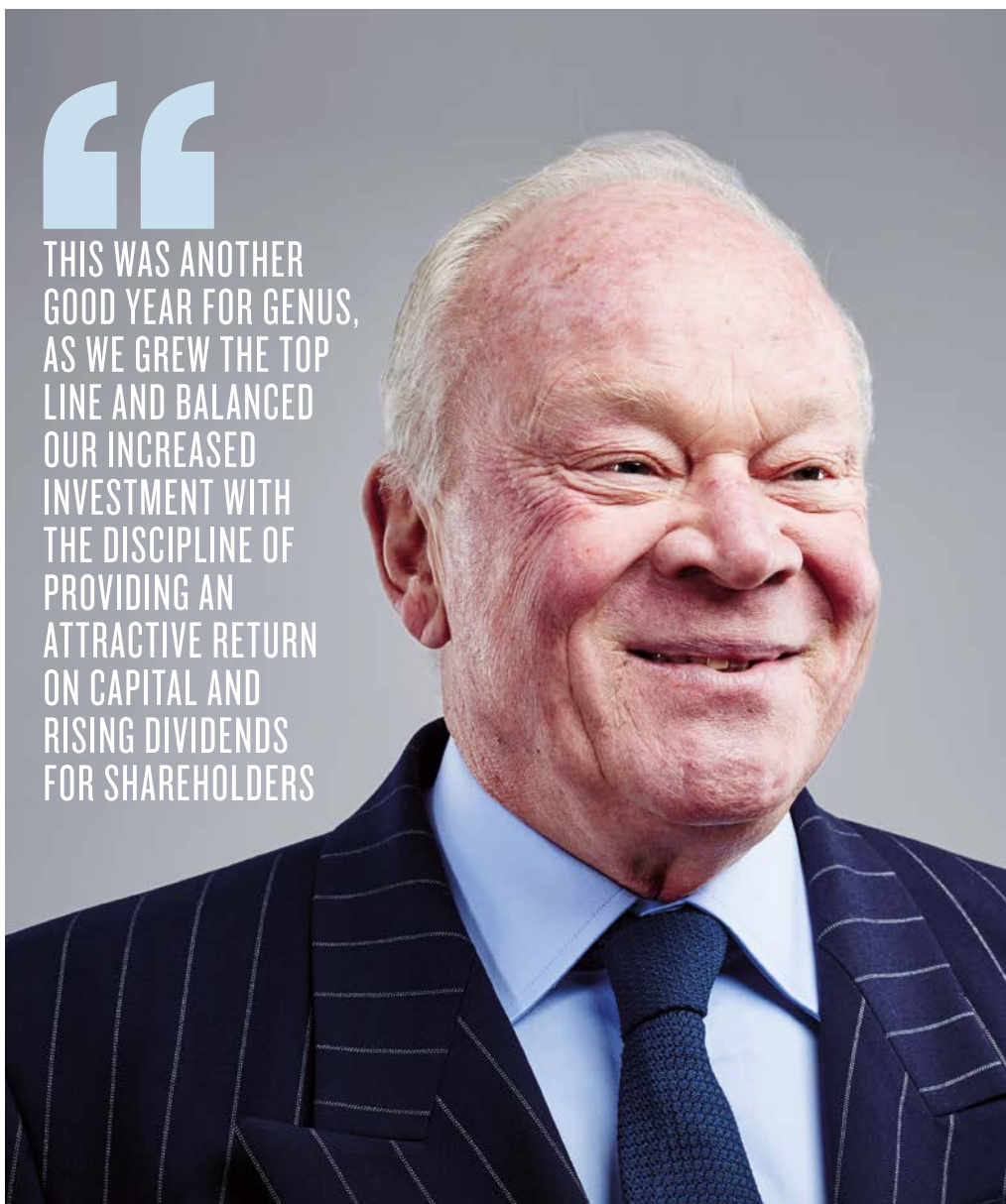
We balance our investment in growth with the discipline of providing shareholders with an attractive return on capital and rising dividends. The Board is recommending a final dividend of 16.2 pence per share, giving a total dividend for the year of 23.6 pence per share. This represents an increase of 10% over last year's total dividend of 21.4 pence. The final dividend will be paid on 1 December 2017, to shareholders on the register at the close of business on 17 November 2017.

Overseeing Our Strategy

One of the Board's key roles is to approve the Group's strategy and monitor our progress against it. Each year, we hold a strategic review with our Executive leadership team, which gives us the insight we need into the Group's competitive landscape, the challenges it faces and management's plans for addressing the compelling opportunities that they see. We also receive regular updates on specific aspects of the business throughout the year and visit our operations, to give us first-hand experience of key areas of the Group and its markets. This year, we spent a week visiting our operations and customers in the UK and Spain.

“

THIS WAS ANOTHER GOOD YEAR FOR GENUS, AS WE GREW THE TOP LINE AND BALANCED OUR INCREASED INVESTMENT WITH THE DISCIPLINE OF PROVIDING AN ATTRACTIVE RETURN ON CAPITAL AND RISING DIVIDENDS FOR SHAREHOLDERS



This work positions the Board to provide effective scrutiny of the Group's strategic development. This year we were pleased to approve our joint venture with De-Su, the acquisition of Hermitage's porcine genetics and our ongoing strategic partnership, the early acquisition of the outstanding 49% of IVB, and our PRRSv programme. We also received regular updates on progress with our court case with Inguran LLC, which concluded successfully. This paved the way for the launch of our new sexed semen product, Sexcel in the US, India and other key markets around the world, from 1 September 2017. As anticipated, ST has launched new patent litigation, which we will vigorously defend.

16.2p

FINAL DIVIDEND
PER SHARE

23.6p

TOTAL DIVIDEND FOR
THE YEAR (PER SHARE)

10%

TOTAL DIVIDEND
INCREASE

OUR VALUES

CUSTOMER CENTRIC

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

RESULTS DRIVEN

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

PIONEERING

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

PEOPLE FOCUSED

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

RESPONSIBLE

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

Board and People

The Board recognises the importance of providing independent, strong and effective leadership to the Group. We were therefore pleased that the latest evaluation shows that the Board and its Committees continue to function well. Other than Mike Buzzacott's previously announced retirement, the Board's composition was unchanged during the year and we remained focused on succession planning and diversity. More information on the Board and its activities can be found on pages 44 to 46 of this report.

The Board delegates responsibility for the Group's day-to-day running to the Executive leadership team. As a result, we are keenly aware of the need to attract and retain the best people. During the year, we kept abreast of succession planning for the Genus Executive Leadership Team ('GELT') and the appointment of a talented new COO for the Genus ABS Dairy business. Our succession planning is demonstrated by the internal promotion to the role of Group Human Resources Director following the incumbent's planned retirement.

More generally, Genus's people strategy is to support our growth plans by recruiting, developing, retaining and inspiring people who couple deep operational or technical expertise with genuine passion for our industry. The Group has nearly 2,700 employees around the world, who all play their part in helping our customers to improve their performance and productivity. On behalf of the Board, I thank them for their contribution to our success this year.

The Board is responsible for setting and demonstrating the behaviours and ethical standards we want to see throughout Genus. The Group has a fair, open and respectful culture, underpinned by our values (see left).

Summary

We made good progress with our strategy in 2017, while delivering financial performance in line with our expectations. The strategic investments we have made will enable us to build on our strong position in our global markets and ensure we have a sustainable business model. We look forward with confidence, as we deliver benefits to our customers, shareholders and other stakeholders.

Bob Lawson
Chairman

6 September 2017



PIONEERING ANIMAL GENETIC IMPROVEMENT

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.

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 EXPECT TO MAKE FURTHER STRATEGIC PROGRESS AS WE CONTINUE TO INVEST IN R&D

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



↑ **18%**
REVENUE IN ACTUAL
CURRENCY

↑ **13%**
ADJUSTED PROFIT
BEFORE
TAX IN ACTUAL
CURRENCY



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

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

Dr 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 GELT.



INCREASING

GENETIC CONTROL AND PRODUCT DIFFERENTIATION



75%

EXPECTED TOTAL
NEW US HOLSTEIN
BULLS SOURCED
IN LESS THAN
FIVE YEARS

CASE STUDY

In September 2016 we joined forces with De-Su Holsteins, North America's leading independent breeder of Holstein bulls, to create De Novo Genetics. The majority-owned venture combines the best genetics from both partners in a joint breeding programme, focused on creating elite and differentiated Holstein genetics. This follows years of effective collaboration between the two organisations.

Owning and producing your own genetics is becoming increasingly important in a consolidating genetics marketplace. De Novo will accelerate our ability to produce our own bulls, growing from 20% of total new US Holstein bulls sourced in 2016 to around 75% in less than five years.

Strategically, the partnership also gives us greater control of genetics that we provide to our customers. It strengthens our ability to enhance their profitability, by providing more efficient and sustainable genetics tailored to their needs. De Novo is consistently producing high ranking bulls with desirable traits for farmers.



DENOVO
GENETICS

“

GENUS AND DE-SU SHARE THE SAME PHILOSOPHY,
AS WE USE BREEDING TO BUILD ON THE TRAITS THAT
ARE ECONOMICALLY IMPORTANT TO OUR CUSTOMERS

KATIE OLSON – GLOBAL DIRECTOR, DAIRY PRODUCT DEVELOPMENT



TARGETING

KEY MARKETS AND SEGMENTS





CASE STUDY

Over recent years, we have transformed Genus PIC's European business and returned it to strong growth. In February 2017, we entered into a strategic partnership with Hermitage and acquired its genetics, further reinforcing PIC's position in Europe.

Hermitage is one of Europe's oldest pig breeding and genetics companies. Acquiring its genetic rights and IP will help PIC to accelerate genetic improvement for European customers of both businesses.

At the same time, we have taken on some of Hermitage's customer and multiplication contracts, including those in a number of European countries. Hermitage has also become a strategic supply chain and distribution partner for PIC. Its strong supply chain and customer service focused team will further improve our ability to serve European pig producers efficiently and reliably.

The partnership is an excellent strategic fit for PIC. The combination of PIC's genetics expertise and quality, and Hermitage's supply chain and operational excellence, will benefit both businesses and their customers.



THIS IS AN IMPORTANT STEP FOR US AND HERMITAGE IS AN EXCELLENT PARTNER, WITH A TREMENDOUS REPUTATION AND AN IMPRESSIVE FOOTPRINT IN EUROPE

DR BILL CHRISTIANSON,
COO, GENUS PIC



SHARING

IN THE VALUE DELIVERED

CASE STUDY

During this financial year, IVB's new laboratory in Torreón, Mexico, began serving large dairy enterprise customers. Torreón is home to Mexico's largest dairy farms, and the area with the biggest concentration of dairy cows in Latin America.

On-farm IVF services and ready-to-implant embryos are typically priced at a significant premium to semen. This is because an embryo allows for the selection of superior female as well as male parent donors to create genetically superior offspring with desirable characteristics for farmers.

With the commercial launch of the IVB lab in Mexico, the IVB and ABS teams visited numerous farms and dairies, and were able to demonstrate the genetic improvement benefits, and ultimately, the economic returns, of investing in IVF technology.

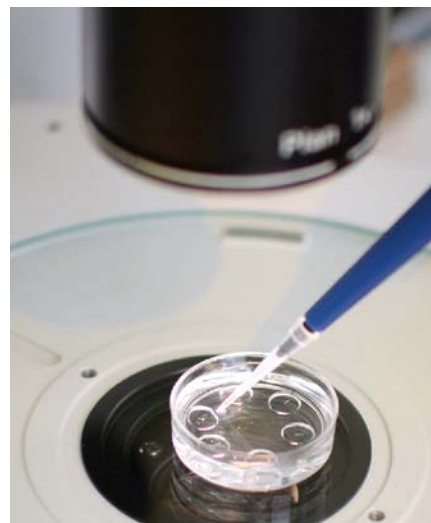
As a result, IVB secured over 15 new accounts by the end of the financial year, including two large accounts. In light of this success, IVB Mexico has taken on new staff to meet the growing demand for its services.





15

NEW IVB
CUSTOMERS
SECURED IN
MEXICO



“

IVB'S ABILITY TO DEMONSTRATE THE
VALUE OF INVESTING IN IVF TECHNOLOGY
IS GENERATING SIGNIFICANT DEMAND
AMONGST DAIRY FARMERS IN MEXICO

DR NATE ZWALD,
COO, GENUS ABS DIARY

ACCELERATING GENETIC PROGRESS

STRATEGIC PROGRESS

During the year, progress against our strategic objectives included:

INCREASING GENETIC CONTROL AND PRODUCT DIFFERENTIATION

- Continuing to develop our range of industry-leading genetics and beginning to assimilate genes acquired from Hermitage Genetics
- Collaborating with R&D colleagues and external partners on long-term development programmes, including our investigational gene-editing project to produce animals resistant to PRRSv

TARGETING KEY MARKETS AND SEGMENTS

- Increasing our share of business with large producers around the world, so we now work with over 70% of the largest global accounts
- Maintaining our progress in Europe (achieving growth of 26%) and continuing to see the benefits of our tailored strategy for China (with growth of 82%)
- Strengthening our supply chain to support markets around the world by upgrading several sites and incorporating Hermitage Genetics facilities

SHARING IN THE VALUE DELIVERED

- Conducting 26 product trials across seven countries, involving more than 63,000 pigs, demonstrating the difference our products and services deliver for customers
- Expanding use of the royalty pricing model, particularly in Europe and Asia (including further contracts in China), so that 77% of our volumes are now conducted on a royalty basis

PRIORITIES FOR 2018

- Continuing to implement our global strategy, tailored to local markets where needed
- Expanding use of the royalty model where possible, particularly accelerating the transition in China
- Making further investments in our supply chain to underpin growth
- Continuing to collaborate with colleagues and partners on new technologies and on plans to commercialise and achieve regulatory acceptance for gene-edited animals



Dr Bill Christianson, Chief Operating Officer, Genus PIC



A YEAR OF STRONG STRATEGIC PROGRESS, IN AN INCREASINGLY GLOBAL MARKETPLACE

£94.8M

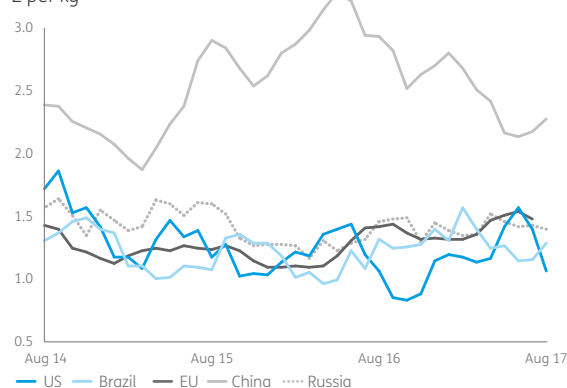
ADJUSTED OPERATING PROFIT INCLUDING JOINT VENTURES



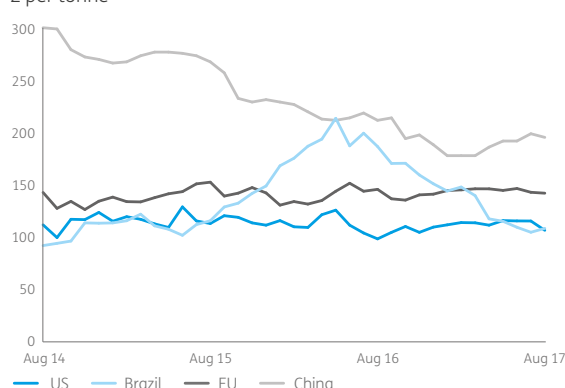
OPERATING REVIEW

	Actual currency			Constant currency
	2017 £m	2016 £m	Movement %	Movement %
Revenue	249.5	207.5	20	7
Adjusted operating profit excl. JVs	87.7	71.7	22	8
Adjusted operating profit incl. JVs	94.8	78.0	22	7
Adjusted operating margin excl. JVs	35.2%	34.6%	0.6pts	0.3pts

Pork – Key Markets
£ per kg



Corn – Key Markets
£ per tonne



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 ongoing 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.



ENHANCING OUR CUSTOMER FOCUS

STRATEGIC PROGRESS

During the year, progress against our strategic objectives included:

INCREASING GENETIC CONTROL AND PRODUCT DIFFERENTIATION

- Creating De Novo Genetics, our partnership with De-Su Holsteins, to accelerate in-house development of differentiated dairy genetics
- Bringing through the first bulls from our beef nucleus herd into production
- Launching NuEra Genetics™, the new global brand of our proprietary beef genetics, including the beef genetic nucleus and proprietary indices
- Taking full ownership of IVB to further accelerate its integration and growth
- Significantly enhancing our Genetic Management System (GMS 2.0) to help customers plan and achieve the genetic blueprint they are seeking for their herd

TARGETING KEY MARKETS AND SEGMENTS

- Enhancing our focus on large dairy accounts, particularly in the US, tailoring provision of products and services to their needs
- Continuing to expand IVB's reach in the US and grow its business in Mexico, harnessing the new laboratories established in 2016
- Helping customers in Latin America maintain the benefits of cross-breeding across generations, by providing hybrid genetics in embryo form
- Working with beef supply chain partners in the UK, US and Brazil on proprietary indices to identify genetics that increase supply chain efficiency, profitability and sustainability

SHARING IN THE VALUE DELIVERED

- Combining elite sire and maternal genetics in embryo form for customers in Latin America, providing a premium product that accelerates genetic progress
- Introducing a new beef index in the UK to rank sires on profit potential in customer herds, enabling us to price to value

PRIORITIES FOR 2018

- Successfully launching our proprietary sexed genetics offer, Sexcel, in target markets around the world (which we introduced on 1 September 2017)
- Building customised genetic blueprints for target dairy customers and tailoring our offer to their needs
- Launching further proprietary products and developing new indices for different beef markets and segments
- Continuing to extend IVB's reach to target customers and markets worldwide



Jerry Thompson
Chief Operating Officer, Genus ABS Beef



Dr Nate Zwald
Chief Operating Officer, Genus ABS Dairy



PRODUCING OUR OWN GENETICS AND APPLYING OUR PROPRIETARY SEXING AND IVF TECHNOLOGIES TO IMPROVE OUR CUSTOMERS' HERDS

17.7M

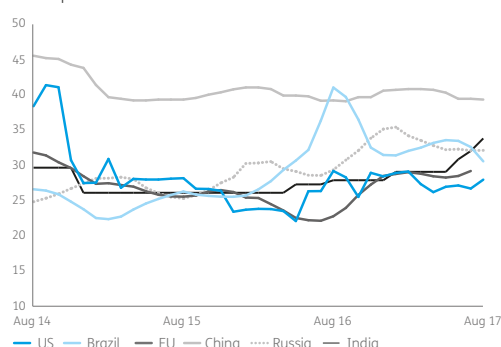
UNITS OF SEMEN
AND EMBRYOS SOLD



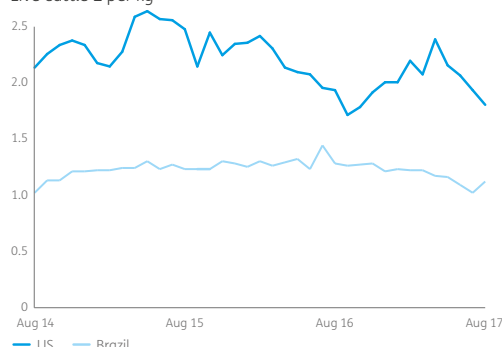
OPERATING REVIEW

	Actual currency			Constant currency
	2017 £m	2016 £m	Movement %	Movement %
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

Dairy – Key Markets
Pence per litre



Beef – Key Markets
Live cattle £ per kg



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 the 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 5 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 Torreón. In North America, IVB secured a new key account with a herd of over 60,000 animals, with a new laboratory to serve it starting in early FY18.



PIONEERING TECHNOLOGIES

STRATEGIC PROGRESS

During the year, progress against our strategic objectives included:

DIFFERENTIATED PRODUCTS FROM GENOMIC SELECTION

- Formation of De Novo Genetics, integrating our elite dairy female programme with animals from De-Su Holsteins, to create world leading, proprietary Holstein genetics
- Developing proprietary indices for beef, enabling us to select appropriate genetics for the drivers of profitability in target markets and segments
- Implementing our proprietary technological platform for genomic evaluation of beef genetics, based on analysing data collected from commercial herds in our target market segments
- Implementing genomic evaluations for dairy, focused on TransitionRight™ traits that produce daughters more resistant to health problems which commonly occur after giving birth
- Continuing our Nextgen Breeding project with the Roslin Institute, which is exploring the sequencing of porcine DNA to identify and harness several billion data points for animal selection

GENE EDITING

- Working with our partners in Caribou Bioscience to select and optimise the gene editing reagents for use in our PRRSv resistance programme
- Beginning the process of creating edits in elite PIC genetics, to remove the CD163 gene product, which is required for PRRSv to infect pigs
- Securing an INAD application with the US FDA for the PRRSv programme

GENDER SKEW

- Scaling our proprietary GSS technology in anticipation of our launch on 1 September 2017, to deliver our sexed bovine genetics offer at the highest calibre on a global scale

PRIORITIES FOR 2018

- Driving our dairy genetic progress through the De Novo joint venture
- Launching full genomic selection for beef, harnessing our proprietary technology
- Introducing further proprietary bovine indices, such as targeted beef indices, for Brazil and the US
- Successfully launching Sexcel, our proprietary sexed genetics offering
- Continuing to enhance our gene editing trait development capability
- Working with regulators and stakeholders to facilitate the future approval, and acceptance, of gene edited animal proteins



Dr Jonathan Lightner
Chief R&D and Scientific Officer

“
A YEAR OF FURTHER
PROGRESS ON LONG-TERM
PROJECTS USING
PIONEERING TECHNOLOGIES

↑ 12%

IN R&D
INVESTMENT IN
CONSTANT
CURRENCY



OPERATING REVIEW

	Actual currency			Constant currency
	2017 £m	2016 £m	Movement %	Movement %
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 well-being. 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 IP 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.



DELIVERING A SOLID FINANCIAL PERFORMANCE



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.

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 JVs (£m)

2017	60.1
2016	54.3
2015	51.2
2014	44.8
2013	48.2

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).



Adjusted results ¹	Actual currency			Constant currency ²
	2017 £m	2016 £m	Movement %	Movement %
Revenue	459.1	388.3	18	6
Operating profit	55.1	49.3	12	(1)
Operating profit incl. 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	2017 £m	2016 £m	Movement %
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

1 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.

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

Exchange rates	Average		Closing	
	2017	2016	2017	2016
US Dollar/£	1.27	1.47	1.30	1.34
Euro/£	1.16	1.33	1.14	1.20
Brazilian Real/£	4.11	5.47	4.30	4.28
Mexican Peso/£	24.61	25.38	23.51	24.66

Adjusted profit before tax ³	Actual currency			Constant currency
	2017 £m	2016 £m	Movement %	Movement %
Genus PIC	94.8	78.0	22	7
Genus ABS	21.3	22.0	(3)	(13)
R&D	(43.8)	(34.4)	(27)	(12)
Central costs	(12.2)	(11.3)	(8)	5
Adjusted operating profit incl. JVs	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)

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

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 MPF. 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. Offsetting 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 MPF'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 MPF 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 £m	2016 £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 MPF mentioned on page 31. 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 MPF 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 £m	2016 £m
Biological assets		
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 MPF, 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).

Cash flow (before debt repayments)	2017 £m	2016 £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).

Stephen Wilson
Group Finance Director
6 September 2017



RESULTS

THROUGH PEOPLE

Our people strategy centres on recruiting, developing and inspiring employees with deep genetic and operational expertise. Our global team ranges from geneticists to livestock technicians, veterinarians to accountants: all playing their part in helping customers improve performance and productivity.

Our overall headcount remained broadly level during the year, as we invested in areas of growth, whilst adjusting staffing in other areas.

Skill Recruitment

In June 2017, our staff numbered 2,677, up 8 from 2,669 last year. We controlled headcount tightly, resourcing areas of growth, for example, our IVB embryo business and GSS production in the US, whilst restructuring other areas, such as parts of ABS and PIC Supply Chain, for efficiency. We recruited 16 staff with PhDs this year, bringing our total of PhD qualified staff to 101. Our talent pool is global, with staff originating from 30 different countries: during the year we recruited or assigned staff into 22 of the 25 countries in which we employ staff.

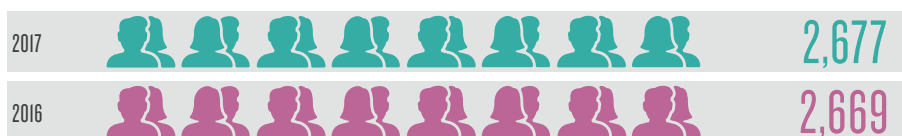
Female Representation for 2017

31% of our staff are women, 27% in management roles: we are committed to identifying women with potential and developing them into senior roles.

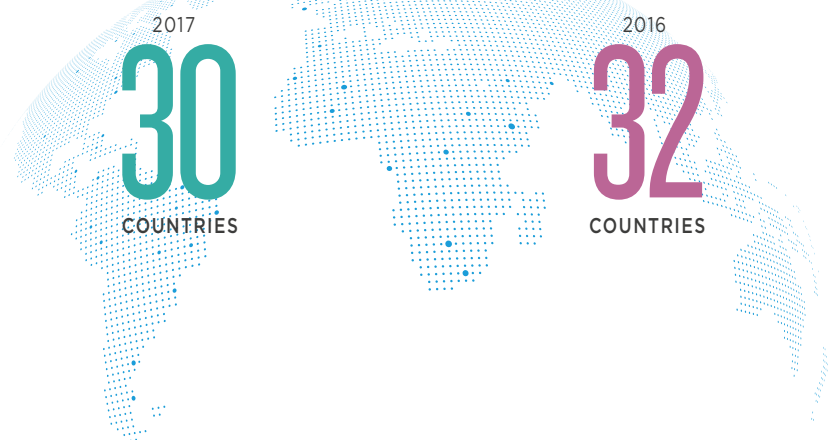
Investing in Our People

We continued to run bespoke management development programmes, together with our PIC and ABS Sales Academies. We mounted our largest-ever training programme, equipping employees for the launch of Sexcel, and we developed a global training programme for PIC production managers to introduce best-in-class recruitment and on-boarding practices.

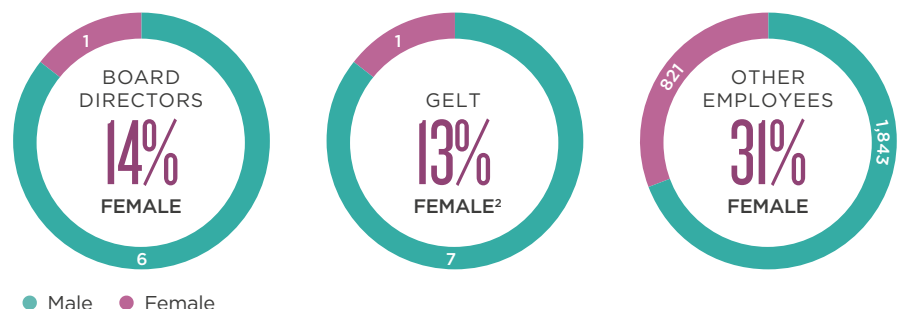
NUMBER OF EMPLOYEES



EMPLOYEE COUNTRY OF ORIGIN¹



FEMALE REPRESENTATION



● Male ● Female

¹ Those employees who chose to record their country of origin.

² Of the direct reports to GELT, 34% are female (22% excluding administrative supportive staff).

Visit: www.genusplc.com/work-for-us to learn about Genus as an employer.





TO REALISE ANIMAL GENETIC IMPROVEMENT TAKES A GENERATION: OUR TEAMS BRING A UNIQUE BLEND OF EXPERTISE AND EXPERIENCE TO DELIVER RESULTS IN CUSTOMER HERDS

Aligning Incentives with Business Goals

We introduced new incentive programmes for ABS and PIC production staff, rewarding them for improving productivity, quality and safety. We overhauled our corporate incentive programmes. For our annual scheme, open to all salaried staff, we simplified targets and strengthened links with business goals. For our long-term scheme awarded to selected senior leaders below GELT, we moved from performance shares to restricted stock, aligned to North American reward practice where the majority of our leaders are based.

We applied rigorous individual performance conditions before making the award to those we see as key to our future success. We saw a positive impact on morale and are monitoring to ensure it has the desired retention effect.

Enhancing Health and Safety ('H&S')

We made significant progress this year, with incidents down by 10%, and animal related incidents – a specific target – falling by 12%. Across the business we increased 'near miss' reporting by 61%, 266% in owned production sites, learning lessons to avoid future incidents. To support colleagues working alone on farms, we introduced a lone working device to 243 UK colleagues (see case study). More details are on our website www.genusplc.com/responsibility.

Human Rights and Anti-Slavery

We remain fully compliant with our policies and operate to the highest standards for our people and those who work with us directly through our supply chains.

Looking Ahead

To support the Company's growth plans, we will be increasing recruitment in a number of areas. These include our embryo business, PIC supply chain capacity and support for the launch of Sexcel.

We will continue to invest in our people, and will run our third global employee survey, seeking feedback to help us continue improving our organisation and the way we work.

TRAINING INTERVENTIONS



2017
32,708
2016
24,127

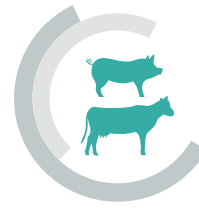
ENHANCING H&S

INCIDENTS



ALL INCIDENTS
↓ **10%**
RECORDABLE INCIDENTS
↓ **20%**

ANIMAL-RELATED INCIDENTS



↓ **12%**

NEAR MISS REPORTING TOTAL COMPANY



↑ **61%**

CASE STUDIES



PROTECTING LONE WORKERS

We have introduced portable devices to enhance protection for dairy technicians working alone on customer farms. If the device detects that the technician is not moving, it relays the location and an alarm to a 24/7 monitoring station, activating emergency protocols. Initially rolled out in the UK, we plan to introduce these devices in other geographies.



PIC GENETIC SERVICES

PIC's multi-national Genetic Services team is made up of world class geneticists and data scientists: one third with PhDs. They use Relationship Based Genomic Selection and PicTraq®, our 55 year database, to identify, improve and multiply traits of commercial value to producers, shaping product indices, mating strategies and research programmes.



GLOBAL TRAINING ON SEXCEL

We invested in our largest-ever training programme to support the launch of Sexcel. This was developed through collaboration between global colleagues and helps participants learn about the value of sexed genetics and what is different about our proprietary technology. It is enabling colleagues to help customers understand and make the most of the benefits Sexcel offers them.



SUSTAINABILITY

AT OUR CORE



WE SUPPORT THE MEAT AND DAIRY INDUSTRIES THROUGH ETHICAL ANIMAL GENETIC IMPROVEMENT, INCREASING THE SUSTAINABLE SUPPLY OF ANIMAL PROTEIN TO HELP NOURISH PEOPLE AROUND THE WORLD

The world's population is growing, demand for protein is rising, but our natural resources are increasingly stressed. We work with the core building block – animal genetics – to improve the quality and output of responsibly produced meat and milk.

Our scientific teams harness leading-edge research and technologies. By identifying desired genetic traits, replicating these through our breeding programmes, disseminating them rapidly with on farm support to deliver at scale, we help our customers increase the supply of affordable and high quality protein around the world.

CASE STUDY



Importing live bulls to India

In 2016, we became the first company ever to import live bulls to India, following a landmark agreement with the Indian government. These 13 animals are now the country's leading sires, enhancing the availability of high-quality genetics in the world's largest dairy market. They reside at our Brahma joint venture bull stud, a state-of-the-art facility built using best practice for animal well-being and H&S.

CASE STUDY



Enhancing feed efficiency

Our genetic improvement programmes select animals with desirable traits, for example, converting feed into growth more efficiently. This both enhances the productivity of customer operations and reduces environmental impact: efficient growth means animals produce less manure and methane, farmers can use less water and we reduce the land required for crop production.

CASE STUDY



Recruiting for our farms

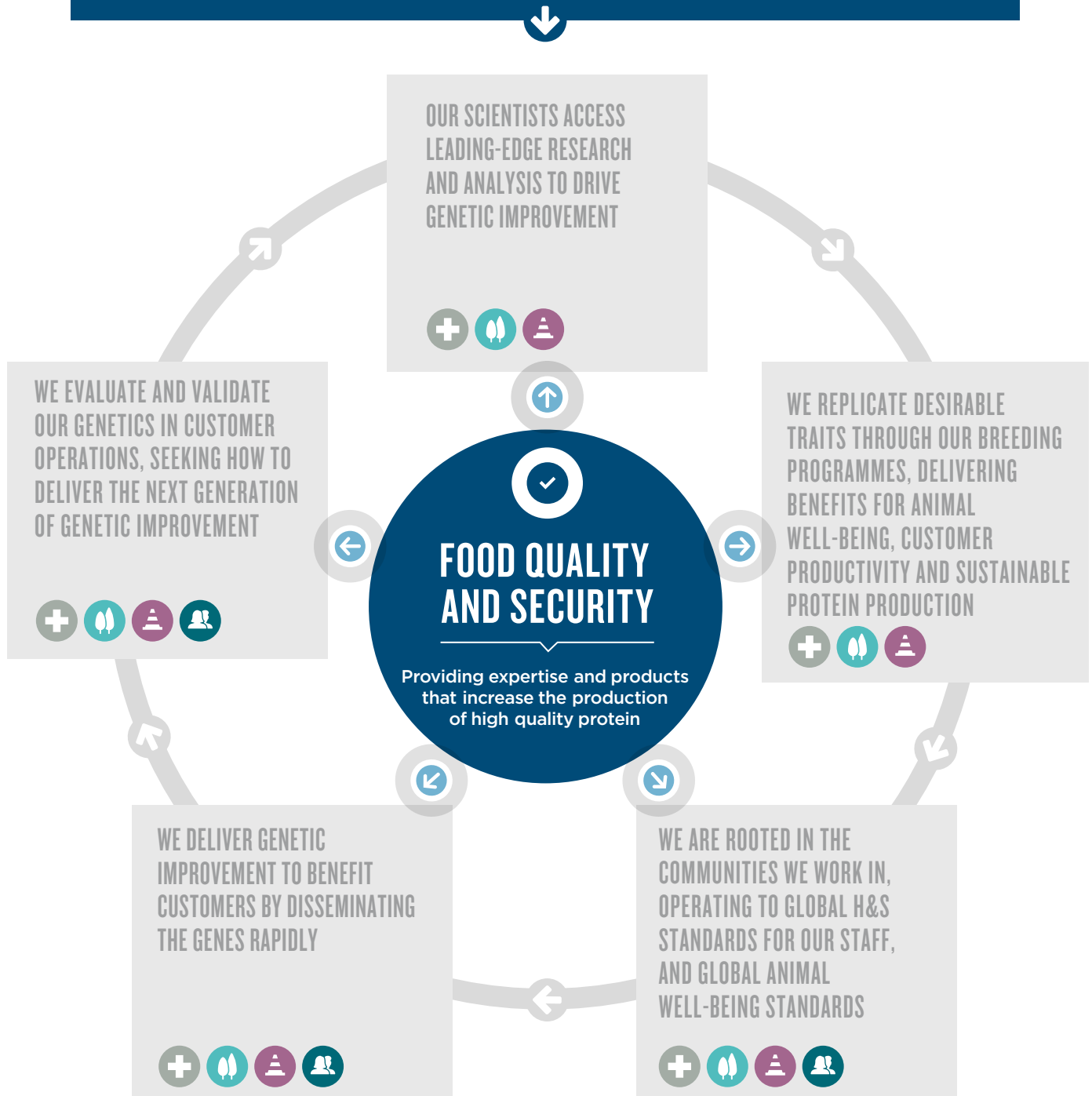
In 2017, we recruited 93 new employees into our bovine and porcine production facilities from neighbouring communities. We train every employee on our animal well-being principles including our zero tolerance policy on animal cruelty. Our training is tailored to the different species and is of a world class standard.

To see the full scope of our framework, and read more about our work in each area, please visit: www.genusplc.com/responsibility



FOOD QUALITY AND SECURITY

'Food Quality and Security' is at the very core of what we do as a business. The diagram below describes how our corporate responsibility approach works with our business cycle (see our People and Culture section on page 35 for progress on improving H&S).



ANIMAL WELL-BEING

Continually improving animal well-being through proven science based initiatives



ENVIRONMENT

Reducing the impact of protein production



OPERATE SAFELY

Ensuring a safe working environment for colleagues



COMMUNITY

Being a responsible corporate citizen within our communities



LEADING FROM THE FRONT

The leaders on our Corporate Social Responsibility ('CSR') Committee were chosen because each has a role in delivering our corporate responsibility agenda. Now in its fourth year of operation, the Committee reports to the Board, meeting quarterly, setting strategy, annual objectives and tracking progress.

Achievements of particular note during 2017 included improvements in H&S performance, see page 35, and continued investment in animal well-being. The key performance indicators for monitoring and reporting our performance are summarised below and can be read in full, together with more information on our Committee, at www.genusplc.com/responsibility.

OBJECTIVES UPDATE

WHAT WE DO

HIGHLIGHTS

WHAT WE PLAN TO DO NEXT

✓ FOOD QUALITY AND SECURITY

Providing expertise and products that increase the supply of high quality protein

- Using genomic selection, the value of PIC genetics improved by US\$3.68, providing highly productive, high health pigs
- Maintained current genetic lag levels by market
- Deployed IVF technology, genetic audits and mating tools to deliver tailored genetic solutions to ABS customers
- Elite bull export to India, improving genetic merit

- Maximise porcine genetic improvement and rapidly disseminate the genes
- Continue development of PRRSV resistant pigs to improve animal well-being and producer output
- India: using elite male genetics and sexing technology, increase probability of female offspring
- Launch Sexcel, a sexed product subjected to less stress during production

+ ANIMAL WELL-BEING

Continually improving animal welfare through proven science-based initiatives

- Pork Quality Assurance ('PQA') based training completed in all owned production sites and global standards briefed to every staff member
- PIC facilities in US and Canada upgraded to plan
- ABS studs audited and action plans delivered

- Deliver PIC Care programme
- Conduct the second PIC Supply Chain survey and action plan based on findings
- Continue investment in PIC and ABS animal housing facilities

ENVIRONMENT

Reducing the environmental impact of protein production

- External audits of Genus PIC's waste management systems, completed on 80% of animals on owned sites. Waste from the genetic nuclei used as commercial fertiliser
- Met the targeted improvement in feed efficiency of 0.02kg of feed per kg of pork

- Maintain scope and measures of PIC audits on owned production, including 80% of owned sites
- Improve feed efficiency by 0.02kg of feed per kg of pork
- Develop beef genetics that improve feed efficiency, measured through the in-house Genetic Nucleus (GN) selection index

⚠ OPERATE SAFELY

Ensuring a safe working environment for our colleagues

- Vehicle incidents increased in the year; reduction in UK offset by increase in the US linked to improved reporting
- Near miss reporting on our production sites increased by 266%, and by 61% across the Company
- Total Company recordable incidents reduced by 20%

- Reduce occupational road risk year on year
- Near miss reporting – reduce risk by increasing reports across the business
- Continue to reduce incidents, specifically involving animals, and on customer premises

COMMUNITY

Being a responsible corporate citizen, within our communities

- Supported the Send a Cow charity: 74 cows donated
- Recruited 93 staff into our PIC and ABS production sites

- Continue to respond to local crises, recruit into local farms and encourage support for charities close to the local businesses



CASE STUDIES

DEVISING NEW
BULL DIETS

We have devised high forage, high fibre diets for our bulls that meet nutritional needs and help them relax. The diet encourages cud chewing, which is natural behaviour for cattle and keeps them calm. We tailor diets to animal needs and strive to feed them 1.5% of their body weight daily.

SUPPORTING SAFE
ANIMAL HANDLING

We have developed bespoke training to help employees understand and respond to the instinctive behaviours of the animals they work with. We have different courses on working with pigs, bulls and cattle. These have been translated into multiple languages and all employees undertake 'refresher' training regularly.

INCREASING
GENETIC
IMPROVEMENT

We harness genomic selection technology to help our customers accelerate genetic improvement in their herds and produce more animal protein, using fewer natural resources. This helps us increase customer profitability; for example, our Porcine Genetic Improvement Index shows an improvement of US\$3.68 per commercial pig per year.

GREENHOUSE GAS ('GHG') REPORTING



Our GHG emissions are primarily methane produced by our animals and carbon dioxide from consuming fuel and other materials, and from transport. Our primary intensity ratio is based on animal weight, which is a key driver of our GHG emissions. Our secondary intensity ratio is based on turnover.

Our primary intensity ratio includes emissions which are affected mainly by the number and age of animals but also by emissions from our fuel combustion. Animal weight has reduced by 1%, driven by exiting porcine farms in Asia and Europe, partially offset by an increase in the number of bovine animals being produced internally. However, an increase in fuel combustion, mainly to control the temperature in our

Chinese porcine farms, has resulted in an overall increase in the primary ratio. Our secondary intensity ratio has reduced, mainly due to an increase in turnover while maintaining the absolute level of total emissions.

Our Reporting Approach

We use operational control as our reporting approach. We have determined and reported the emissions we are responsible for within this boundary and believe there are no material omissions. GHG data is therefore reported for assets, which are mainly rented or leased, that are otherwise not referred to elsewhere in the financial statements. We omitted joint ventures and some livestock held at third parties, due to our limited authority to introduce and implement operating policies.

GHG EMISSIONS FOR 2017 (%)



- 67% From livestock
- 14% From third party distribution and business travel
- 19% From other activities

Emissions from	2017	2016
	Tonnes of CO ₂ e	Tonnes of CO ₂ e
Scope 1 – combustion of fuel and livestock emissions	77,895	72,596
Scope 2 – purchased electricity, steam, heat and cooling	8,065	8,857
Total Scope 1 and 2	85,960	81,453
Scope 3 – material usage and waste, third party distribution and business travel	24,055	28,433
Total emissions	110,015	109,886
Primary intensity measure – animal weight (tonne)	10,146	10,249
Secondary intensity measure – turnover (£m)	459.1	388.3
Primary intensity ratio – Scope 1 and 2 (tCO₂e/tonne animal weight)	8.47	7.95
Secondary intensity ratio – Scope 1,2 and 3 (tCO₂e/£m turnover)	240	283

Annual emissions figures have been calculated based on actual ten-month data for July to April, extrapolated for a full year.

Assessment methodology

World Resources Institute/World Business Council for Sustainable Development. 'The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard' DEFRA 'Guidance on how to measure and report your greenhouse gas emissions' DEFRA. 'Environmental Reporting Guidelines: Including mandatory greenhouse gas emissions reporting guidance'.

Emissions factor data source

IPCC 'Guidelines for National Greenhouse Gas Inventories'. DEFRA/DECC 'Conversion Factors for Company Reporting'.



STRONG CORPORATE GOVERNANCE

Dear Shareholder

The contribution of strong corporate governance to business success is widely recognised, and it remains an area of keen focus for investors, the government, standard setters and society more broadly. At Genus, we are highly aware of the critical role the Board plays. We were therefore pleased that the latest evaluation of the Board's performance showed that it continues to provide high-quality leadership to the Group.

During the year, we have devoted considerable time to analysing the Board's range of skills and planning succession for the Directors. This will remain a priority for us in the coming year. We have also reviewed the Group's diversity policy, recognising that diversity contributes to better business decisions.

We continue to look at how we report on corporate governance, so we provide real insight into the Board's work and how it leads the Group. This year we have given more emphasis to our activities and offered opportunities for some of our Non-Executive Directors ('NEDs') to share their impressions of Genus and the Board.

Set out opposite are some of this year's governance highlights. More information on each area can be found on pages 42 to 83.

Bob Lawson
Chairman

6 September 2017

“

THE BOARD CONTINUES
TO PROVIDE HIGH-
QUALITY LEADERSHIP
TO THE GROUP



CORPORATE GOVERNANCE
HIGHLIGHTSPROVIDING
EFFECTIVE
LEADERSHIP

An independent external follow up review of the Board's performance showed particular strengths in the composition and culture of the Board, along with the leadership of the Board and the organisation.



See page 47

MAINTAINING AN
INDEPENDENT
BOARD

The Board has a majority of independent Directors, with five Non-Executives (including the Chairman) and two Executive Directors.



See page 50

ENSURING
STRATEGIC
OVERSIGHT

The Board held its annual strategy review in January and received regular updates on strategy and business development and the competitive landscape during the year.

See pages 46
and 48ENHANCING
THE BOARD'S
KNOWLEDGE OF
THE BUSINESS

To give the Board first-hand experience of our business and customers, the Directors spent a week visiting our UK and Spanish operations in May.



See page 49

ENGAGING OUR
SHAREHOLDERS

The Executive Directors met institutional investors owning almost 60% of our share capital, including 20 of our 25 largest shareholders, as well as many potential investors.



See page 54

CONTINUING TO
COMPLY

Genus complied in full with the 2016 edition of the UK Corporate Governance Code (the 'Code'), which was the standard applicable for this financial year. A copy of the Code is available from the Financial Reporting Council's ('FRC') website.

OUR APPROACH TO REPORTING ON
CORPORATE GOVERNANCE

This year, we have aimed to provide even greater insight into the Board's key activities during the year, to demonstrate how the Board works and its effectiveness. The remainder of the Corporate Governance Report explains how we comply with the Code, using the key Code principles as a framework.

The content of each section is outlined below:

THE BOARD'S YEAR IN REVIEW

Includes the Board's key activities in the year and details of the annual Board evaluation.



See pages 46-49

LEADERSHIP

Includes the composition of the Board and its Committees, and the Directors' roles and responsibilities.



See pages 50-52

EFFECTIVENESS

Includes the Nomination Committee's activities in the year.

See pages 47
and 55-56

ACCOUNTABILITY

Includes an explanation of our risk management and internal controls, and the Audit Committee's activities during the year.

See pages 52-53
and 57-59

RELATIONS WITH SHAREHOLDERS

Includes our investor relations calendar, data on the shareholders we met during the year, and the key themes discussed at investor meetings.



See page 54

REMUNERATION

Includes an explanation of our approach to remuneration and a report on the Directors' remuneration for the year.



See pages 60-81



Board of Directors and Company Secretary



Bob Lawson^{1, 2}
Non-Executive Chairman
Nomination Committee Chair

Board Appointment – November 2010

Skills and Experience

Bob has significant experience of leading international businesses, including through operational and culture changes, and a deep understanding of listed companies and corporate governance.

Career

Bob's executive career spanned several UK and continental groups, including ten years as Chief Executive of Electrocomponents plc and three years as Managing Director of Vitec Group plc. He is currently Non-Executive Chairman of Eurocell plc and was formerly Chairman of the Federation of Groundwork Trusts and Non-Executive Chairman of Barratt Developments plc.



Karim Bitar¹
Chief Executive

Board Appointment – September 2011

Skills and Experience

Karim has extensive experience of leading international, science-based organisations. His strategic review of Genus in 2012 resulted in a new vision, strategy, structure and core values. He has a BSc in Biochemistry from the University of Wisconsin and an MBA from the University of Michigan.

Career

Prior to joining Genus, Karim worked for more than 15 years for Eli Lilly and Company, where he was President of Lilly Europe, Canada and Australia. An ex-McKinsey and Company consultant, he also held management roles at Johnson and Johnson, and the Dow Chemical Company. On 1 July 2017, Karim was appointed a Non-Executive Director on the board of Spectrics plc. He is also a member of the University of Michigan Ross School of Business Advisory Board.



Stephen Wilson
Group Finance Director

Board appointment – January 2013

Skills and Experience

Before joining Genus, Stephen worked in France and the US and gained wide-ranging experience of mergers and acquisitions, financing, strategy and investor relations. He is a Fellow of the Chartered Institute of Management Accountants and holds a degree in Mathematics from the University of Cambridge.

Career

Stephen was previously Executive Vice President and Chief Financial Officer of Misys plc. Prior to Misys, he spent 25 years at IBM, in roles encompassing finance, business development and change programmes. He was a Non-Executive Director of Xchanging plc, where he chaired the Audit Committee until its acquisition by CSC in May 2016.

Key to Committees

- ¹ Member of the Nomination Committee.
- ² Member of the Remuneration Committee.
- ³ Member of the Audit Committee.





Nigel Turner^{1, 2, 3}
Senior Independent
Non-Executive Director
Remuneration Committee Chair

Board appointment – January 2008

Skills and Experience

Nigel has substantial experience of international business and corporate finance.

Career

Nigel was Chairman of Numis Securities Ltd and Deputy Chairman of Numis Corporation plc from December 2005 to November 2007. Prior to this he was Vice Chairman of ABN AMRO's Wholesale and Investment Bank, having joined in 2000 from Lazard, where he was a Partner for 15 years and sat on its Supervisory Board. Nigel is Senior Independent Director of Croda International plc.



Professor Duncan Maskell^{1, 2, 3}
Non-Executive Director

Board appointment – April 2014

Skills and Experience

Duncan has co-founded several biotech companies and has extensive experience of commercialising science and innovation. He is also an experienced scientific adviser to companies, using his broad perspective on life sciences.

Career

Duncan is Senior Pro-Vice Chancellor ('PVC') of the University of Cambridge, where he and the four other PVCs are responsible for the University's strategy and policy development. He was previously Head of the School of the Biological Sciences at the University, where he led research on infectious diseases of livestock and people.



Lysanne Gray^{1, 2, 3}
Non-Executive Director
Audit Committee Chair

Board appointment – April 2016

Skills and Experience

Lysanne has significant experience of risk management, audit, business operations, acquisitions and disposals, and corporate governance, gained within the food sector. She is a Chartered Accountant.

Career

Lysanne is Financial Controller at Unilever plc and Unilever NV. Prior to this she was Chief Auditor, working closely with Unilever's Audit Committee, and before that Chief Financial Officer of Unilever's global food service business. She has also held a number of other senior operational and financial positions within Unilever.



Lykele van der Broek^{1, 2, 3}
Non-Executive Director

Board appointment – July 2014

Skills and Experience

Lykele has vast experience of growing companies and working in agricultural businesses throughout the world, including in emerging markets.

Career

Lykele retired as a member of the Board of Management of Bayer CropScience, a division of Bayer AG, in 2014, being responsible for the commercialisation of innovative agricultural products and services globally. Prior to this, he held senior international roles including the Head of Bayer CropScience's BioScience division and President of the Bayer HealthCare Animal Health division.



Dan Hartley
Group General Counsel and
Company Secretary

Appointment – June 2014

Skills and Experience

Dan has significant experience in multi-jurisdictional patent litigation, mergers and acquisitions, patent licensing and managing product life cycles in complex areas. He holds degrees in science and law.

Career

Dan joined Genus from Shire plc, where he was Senior Vice President and International Counsel. Dan joined Shire in 2002, after a number of years in private practice, and worked in increasingly senior and global roles in the UK and the US.



Genus Executive Leadership Team ('GELT')

During 2017, we strengthened the leadership team and ensured it was aligned to our business priorities. The appointments we made have deepened GELT's industry expertise and commercial acumen, further improving its capability to deliver the Group's strategy.

Jerry Thompson was appointed to lead our Genus ABS Beef business from July 2016 and his strategic review is now being implemented (see pages 26 and 27). Saskia Korink, who was COO of Genus ABS Dairy, left the business in November 2016 and was replaced by Dr Nate Zwald, who joined us in January 2017. Catherine Glickman, Group HR Director, stepped down from GELT on 1 July 2017 and Angelle Rosata was promoted to the role with effect from July 2017.



Karim Bitar
Chief Executive



Stephen Wilson
Group Finance Director



Dan Hartley
Group General Counsel and
Company Secretary

See pages 42 and 43 for Karim's, Stephen's and Dan's biographies.



Dr Bill Christianson
Chief Operating Officer, Genus PIC

Skills and Experience

Bill has spent his career at the intersection of agriculture and biotechnology, giving him a unique blend of deep industry knowledge and extensive commercial and global experience. He holds doctorates (DVM and PhD) in Veterinary Medicine from the University of Minnesota.

Career

Bill joined in 1993 as Manager of Veterinary R&D, based in the US. He subsequently worked in operational roles spanning Europe, South America and the US, before becoming General Manager of PIC North America in 2007. He led the combined ABS and PIC business across the Americas from 2010, before becoming COO of Genus PIC in 2012.





Jerry Thompson
Chief Operating Officer,
Genus ABS Beef

Skills and Experience

Jerry is a natural entrepreneur and has brought his deep industry knowledge, commercial skills and international experience to develop the business in countries as diverse as the UK, Russia and China. He has helped Genus establish and grow its business in new markets.

Career

Jerry has worked for PIC and subsequently Genus for more than 20 years. He joined as a graduate in the UK, subsequently working in Siberia and Romania before leading PIC in Central and Eastern Europe. He then led PIC Europe before becoming Regional Director for PIC and ABS in Russia and Asia Pacific and subsequently COO for Genus Asia. He was appointed to his current role in July 2016.



Dr Jonathan Lightner
Chief R&D and Scientific Officer

Skills and Experience

Jonathan is a world-renowned quantitative molecular geneticist, with expertise spanning inter-related fields such as molecular biology, analytical chemistry and 'omic' technologies. He also has extensive regulatory and commercial experience. He holds a Masters in Systems Engineering from Iowa State, an MBA from the University of Iowa and a Doctorate in Plant Physiology from the Institute of Biological Chemistry at Washington State University.

Career

Jonathan joined Genus in 2013 from Pioneer Hi-Bred International Inc, a DuPont business, where he led a global team focused on genetic solutions to enhance agricultural productivity. His other leadership roles with DuPont Pioneer included Senior Research Director for Trait Characterization within Hi-Bred International. Jonathan's previous experience included three years with Exelixis, as Director of Biochemical Genomics.



Dr Nate Zwald
Chief Operating Officer,
Genus ABS Dairy

Skills and Experience

Nate brings deep dairy genetics expertise, a strong commercial focus and a passion for people development. He grew up on the Bomaz dairy farm in the US, which has produced high-ranking industry and ABS sires, before studying at the University of Wisconsin. Here, he obtained a degree in Dairy Science, an MBA and a PhD (focused on the genetic evaluation of health traits in dairy cattle).

Career

Nate joined Genus in January 2017 after 15 years at Alta Genetics. This included being Alta's Advantage Program Manager, in which he redesigned progeny testing in partner herds. For his final ten years with the company, Nate led Alta's successful US business as General Manager. Nate has a strong dairy industry network and sits on the board of the Council on Dairy Cattle Breeding and is Vice President of the National Association of Animal Breeders.



Angelle Rosata
Group HR Director (from 1 July 2017)

Skills and Experience

Angelle combines commercial acumen with her broad expertise in resourcing, talent and succession, leadership development, and H&S. Her strategic planning skills and pragmatism help to align the Group's people agenda with its business needs. Angelle holds a Masters in Human Resource Development from Vanderbilt University.

Career

Angelle joined Genus PIC in September 2013 as HR Director, following more than 20 years in the healthcare sector. She developed and delivered PIC's people strategy, before being appointed HR Director for Genus ABS. Angelle was appointed Group HR Director and a member of GELT on 1 July 2017.



OUR MAIN ACTIVITIES IN 2017

UPDATES RECEIVED AT ALL BOARD MEETINGS

- Strategic business and competitive landscape developments from CEO
- Financial performance of businesses and forecasts from Group FD
- Corporate governance and legal issues from Group General Counsel and Company Secretary, and external advisers

LEADERSHIP AND EFFECTIVENESS

- Carried out Board effectiveness review
- Update on the appointment of COO ABS Dairy and GELT succession planning

BUSINESS DEVELOPMENT AND STRATEGY

- Held strategic meeting with GELT (see page 48)
- Approved:
 - the dairy genetic improvement joint venture, De Novo, in partnership with one of the leading Holstein breeders De-Su
 - the acquisition of Hermitage porcine genetics and strategic distribution channels
 - the acquisition of the remaining 49% stake in IVB
 - the PRRSv programme
- Received updates on:
 - IVB integration, including the launch in Mexico to serve large dairy operations
 - GSS development progress and US litigation (see note 14)
 - the De Novo joint venture progress
 - business development opportunities, including summaries of due diligence reviews
 - the competitor landscape

RESEARCH AND DEVELOPMENT

- Received regular updates on R&D pipeline developments, new initiatives and potential collaborations
- Received regular updates on the progress of the PRRSv development programme
- Received updates from Directors attending the R&D Portfolio Management Team
- Updated on the recruitment of key R&D personnel

COMPANY PERFORMANCE

- Received updates on the operational performance of the business and market conditions for each division
- Received updates on the integration of the new ABS Dairy COO and the plans to accelerate ABS growth
- Monitored the Group's performance against its goals

EMPLOYEES

- Updated on key vacancies and hires, in particular in sales and R&D
- Met key talent and business leads on Board site visits
- Updated on resourcing for growth and other initiatives, in particular the:
 - recruitment and training of GSS teams in the US and India
 - resourcing of IVB expansion and building of capability

SHAREHOLDERS

- Updated on meetings with shareholders, potential investors and analysts
- Received regular briefings from Executive teams

FINANCE

- Approved the annual and interim results and dividends
- Approved the 2018 budget
- Received tax and treasury updates
- Received pension updates
- Approved the terms of the exit of National Milk Records plc from the MPF

EXECUTIVE/GELT UPDATES

- Received monthly financial and operational performance updates
- Received regular presentations from each business unit

H&S

- Reviewed 2017 targets for H&S and reviewed progress throughout the year
- Received monthly and quarterly updates from Head of H&S including progress against the H&S KPIs

RISK MANAGEMENT

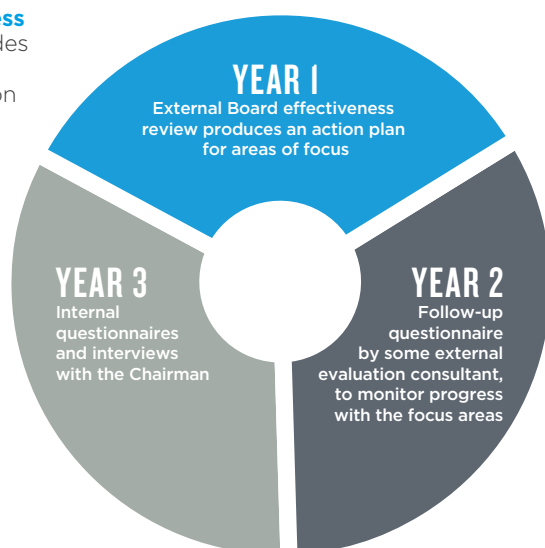
- Monitored the Group risk register
- Updated on whistleblowing hotline reports and investigations
- Reviewed and approved a project to implement a new Enterprise System across Genus



EFFECTIVENESS

Assessing Our Effectiveness

To ensure the Board provides effective leadership, we have a three-year evaluation cycle, using a mixture of internal and external evaluations.



THE BOARD PROVIDES AN APPROPRIATE BALANCE OF CHALLENGE AND SUPPORT

This was the second year of the three-year cycle. The evaluation was externally facilitated by Dr Tracy Long of Boardroom Review, who has no other connection with the Group.

The Chairman agreed the scope of the review, which involved:

- effectiveness questionnaires with each Board member, following which the Board discussed the strengths and challenges identified by the process;
- a workshop with the Board, to examine and discuss a case study, based on strengths and challenges similar to Genus's; and
- discussion of how the Board could enhance the effectiveness of its contribution to the Company.

The Evaluation's Conclusions

The review showed that the Board had particular strengths in the following areas:

- Board culture and leadership, with the Board functioning well as a team and having an appropriate balance of challenge and support, with open, forthright and relevant dialogue on critical issues;
- realism about the challenges and opportunities facing Genus, and the ability to take long-term decisions because they are right for the Company;
- the benefit of high-quality Board papers, produced in a timely manner and presented by the Executives, enabling the Board to discharge its duties;
- a focus on risk assessment, including H&S; and
- possession of all the required disciplines, with the Board being well prepared for meetings and generating productive solutions.

Our Progress Against Last Year's Areas of Focus

The table below shows progress against the three focus areas in 2017:

Focus area	Our progress this year
Strategy, including our competitor landscape and our shareholders' expectations.	Competitors' activities are monitored through our business development team. The Board is updated on competitor activity at each Board meeting, and in dedicated 'deep dives' twice a year.
Developing the risk agenda, in line with our strategic objectives.	In addition to the formalised process in place to monitor Group risks and the 'deep dive' sessions to appraise risk management plans, the Board performed a comprehensive Group-wide risk review in May 2017, to validate existing risks and identify and evaluate new or emerging ones.
Succession planning, including diversity and the mix of skills on the Board, to identify any current and future skills gaps.	A Board skills matrix and updated Board role specifications have been developed.

What We Will Focus On in 2018

The evaluation identified that the priorities for the Board were to continue to focus on the areas identified in the full external effectiveness review performed in the previous year.

These were:

- continuing to focus on strategic clarity in a changing competitive landscape;
- continued risk analysis to better understand the Company's risks, controls and risk appetite; and
- succession planning, including for the Chairman and CEO, and focusing on structured communications with shareholders.



REVIEWING AND MONITORING OUR PERFORMANCE



Nigel Turner
Senior Independent Non-Executive Director

REVIEWING THE STRATEGY

One of the Board's key responsibilities is to approve the Company's strategy and monitor our performance against it. To understand how well our strategy is working and to ensure it remains appropriate, the Board holds an annual strategy review each January. Members of GELT present to the Board on their business unit or function.

Senior Independent Non-Executive Director Nigel Turner said: "The annual strategy reviews are extremely important for both the Board and GELT. The Board gains greater understanding of the competitive

landscape and the challenges the businesses face, as well as the anticipated five-year financial plans. This gives us a benchmark against which we can review, challenge, approve and monitor each business unit's strategic goals and initiatives. For GELT, it is an opportunity to take stock, consolidate its plan and receive independent advice that draws on the Board's wealth of experience and expertise. In summary, the strategy reviews provide an excellent forum for constructive debate about the future, with high-quality contributions from senior management, GELT and Board members."



Professor Duncan Maskell
Non-Executive Director

OVERSEEING R&D

The R&D PMT has a number of responsibilities. These are periodically to:

- review and prioritise our investment in R&D and technology;
- assess the quality and competitiveness of our R&D pipeline, including considering its risk profile;
- oversee and encourage the ideation management process; and
- approve our patent and other IP strategies for new technologies, based on business and technical opportunities.

The R&D PMT typically meets twice a year. This year it held one meeting in Chicago, with a second meeting in Basingstoke shortly after the year end.

Professor Duncan Maskell is a Non-Executive Director and our adviser to the R&D PMT, providing a direct link between the R&D PMT and the Board. He said: "R&D is Genus's lifeblood and it is vital that we oversee it effectively. The R&D PMT is therefore a key forum for the Group. In addition to our standing agenda items, this year we reviewed two focus areas. We conducted a 'deep dive' review of the PRRSv resistance development plan and our technical progress. We also reviewed the strategy for the Biosystems Engineering function, and its plans to continue to drive innovation in sexing technology, after the launch of GSS. Both these areas are strategically important to the Company and its customers."





THE STRATEGY REVIEWS PROVIDE AN EXCELLENT FORUM FOR CONSTRUCTIVE DEBATE ABOUT THE FUTURE, WITH HIGH-QUALITY CONTRIBUTIONS FROM SENIOR MANAGEMENT, GELT AND BOARD MEMBERS



Lykele van der Broek
Non-Executive Director

GAINING INSIGHT INTO THE BUSINESS

We want to ensure that the Board has first-hand experience of key areas of our business and markets, so we include at least one annual site visit in the Board calendar. In May 2017, the Board spent a week visiting our operations and facilities in the UK and Spain. This included meeting our ABS and PIC European leadership and key members of their teams, as well as receiving business update presentations.

Commenting on the site visit, Non-Executive Director Lykele van der Broek said: “The Board visit was designed to give us a deeper understanding of our European businesses, our operations on the ground, our markets and the needs of our key customers. We met some of our largest customers in the UK and Spain, which gave us an insight into their perspectives of Genus, what drives their purchasing decisions, how they see the markets and how they expect their future product and service requirements will develop. The visit also gave our local management teams the chance to have a mutually stimulating interaction with the Board, face-to-face.”



Lysanne Gray
Non-Executive Director

REFLECTIONS ON MY FIRST YEAR

Lysanne Gray joined the Board in April 2016. Reflecting on her first year as a Non-Executive Director, she said: “Since joining Genus, I have met with GELT, senior managers and key personnel, through both Board presentations and site visits. What is overwhelmingly apparent is that everyone is genuinely passionate about delivering the best genetics and services for our customers while maintaining consistently high levels of animal well-being. Our people have a wealth of expertise and knowledge and the skill set required to deliver on the Company’s strategy.

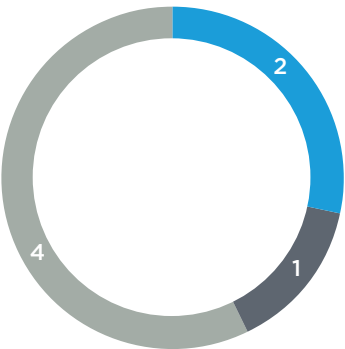
“Genus clearly demonstrates its values through the decisions our people take each day, from Board level through to AI Technicians out on customer farms. This is a pioneering business and there have been some in-depth discussions and complex decisions to take, as Genus pushes forwards into new areas. Following my appointment as Audit Committee Chair in November 2016, I have been impressed by the quality of debate around business and financial risks and our internal control procedures.

“I want to take this opportunity to thank my fellow Board members and the management team, for welcoming me into the business and ensuring I had an excellent induction.”



LEADERSHIP

AN INDEPENDENT BOARD



Executive Directors
Independent Non-Executive Chairman
Independent Non-Executive Directors

The Board's Role
The Board, under the Chairman's leadership, is responsible for ensuring our long-term success. It approves our strategy and corporate goals and monitors our performance against them. It determines that we have the necessary resources, systems and controls to achieve our objectives, and sets the culture and standards of behaviour we want to see throughout Genus.

The Board is also responsible for other critical decisions, including approving the corporate budget; ensuring we have the right funding; approving material contracts, acquisitions and investments; and reporting to shareholders.

The Board's Composition
Following Mike Buzzacott's retirement at the 2016 AGM, the Board now comprises five independent NEDs, including the Chairman, and two Executive Directors – the Chief Executive and the Group Finance Director. This gives us a majority of independent Directors on the Board.

The two charts that follow show the length of time our NEDs have served on the Board, and the number of Board members with experience of particular relevance to Genus.

NON-EXECUTIVE TENURE ON THE BOARD

MORE THAN 9 YEARS	1
6 TO 9 YEARS	1
3 TO 6 YEARS	2
1 TO 3 YEARS	1

A BROAD BASE OF RELEVANT EXPERIENCE

INTERNATIONAL BUSINESS	6
FINANCE	3
SCIENTIFIC / BIOTECH	3
FOOD INDUSTRY	1

The Board has a good mix of well-established and newer NEDs. In recent years, we have broadened the range of skills and experience on the Board through Non-Executive appointments, giving us an appropriate blend of different areas of expertise, long-standing knowledge of the Group and its markets, and fresh perspectives. This helps to ensure the Board provides even-handed oversight, works in a constructive and focused manner and has the capabilities to manage the

Board Roles and Responsibilities

To ensure we have clear responsibilities at the top of the Company, the Board has set out well-defined roles for the Chairman and Chief Executive. These, along with the responsibilities of our other Directors, are summarised in the table below.

Title	Individual	Responsibilities
Chairman	Bob Lawson	Bob's primary responsibility is to lead the Board and ensure it operates effectively. He achieves this in part through promoting an open culture, which gives people the courage to challenge the status quo, and holding meetings with the NEDs without the Executives present. Bob is also responsible for the Board's communications with shareholders.
Chief Executive	Karim Bitar	Karim is responsible for devising and implementing our strategy and managing our day-to-day operations. He is accountable to the Board for the Company's development, in line with its strategy, and taking into account the risks, objectives and policies set out by the Board and its Committees.
Group Finance Director	Stephen Wilson	Stephen is responsible for supporting the Chief Executive in devising and implementing the strategy, and managing the Group's financial and operational performance.
Senior Independent NED	Nigel Turner	Nigel provides a sounding board for the Chairman and is an alternative line of communication between the Chairman and other Directors. He leads meetings of the NEDs, without the Chairman present, to appraise the Chairman's performance, and consults with shareholders in the absence of the Chairman and Chief Executive.
NEDs	Lysanne Gray, Duncan Maskell, Lykele van der Broek	The NEDs constructively challenge and provide oversight and assistance in the progression of our execution of strategy, management of the Company and management of our governance structures, within the risk and control framework set by the Board.

challenges of a complex and evolving global business environment.

Almost all our Directors have held leadership positions in international companies, with several having run businesses overseas. Several of our Directors, including the Chair of the Audit Committee, have significant financial experience, while others have strong backgrounds in scientific research or in leading science-based businesses.

As Genus grows, the Board must evolve to keep pace. We consider diversity in its broadest sense

when recruiting, while ensuring the Board has the skills it needs. More information about our approach to Board composition and recruitment can be found in the Nomination Committee report on pages 55 to 56.

The Board believes that all of the NEDs are independent in character and judgement, and that there are no relationships or circumstances that are likely to affect (or could appear to affect) their judgement. Following the performance evaluation described on page 47, the Board also confirms that all the Directors continue to

be effective and to demonstrate commitment to their roles.

As required by the Code, all the Directors will offer themselves for election at the next Annual General Meeting ('AGM'). Details can be found in the Notice of AGM at the end of this report. If re-elected to the Board at the AGM, Nigel Turner will reach the tenth anniversary of his original appointment as a NED in January 2018. Following review, the Board is satisfied that Nigel remains independent and that he has no connection with the Company's operational activities.

Board and Committee Structure

The diagram below shows the Board and the Committees that report to it.

Executive Committees

Information about the GELT and the R&D PMT can be found on pages 44 to 45 and page 48 respectively.

The CSR Committee defines our Group-wide CSR strategy, reviews our policies and practices, monitors external developments, and advises GELT and the Board about CSR matters. It recommends annual goals and initiatives, and identifies the key performance indicators for monitoring and reporting our performance. More information about our CSR activities can be found in the Strategic Report, on pages 34 to 39, and at www.genusplc.com.



Board Committees

The table below shows Board Committee membership:

Director	Committee		
	Audit	Nomination	Remuneration
Bob Lawson	-	C	M
Karim Bitar	-	M	-
Nigel Turner	M	M	C
Lysanne Gray	C	M	M
Duncan Maskell	M	M	M
Lykele van der Broek	M	M	M

M = Committee member C = Committee Chair

The Committee Chairs oversee and lead the Committees' activities, within their terms of reference, and are responsible for their effective operation. More information about the roles and work of the Board Committees can be found in their statements on pages 55 to 81, and in their terms of reference on our website at www.genusplc.com.



LEADERSHIP CONTINUED

Attendance at Board and Committee Meetings

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

Director	Board	Nomination	Audit	Remuneration
Non-Executive Chairman				
Bob Lawson	8 (8)	3 (3)	5 ¹	6 (6)
Executive Directors				
Karim Bitar	8 (8)	3 (3)	5 ¹	6 ¹
Stephen Wilson	8 (8)	3 ¹	5 ¹	6 ¹
Non-Executive Directors				
Nigel Turner	8 (8)	3 (3)	5 (5)	6 (6)
Mike Buzzacott (retired on 17 November 2016)	3 (3)	1 (1)	3 (3)	3 (3)
Lysanne Gray ²	7 (8)	3 (3)	5 (5)	5 (6)
Duncan Maskell ³	8 (8)	2 (3)	4 (5)	6 (6)
Lykele van der Broek	8 (8)	3 (3)	5 (5)	6 (6)

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

1 Attendance by invitation.

2 Due to prior commitments pre-appointment, Lysanne Gray was unable to attend the November 2016 Board and July 2016 Remuneration Committee meetings. However, Lysanne was provided with all Board and Committee materials and submitted feedback via the Board and Committee Chairs prior to the meeting.

3 Due to prior commitments pre-appointment, Duncan Maskell was unable to attend the November 2016 Audit and Nomination Committee meetings. However, Duncan was provided with all Committee materials and submitted feedback via the Committee Chairs prior to the meetings.

ACCOUNTABILITY

Risk Management and Internal Control

The Board is responsible for our risk management system and for reviewing our controls and risk mitigations.

The risk management system is designed to identify, evaluate and prioritise the risks and uncertainties we face, and applies to the Board, the Audit Committee, GELT, our businesses and our divisional business reviews. The Board sets our risk appetite, which defines the types and levels of risks that the Board is prepared to seek and accept as the Group executes its strategy. The Board then monitors our risk exposure against the appetite for our principal risks and ensures appropriate executive ownership for all risks. This on-going process for identifying, evaluating and managing the Group's significant

risks has been in place for the year under review and up to the date of approval of the Annual Report and Accounts. Our principal risks and our mitigations for them are summarised on pages 12 and 13.

The Board performed its annual risk review in May 2017. This involved reviewing its risk appetite and a fresh assessment of the types and levels of risk facing Genus, as it executes its strategy. This top-down assessment was designed to identify and evaluate any new or emerging risks and ascertain whether the risk register covered all relevant risks.

To further assist its understanding of risk, the Board continued its programme of visits to our local operations and received regular political, economic and industry risk updates from the relevant business groups.

The Board also sought regular updates on a number of specific risks during the year, including the Group's work on the:

- litigation relevant to the GSS project and preparation for market launch of its products and services;
- in-licensing of IP rights, particularly those relating to gene editing assets;
- IT resilience and cyber security; and
- acquisition and integration of companies

Internal Control

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



The review considered our internal control self-assessment process, which is designed to assess compliance with our minimum control standards, the independent internal audit programme, and the reports management prepared when the Board approved the interim and final results and financial statements. It also assessed:

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

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

We have an internal control continuous improvement work programme and routinely identify opportunities to strengthen our control environment and improve our risk management capabilities. However, the Board has not identified or been told of any material weaknesses in our internal controls.

Risk Management Framework

The roles and responsibilities within our risk management framework are set out below:

The Board

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

GELT

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

Audit Committee

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

Risk Management and Internal Audit Function

- Oversees the risk management process and provides guidance on risk management.
- Maintains the risk schedule created in consultation with senior management.
- Engages with senior management, to review risks and their mitigation.

Our Internal Control System

The key elements of our internal control systems are set out below. An internal control system cannot completely eliminate the risks we face or ensure we do not have a material misstatement or loss.

Management Structure

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

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

Quality and Integrity of Our People

We strive to operate with high integrity in everything we do. Our control environment depends on high-quality people who maintain our ethical standards. We ensure our people's ability and integrity through our recruitment standards, training and consistent performance management. The Board is informed of appointments to our most senior management positions.

Information and Financial Reporting Systems

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

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

Investment Appraisal

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

We carry out due diligence for business acquisitions and material licences, and conduct post-completion reviews of major projects, to ensure we identify areas for improvement and correct any areas of underperformance or overspend.

Internal Audit

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

All business units complete risk and control self-assessments twice a year. Internal Audit, as part of its work programme, performs independent reviews of these assessments to identify any deficiencies in our controls and how we should address them. The external auditor also provides observations on the control environment as part of its audit work. The results are communicated to senior management and the Audit Committee.



RELATIONS WITH SHAREHOLDERS

Investor Relations Calendar

Date	Type of communication	Location
September 2016	Preliminary results announcement and presentation	London
September 2016	Preliminary results investor roadshow	London, Edinburgh
November 2016	Investor Conference	London
November 2016	AGM and trading update	London
February 2017	Interim results announcement and presentation	London
February and March 2017	Interim results investor roadshow	London, Edinburgh
Calls	Investor calls	London, New York, Paris

Our Chief Executive and Group Finance Director regularly meet institutional investors, to discuss our strategy and progress, and to understand how investors view our business. The Chairman also attends certain meetings. These meetings usually take place after we release our interim and preliminary results.

During the year, our investor relations programme included meetings in the locations set out in our investor relations calendar. The Board sets time aside during its meetings to discuss feedback from shareholder meetings, including relevant feedback obtained by independent brokers and our advisers. This allows all Directors to understand major shareholders' views.

The AGM also gives the Board an opportunity to communicate with both private and institutional investors, and we welcome their involvement. All our Board members will be available to answer questions at the AGM on 16 November 2017.

Key Themes Discussed in Shareholder Meetings

Our meetings with shareholders during the year covered a wide range of topics. The common themes included:

- Genus's operational and financial performance;
- market conditions and our initiatives to address them;
- strategic progress across the Group;
- R&D progress and our increased spending to accelerate the programme;
- progress in ABS through the De Novo and IVB acquisitions;
- capturing a share of the value we deliver to customers;
- the Hermitage acquisition;
- the opportunity for PRRSv resistant pigs; and
- updates on the GSS litigation.

30

NON-HOLDING
INSTITUTIONS
AND POTENTIAL
INVESTORS MET

59%

PROPORTION OF
SHARES HELD BY
INSTITUTIONS MET
DURING YEAR

20

NUMBER OF TOP
25 SHAREHOLDERS
MET (8 OF TOP 10)

Note: Shareholdings as at 30 June 2017.



EFFECTIVENESS

A WELL-BALANCED BOARD

Introduction

The Nomination Committee reviews the Board’s structure, size and composition and manages appointments to the Board. This year, the Committee continued to focus on succession planning for the Board, by reviewing the Directors’ skills and experience and identifying areas to consider for future appointments. This Committee’s approach recognises its critical role in ensuring the Company has an effective and well-balanced Board.

Bob Lawson
Chair of the Nomination Committee
6 September 2017

Committee Composition and Governance

Chair	Members
Bob Lawson	Nigel Turner Duncan Maskell Lykele van der Broek Lysanne Gray Karim Bitar

Committee Roles and Responsibilities

- The Committee is responsible for:
- making recommendations to the Board on the structure, size and composition of the Board and its Committees;
 - evaluating the balance of skills, experience, independence, knowledge and diversity on the Board;
 - succession planning for the Non-Executive and Executive Directors and other senior executives; and
 - identifying and recommending suitable candidates to become Directors, based on merit.

The Committee met three times in the year, primarily to discuss the Board’s current skills and experience, and succession planning.



THE COMMITTEE CONTINUED TO FOCUS ITS EFFORTS ON SUCCESSION PLANNING FOR THE BOARD

Focus areas 2017

- Continued succession planning
- Ongoing review of diversity and mix of skills to identify any current skills gap

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

The Committee’s biographies, along with information on Genus’s other Board members, can be found on pages 42 to 43.



EFFECTIVENESS CONTINUED

The Committee's Main Activities During the Year

Succession Planning Process

In 2016, the Committee formalised and committed to a three-phase succession planning process:

ASSESSMENT	APPROACH	EXECUTION
Board Skills Matrix and Experience <ul style="list-style-type: none"> As part of the Assessment phase, which was formalised last year following an in-depth review and discussion, the Committee has mapped out the Board's current skills and experiences across a range of relevant areas. This resulted in a skills matrix, which identified good skills coverage from all Board members. Potential skills gaps were identified, so they can be incorporated into future succession planning at Board and Executive level. Areas for ongoing Board upskilling were identified and discussed. 	Engagement Rules <ul style="list-style-type: none"> As part of the Approach phase: <ul style="list-style-type: none"> Engagement rules were developed for use in succession planning, including: <ul style="list-style-type: none"> succession planning in line with the Committee's terms of reference; considering the skills of any departing NED for replacement; and filling any skills deemed to be missing or required for the Company's future strategic direction. Job specifications for the Non-Executives and Executives have been updated. 	Appointments <ul style="list-style-type: none"> Desired skills for any new Non-Executives have been identified, for use in filling any future vacancies on the Board. Potential internal candidates for promotion to Executive Director.

Diversity Policy

Genus recognises and embraces the benefits of Board diversity. A diverse Board has members with different skills, backgrounds, regional and industry experiences, race, gender and other qualities. By bringing these differences to bear in its discussions and decision-making, a diverse Board can help Genus to maintain its competitive advantage. Diversity also links directly to our values, not only by being people-focused and responsible, but by encouraging new ideas which deliver for our customers and ultimately drive our results. Our Board diversity policy therefore aims to ensure that we consider diversity in its broadest sense. Genus will continue to make all Board appointments based on individual merit. The Committee reviewed the Board diversity policy during the year and concluded that it remained appropriate for Genus.

More information about diversity across Genus can be found in the Strategic Report on page 34.

Board Induction and Training

A good induction is a key part of ensuring new Board members can fully contribute, so we get the most benefit from their experience.

Our induction programme has three main elements:

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

Service Contracts and Letters of Appointment

Copies of service contracts and letters of appointment between the Directors and the Company will be available for inspection at the Company's registered office during normal business hours until the conclusion of the AGM on 16 November 2017, and at the AGM from at least 15 minutes prior to the meeting until its conclusion.



ACCOUNTABILITY

ENSURING THE COMPANY'S FINANCIAL REPORTING INTEGRITY

Dear Shareholder

This is my first report as Chair of the Audit Committee. I joined the Board and the Committee in April 2016 and became Chair of the Committee in November 2016. During my first year, I underwent a thorough induction programme, which involved meetings with the global management team and visits to both Group and customer sites, to better understand the business operations and industry sector. I also had meetings with the Group's external auditor and invested time to learn about the Group's system of risk management and internal control.

The Audit Committee acts on behalf of the Board and shareholders, to ensure the integrity of the Group's financial reporting, evaluate its system of risk management and internal control, and oversee the performance of the internal and external auditors. We have an annual work programme that is designed to deliver these commitments.

I am happy to report that the Committee's membership continues to comply with the UK Corporate Governance Code and related guidance, with all members being NEDs, and maintains a sound range of financial, commercial and scientific expertise required to fulfil its role effectively. More details on this, and the appointment and induction process for new Board members, are in the Corporate Governance Statement of this Annual Report.

During the financial year, we focused on risk management, internal control and the Group's financial reporting processes. We have supported the Board in monitoring the risk management process and in reviewing the long-term viability statement and supporting analysis. We have carefully considered the critical accounting policies and judgements, the quality of disclosures, compliance with financial reporting standards and reviewed the half-year and Annual Report, together with the related external audit reports. We have also reviewed the effectiveness of internal and external audit, discussed the outcomes of these assessments and agreed any actions that were needed. The Committee was satisfied with the performance of the internal audit function and the external auditor during the year.

Lysanne Gray
Chair of the Audit Committee
6 September 2017



THE COMMITTEE CONTINUED TO FOCUS ITS EFFORTS ON RISK MANAGEMENT, INTERNAL CONTROL AND THE GROUP'S FINANCIAL REPORTING PROCESSES

Committee Composition and Governance

Chair

Lysanne Gray

Members

Nigel Turner
Duncan Maskell
Lykele van der Broek

Focus areas 2017

- Biological assets valuation
- Goodwill and intangible assets
- Pensions
- Presentation and disclosure of exceptional and adjusting items



ACCOUNTABILITY CONTINUED

The Committee's members are NEDs with a wide range of financial, commercial and scientific research expertise, appropriate for fulfilling the Committee's duties. In 2017, the Committee met the UK Corporate Governance Code's requirement that at least one Committee member should have recent and relevant financial experience, with Lysanne Gray having this experience.

The Committee has formal terms of reference, approved by the Board, that comply with the UK Corporate Governance Code. These are available from our website: www.genusplc.com

Our annual review of these terms took place during the year. The Committee also assessed its own effectiveness, through a structured questionnaire, and concluded that it was effective. The Committee agreed to enhance its effectiveness by further emphasis on broadening the Committee's knowledge on financial matters.

Committee Role and Responsibilities

The Committee's role and responsibilities include reviewing and monitoring:

- the financial reporting process and any significant financial reporting judgements;
- the integrity of the Group's financial statements and any formal announcements relating to financial performance;
- the Annual Report to ensure it is fair, balanced and understandable;
- the Company's reporting to shareholders;
- the effectiveness of the Group's accounting systems and control environment, including risk management and the internal audit function; and
- the effectiveness, independence and objectivity of the Group's external auditor, including any non-audit services it provides to the Group.

The Committee also:

- ensures that the Group maintains suitable confidential arrangements for employees to raise concerns; and
- reviews the Group's systems and controls for preventing bribery.

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

The Committee's Main Activities During the Year

During the year, the Committee held five meetings and invited the Company's Chairman, Chief Executive, the Group Finance Director, the Group Financial Controller, the Head of Risk Management and Internal Audit, and senior representatives of the external auditor to attend these meetings. The Committee members and I also held separate private sessions during the year with the Head of Risk Management and Internal Audit and the external audit partner. At its meetings, the Committee focused on:

Financial Reporting

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

Financial reporting area	Judgement and assumptions considered
Biological assets valuation	In compliance with IAS 41, Genus records its biological assets at fair value in the Group balance sheet (£375.3m), with the net valuation movement excluding foreign exchange translation shown in the income statement. At each reporting period, the Committee was updated on the methodology and outcomes of the biological assets valuation. Having noted that the methodology was unchanged during the year, the Committee debated and considered management's assumptions and estimates, and discussed and reviewed the external auditor's report on this area. The Committee was satisfied with management's accounting treatment, including the income statement increase of £27.4m in the value of porcine biological assets and the reduction of £28.5m in the value of bovine biological assets.
Goodwill and intangible assets	Genus has £104.7m of goodwill and £88.3m of intangible assets on the Group balance sheet. These balances are tested for any indications of impairment by reference to the forecasts for the relevant cash generating units. Within intangible assets, Genus's policy is to capitalise certain development costs and to perform periodic impairment reviews of the carrying amounts. At the balance sheet date, the Group had £20.9m of capitalised development expenses in respect of GSS, as well as £9.3m in associated fixed assets. The Committee discussed management's goodwill and intangible asset impairment reviews, as well as the external auditor's work, including its assessment of management's models supporting the estimates and judgements. After due challenge and debate, the Committee was satisfied with management's assumptions and judgements.
Pensions	The Committee received and reviewed management reports on the treatment of pension costs and also received and considered the external auditor's pensions accounting input. The Committee considered management's recommendations were appropriate, including the recognition of £5.7m as an exceptional credit, as a consequence of NMR withdrawing from the MPF. The Committee also continued to review the status of the other parties who are jointly and severally liable for the MPF deficit and concurred with management's assumptions for reporting Genus's share of the fund.
Presentation and disclosure of exceptional and adjusting items	Genus had £16.9m of adjusting items including £2.5m of exceptional items in the Group income statement. The Committee gave consideration to the presentation of these items in the financial statements this financial year due to the nature of these items and the recent guidelines on the use of alternative performance measures issued by the European Securities and Markets Authority. The Committee received detailed reports from management outlining the judgements applied in relation to the disclosure of adjusting items which include net IAS 41 valuation movement on biological assets, amortisation of acquired intangible assets, share-based payment expense and exceptional items. For adjusting items the Committee took into consideration their volatility and lack of correlation to the underlying progress and performance of the business. Specifically for exceptional items, the Committee took into consideration the materiality, frequency, and nature of the items. Following this detailed review and active discussion with management, the Committee has concluded that the presentation of the financial statements is appropriate.



Monitoring Business Risks

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

- **GSS:** this is the risk that we are unable to commercialise our GSS technology. The Board continued to receive regular updates throughout the year on go-to-market readiness and product trials, as well as the legal proceedings relating to the anti-trust and patent issues connected with this key initiative.
- **Gene-editing technology:** this is the risk that we fail to successfully develop and commercialise gene editing technologies due to technical, IP, market, regulatory or financial barriers. The Board was updated regularly on the development of our gene editing capabilities.
- **Pensions:** the Board was updated on the status of discussions with the Milk Pension Fund in relation to the outcome of the triennial valuation and the NMR Flexible Appointment Agreement (FAA).
- **Enterprise systems:** the Board reviewed plans to replace the ageing existing multiple enterprise systems across the Group with a single integrated best in class cloud-based solution to improve effectiveness and efficiency.
- **IT resilience and cyber security:** the Committee received updates from the global Chief Information Officer on the Group's IT recovery and continuity plans, as well as the effort to strengthen infrastructure and systems security and the implementation of Group wide cyber security measures.
- **H&S:** the Board received updates on the controls and mitigation activities in place and/or being implemented to manage this risk, both on Group and third-party premises.

The Committee also received an update on supply chain risks.

Internal Control System

Our risk management process and system of internal controls are described in detail on pages 52 and 59. The Committee reviewed a refreshed approach to monitoring the Group's implementation of controls and the results of the key financial controls self-assessment process, which is performed every six months. The Committee further reviewed internal audit's findings at each scheduled meeting, and the Group's whistleblowing policy and bribery prevention procedures, and conducted its annual review of the effectiveness of the Group's internal controls and disclosures.

The Committee's review of the Group's system of internal control did not identify any material deficiencies. However, Genus routinely identifies and implements control improvement opportunities and the Committee discussed with management various opportunities to further strengthen the Group system of internal control.

Oversight of External Audit and Internal Audit

Internal Audit

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

External Audit

The FRC's Audit Quality Review Team ('AQRT') selected to review the audit of the Company's financial statements as part of its 2016 annual inspection of audit firms. The Chair of the Committee received a full copy of the findings of the AQRT and discussed these with Deloitte. There were no significant areas for improvement identified within the report. We are satisfied that there is nothing within the report which might have a bearing on the audit appointment.

The Committee reviewed and agreed the external auditor's scope of work and fees, held detailed discussions of the results of its audits and continued to meet the external auditor without management being present. The Committee reviewed the external auditor's objectivity and independence and the Group's policy on engaging the external auditor to supply non-audit services. The Committee received details of the external auditor's non-audit services to the Group, reviewed the nature and monetary levels of these services, which stood at 45% of audit fees, and reviewed compliance with the Group's Non-Audit Services by Auditor Policy (see note 8 to the financial statements for further details). The Committee was satisfied that using Deloitte for such services did not impair its independence as the Group's external auditor.

The Committee assessed the external auditor's performance in conducting the audit for the June 2016 year end, based on questionnaires completed by key finance staff and Committee members. The questionnaires covered the external auditor's fulfilment of the audit plan, the auditor's robustness and perceptiveness in its handling of key accounting and audit judgements, the content of the external auditor's reports and cost effectiveness. The Committee also considered any regulatory reviews performed on the external auditor. While noting some opportunities for further improvement, the Committee concluded that the external auditor was effective and was satisfied with the plan put forward by the external auditor to respond to the opportunities for improvement identified.



STRONG PROGRESS MADE DELIVERING AGAINST OUR STRATEGY

Letter from the Chairman

Dear Shareholder

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for 2017.

Our Remuneration Policy

Shareholders will be aware that we proposed a new remuneration policy ('Remuneration Policy') for approval at our 2016 AGM. This was a year ahead of the next scheduled binding vote. We concluded that changes were necessary to ensure we maintain momentum as the business transitions to being an agricultural biotechnology pioneer. The amendments to the Remuneration Policy improve our ability to recognise the strategic progress we make as the organisation evolves, and promote stable leadership through an important period for the business. We were pleased to receive such high levels of support from shareholders for these changes, with over 96% of

shareholders who voted backing the new policy. We were encouraged also by shareholders' desire to understand in more detail our strategy and plans for the years ahead and these are covered elsewhere in the Annual Report.

Transparency with Shareholders

We are committed to reporting transparently to shareholders on remuneration. During the year our previous remuneration disclosure was 'Highly Commended' at the 2016 Building Public Trust in Corporate Reporting Awards. We are committed to helping shareholders to understand the factors we consider in developing and implementing our Remuneration Policy. This extends to helping people see the rationale behind decisions and the way this supports the business strategy, so we focus on why we have made certain decisions as well as the outcome of the decision itself.

Business Performance and Reward Outcomes for 2017

We have made strong progress this

year on delivering against our three part strategy. We made significant steps in increasing genetic control and product differentiation. As we flagged last year, this was a year of additional investment in R&D, and we have seen real progress on our work in gene editing, with the PRRSv resistant pig project hitting its key milestones. In PIC, genetic improvement exceeded its targets and met the dissemination targets. With the establishment of the De Novo joint venture with De-Su, we have created a world leading dairy genetic improvement programme. IVB continued its growth. In ABS we gained a permanent injunction, enabling us to go to market with our proprietary sexing technology, and achieved scaling up of production to deliver cost effectively at volume.

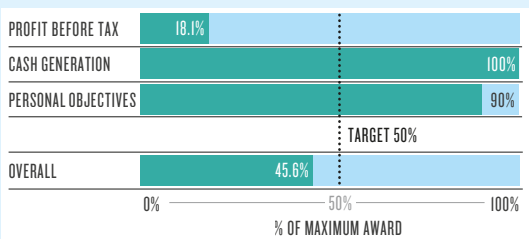
In targeting key markets and segments, we saw volume and royalty growth in PIC, with a strong performance in Asia, particularly China, and robust growth in Europe. PIC met its targeted operating profit

BUSINESS ACHIEVEMENT

Annual bonus – Core Element

- Adjusted profit before tax growth of 3.6% in constant currency
- Strong cash generation
- Good progress against personal targets

REMUNERATION TARGETS

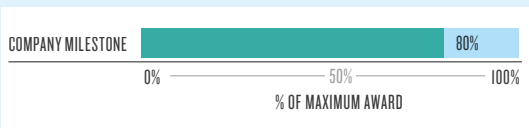


OUTCOMES FOR EXECUTIVES

- Total award of 45.6% of maximum. One quarter of this award is made in shares deferred for three years

Annual bonus – Company Milestones

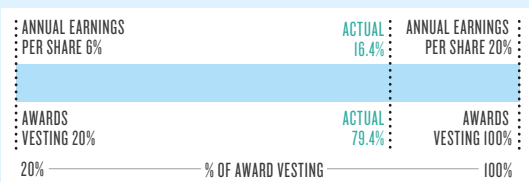
- Ability to launch sexed semen technology



- Total award of 80% of maximum available, all deferred into shares for three years

Long-term – Performance Share Plan ('PSP')

- Three-year average adjusted earnings per share growth of 16.4%
- Strong share price growth over the performance period



- 79.4% of the PSP award vested for both Executives



growth. ABS's performance for the year as a whole was disappointing, not meeting its volume growth or operating profit targets. However, actions were taken in H1 to address this, and we have seen improving performance in H2.

The final part of the strategy – sharing in the value we are creating – saw good cash generation across the business. Tight control of cash, close management of working capital and actions to return cash from joint ventures resulted in a full award in this element of the annual bonus.

The way that business and individual performance has fed through to reward outcomes is highlighted below and covered in detail within the wider Remuneration Report. As a Committee we recognise the natural tension between growing the business year on year and investing for the future. The Long Term Incentive Plan, in which the sole measure is adjusted earnings per share, requires the Executives to manage both elements. Over the three year period, we were pleased to see strong adjusted earnings per share growth, and continue to believe adjusted earnings per share is a key metric to measure long term business performance.

Annual Bonus (Core Bonus Elements)

Profit before tax: In constant currency our adjusted profit before tax grew by 3.6% excluding gene editing costs. This resulted in an award of 18.1% of maximum under this section of the Core Bonus.

Cash Generation: The strong free cash flow performance in the year significantly exceeded the stretch target, resulting in full awards under this part of the Core Bonus.

Personal Objectives: We have assessed the performance of both Executive Directors against the personal targets that were set for them. Awards of 90% of maximum were made to the Chief Executive and Group Finance Director.

Overall, the combination of Company and individual performance meant that 45.6% of this Core Bonus opportunity will be payable. Of this, one quarter will be awarded in shares in Genus plc under the Deferred Share Bonus Plan ('DSBP') which will be deferred for three years.

Annual Bonus (Company Milestones)

The revised Remuneration Policy provides flexibility to recognise key strategic events, and to reward and

retain key individuals who were instrumental in making them happen. We agreed that the ability to launch our sexed semen technology would represent such a milestone. This technology has been in development for a number of years and represents a significant opportunity to generate future value for shareholders. Getting to a position where we can launch has required us to overcome significant barriers, covering areas such as legal freedom to trade, development of production processes to deliver successfully at scale, and creating the internal capability to sell across a diverse customer base. Many of these aspects are described elsewhere in the Annual Report. In summary, we have made strong progress in creating freedom to operate and have successfully demonstrated the ability to produce at scale cost effectively. We have now launched in 2018 and the Committee therefore judged that 80% of the award under the Company Milestones should be made to each Executive Director. As previously communicated, these will be awarded in shares deferred for three years.

Overall, the structure of the bonus awards and use of deferred shares means that a significant proportion of the annual bonus award will be in shares deferred for three years. When considering the combined position of the Core Bonus and Company Milestone elements, 63.5% of the total annual bonus award will be deferred into shares for three years for the Chief Executive, and 55.9% for the Group Finance Director.

Long Term Awards

Awards under our 2014 Performance Share Plan ('2014 PSP') granted in November 2014 will partially vest on the third anniversary of grant. Vesting was linked to adjusted earnings per share performance and the calculation was performed after adjustment for costs relating to our gene editing programme as explained in the Annual Report last year and elsewhere within this document. The average adjusted earnings per share growth rate over the period was 16.4% resulting in 79.4% of the share award vesting.

During the period we have seen significant growth in the share price of Genus plc which rose 49.2% between award and the end of the performance period: this is reflected in the number in the single figure table within the Report. Under the terms of the scheme, Executive Directors will be required to hold onto the post-tax number of vested shares for a minimum of a further two years.

Employee engagement and reward

Following regular engagement with employees around the world on their performance during the year, senior management reviews annually their salaries and benefit provision, which is benchmarked to the local markets in which people work. There is a clear linkage between performance and reward which is recognised through annual bonuses, commission or non-financial recognition. Each year we make share awards to a number of senior leaders in the business, designed to recognise the contribution people are making, align them to our success and support retention of key talent.

We are aware of the developing regulatory environment on pay in the UK, Europe and the US, and we will continue to monitor this over the coming year.

Looking forward to 2018

We will operate under the agreed Remuneration Policy in 2017/18. We have decided to include the Company Milestones within the structure of the annual bonus for the coming year. This is in line with the agreed Remuneration Policy and awards will be made if specific identified strategic milestones are achieved during 2018. Due to commercial sensitivity we will disclose these in the next Directors' Remuneration Report, along with the level of any award as determined by the Committee. There are no changes to the way we propose to implement the Remuneration Policy in 2018.

As always I would like to thank shareholders for their support. We try to make our disclosures as easy to read as possible, while fulfilling our disclosure obligations. If you have any feedback I can be contacted at remunerationchair@genusplc.com. I look forward to your support at our forthcoming AGM.

Nigel Turner Senior Independent Non-Executive Director and Chair of the Remuneration Committee

This Remuneration Report has been prepared so it complies with the provisions of the Large and Medium-sized Companies and Groups (Accounts & Reports) (Amendment) Regulations 2013, which set out the disclosures required for Directors' remuneration as at the reporting date. The Report is also in accordance with the requirements of the Financial Conduct Authority's Listing Rules. The 'auditable parts' of the Directors' Remuneration Report state whether, in his opinion, the parts of the Report that have been subject to audit have been properly prepared in accordance with the legislation. We have highlighted the parts of this Report which have been audited.



Annual Report on Remuneration

Section B: At a Glance

(For more detail please see pages 65 to 76)

WHAT EXECUTIVE DIRECTORS WERE PAID IN 2017:

		Chief Executive Karim Bitar		Group Finance Director Stephen Wilson																									
1	Base salary and benefits <ul style="list-style-type: none">Salaries were effective 1 July 2016Benefits include a car allowance and a pension allowance of 25% of base for Chief Executive and 15% for Group Finance Director	BASE SALARY £548,114	BENEFITS £159,769	BASE SALARY £371,423	BENEFITS £68,945																								
2	Annual bonus – Core Element <ul style="list-style-type: none">Maximum opportunity 125% of salary comprising 80% adjusted profit before tax, 20% Cash Generation and 25% personal objectivesOverall award 45.6% of maximum25% of total award under this element made in shares deferred for three years	<div><div>Company performance</div><div>Target 50%</div><table><tr><td>PBT</td><td>18.1%</td><td></td><td></td></tr><tr><td>CASH GENERATION</td><td></td><td></td><td>100%</td></tr><tr><td>PERSONAL OBJECTIVES</td><td></td><td></td><td>90%</td></tr><tr><td>OVERALL</td><td>45.6%</td><td></td><td></td></tr><tr><td colspan="4">0% ————— % OF MAXIMUM AWARD ————— 100%</td></tr></table><div>Executive outcome</div><table><tr><td>CORE ELEMENT £312,315</td><td>MAX. OPPORTUNITY £685,142</td><td>CORE ELEMENT £211,637</td><td>MAX. OPPORTUNITY £464,278</td></tr></table></div>				PBT	18.1%			CASH GENERATION			100%	PERSONAL OBJECTIVES			90%	OVERALL	45.6%			0% ————— % OF MAXIMUM AWARD ————— 100%				CORE ELEMENT £312,315	MAX. OPPORTUNITY £685,142	CORE ELEMENT £211,637	MAX. OPPORTUNITY £464,278
PBT	18.1%																												
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CORE ELEMENT £312,315	MAX. OPPORTUNITY £685,142	CORE ELEMENT £211,637	MAX. OPPORTUNITY £464,278																										
3	Annual bonus – Company Milestones <ul style="list-style-type: none">Maximum opportunity of 75% of salary for Chief Executive and 50% of salary for Group Finance DirectorCompany Milestones linked to sexed semen technology. 80% of maximum award made to Chief Executive and Group Finance Director (60% and 40% of salary respectively)All awards to be made in shares deferred for three years	<div><div>Company performance</div><div>100%</div><table><tr><td>COMPANY MILESTONES</td><td>80%</td></tr></table><div>Executive outcome</div><table><tr><td>COMPANY MILESTONE £328,868</td><td>MAX. OPPORTUNITY £411,085</td><td>COMPANY MILESTONE £148,569</td><td>MAX. OPPORTUNITY £185,712</td></tr></table></div>				COMPANY MILESTONES	80%	COMPANY MILESTONE £328,868	MAX. OPPORTUNITY £411,085	COMPANY MILESTONE £148,569	MAX. OPPORTUNITY £185,712																		
COMPANY MILESTONES	80%																												
COMPANY MILESTONE £328,868	MAX. OPPORTUNITY £411,085	COMPANY MILESTONE £148,569	MAX. OPPORTUNITY £185,712																										
4	PSP <ul style="list-style-type: none">Awards vested at 79.4% of maximum based on average annual adjusted earnings per share growth achieved of 16.4%	<div><div>Company performance</div><div>ANNUAL ADJUSTED EPS</div><table><tr><td>6%</td><td></td><td>ACTUAL 16.4%</td><td>20%</td></tr><tr><td colspan="4"></td></tr><tr><td>20%</td><td></td><td>ACTUAL 79.4%</td><td>100%</td></tr><tr><td colspan="4">0% ————— % OF AWARD VESTING ————— 100%</td></tr></table><div>Total shares released 68,499</div><div>Total shares released 40,615</div><div>Executive outcome</div><table><tr><td>INDICATIVE VALUE £1,248,021¹</td><td>INDICATIVE VALUE £739,994¹</td></tr></table><div><div>1</div><div>Calculated based on the average share price for the final quarter of financial year ended 30 June 2017 (1,821.95p)</div></div></div>				6%		ACTUAL 16.4%	20%					20%		ACTUAL 79.4%	100%	0% ————— % OF AWARD VESTING ————— 100%				INDICATIVE VALUE £1,248,021 ¹	INDICATIVE VALUE £739,994 ¹						
6%		ACTUAL 16.4%	20%																										
20%		ACTUAL 79.4%	100%																										
0% ————— % OF AWARD VESTING ————— 100%																													
INDICATIVE VALUE £1,248,021 ¹	INDICATIVE VALUE £739,994 ¹																												
5	Total remuneration breakdown	Chief Executive Karim Bitar		Group Finance Director Stephen Wilson																									
	TOTAL	£2,597,087		£1,540,568																									
	PERFORMANCE SHARES	£1,248,021		£739,994																									
	COMPANY MILESTONES	£328,868		£148,569																									
	CORE ELEMENT	£312,315		£211,637																									
	BASE SALARY AND BENEFITS	£707,883		£440,369																									



WHAT EXECUTIVE DIRECTORS CAN EARN IN 2018 AND HOW:

Chief Executive Karim Bitar

Group Finance Director Stephen Wilson

1	Base salary <ul style="list-style-type: none">Salaries were increased by 1.5% from 1 September 2017, with new values of £556,336 and £376,994. The previous pay review date was July and there was no backdating of awardsNo changes to benefits items provided	BASE SALARY £554,965	BENEFITS £161,241	BASE SALARY £376,066	BENEFITS £69,410
2	Annual bonus – Core Element <p>The measures for the Core Bonus element will remain unchanged</p> <ul style="list-style-type: none">Adjusted profit before tax growth → 80% of salaryCash generation → 20% of salaryPersonal objectives → 25% of salary <p>For the adjusted profit before tax growth, target bonus requires 10% growth and maximum requires 15% growth in constant currency</p>	Maximum of 125% of salary, Target award of 62.5% of salary <div><div>ADJUSTED PROFIT BEFORE TAX GROWTH → 80% OF SALARY</div><div>CASH GENERATION → 20% OF SALARY</div><div>PERSONAL OBJECTIVES → 25% OF SALARY</div></div>			
3	Annual bonus – Company Milestones <ul style="list-style-type: none">The Remuneration Committee has determined that this element will be included in the reward structure for 2018Due to commercial sensitivity, this will be disclosed retrospectively in the 2018 Annual ReportAll awards to be made in shares deferred for three years	Maximum award of 75% of salary for Chief Executive <div><div>SHARES WORTH UP TO 75% OF SALARY</div><div>0%75%Max</div></div>	Maximum award of 50% of salary for Group Finance Director <div><div>SHARES WORTH UP TO 50% OF SALARY</div><div>0%50%Max</div></div>		
4	PSP (September 2015 awards) <ul style="list-style-type: none">The vesting of these awards depends on the adjusted earnings per share (excluding gene editing costs) achieved in the three financial years ending 30 June 2018	Chief Executive – award (shares) <div>UP TO 78,850 SHARES</div>	Group Finance Director – award (shares) <div>UP TO 46,753 SHARES</div>		
	PSP (September 2017 awards) <ul style="list-style-type: none">The vesting of these awards will be subject to an adjusted earnings per share growth, with the 2020 earnings per share being compared to the 2017 adjusted earnings per share (excluding gene editing costs)5% annual growth → threshold 20% vesting15% annual growth → 100% vestingVesting levels will be calculated on a straight line basis between the above values	Award to Chief Executive of 200% of salary <div><div>ANNUAL ADJUSTED EPS</div><div>5%15%</div><div>20%100%</div><div>% OF AWARD VESTING</div></div>			
		Award to Group Finance Director of 175% of salary			

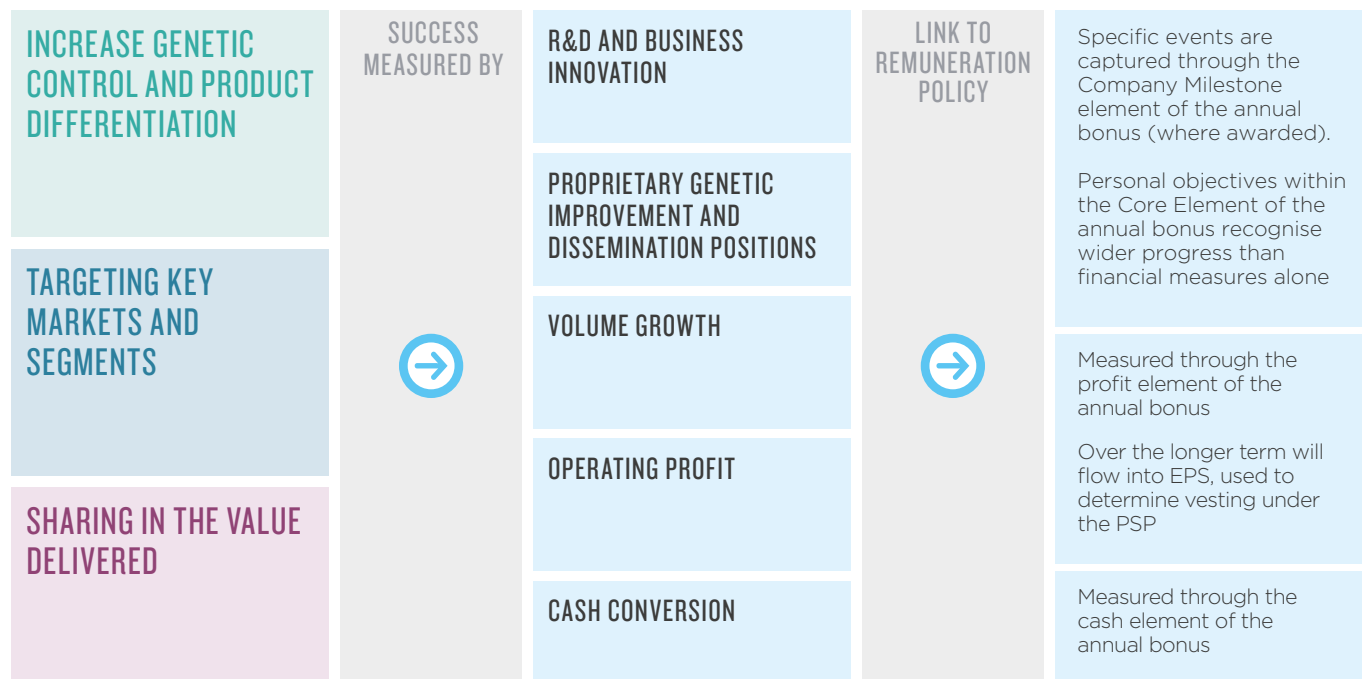


Annual Report on Remuneration continued

Section C: Remuneration and Performance Statement

Genus's Strategy and its Link to Performance-Related Pay

See pages 77 to 81 for a summary of our Remuneration Policy agreed by shareholders in 2016. Our strategy and the way this is linked to variable reward is shown below.



Performance Components and Their Impact on Remuneration

	2016	2017	Movement %	Impact on remuneration
Adjusted results				
Revenue	£388.3m	£459.1m	18	Input to annual bonus profit and earnings per share in PSP.
Adjusted profit before tax	£49.7m	£56.4m	13	Annual bonus measure.
Generation of free cash flow	£15.7m	£25.4m	62	Annual bonus measure; performance reflects increased cash from operations, lower taxes paid and higher receipts from joint ventures.
Adjusted earnings per share	60.7p	69.4p	14	PSP performance condition.
Dividend per share	21.4p	23.6p	10	Executives rewarded via dividend equivalent feature of deferred bonuses and PSP awards.
Share price at year end	1,565p	1,780p	14	Determines the value of deferred bonuses and PSP awards.

Values in the table are in actual currency as shown in the Annual Report. A number of adjustments are made to these for the purposes of calculating awards under our incentive plans as described within this report and in line with our Remuneration Policy.

Executive Directors' Alignment to Share Price

The table below shows the value of shares held by the individual, or awarded under the Deferred Share Bonus Plan ('DSBP'), but not yet released (on a post-tax basis). It does not include awards under the PSP scheduled to vest in the future subject to Company performance (earnings per share), which has potential to significantly increase the alignment of the Executives, subject to the resulting level of vesting of awards.

	Shares owned	Shares awarded under the DSBP (post-tax)	Total share exposure	Indicative value on 1 July 2016 (£) ¹	Indicative value on 30 June 2017 (£) ²	Difference (£)	Consequence of a +/- £2 share price change (£)	Conclusion
Chief Executive	65,353	12,480	77,833	1,192,402	1,418,078	225,676	155,666	Executives remain aligned to share price
Group Finance Director	16,214	8,560	24,774	379,538	451,370	71,832	49,548	

¹ Value calculated using the average share price for the final quarter of the financial year ended 30 June 2016 (1,532p).

² Value calculated using the average share price for the final quarter of the financial year ended 30 June 2017 (1,821.95p).



Section D: Annual Report on Remuneration

Introduction

We comply with extensive legal and best practice disclosure obligations in this section of the Directors' Remuneration Report, which is subject to an advisory vote at the AGM.

Balancing this formality with a desire to have a clear and understandable report, we have split this section into the following chapters:

1. What the Executive Directors Were Paid in 2017.
2. What the Executive Directors Can Earn in 2018.
3. The Process the Committee Followed to Arrive at These Decisions.
4. How the Chief Executive's Pay Compares to Shareholder Returns Over the Past Eight Years and to Employees' Pay.
5. The Chairman and Non-Executive Directors' Fees.
6. Details of the Directors' Shareholdings and Rights to Shares.
7. Details of the Executive Directors' Contracts and Non-Executive Directors' Letters of Appointment.

1. What the Executive Directors Were Paid in 2017

Executive Directors' Single Total Remuneration Figure (Audited)

The following table shows a single total figure of remuneration for the 2017 financial year for each of the Executive Directors and compares this figure to the prior year.

	Year	Salary and fees £000s	Benefits ¹ £000s	Pension ² £000s	Subtotal for fixed pay £000s	Annual bonus ³ (Core Element) £000s	Annual bonus (Company Milestone) ⁴ £000s	PSP ⁵ £000s	Subtotal for variable pay £000s	Total £000s
Karim Bitar	2017	548	23	137	708	312	329	1,248	1,889	2,597
	2016	537	23	134	694	526		484 ⁶	1,010	1,704
Stephen Wilson	2017	371	13	56	440	212	149	740	1,101	1,541
	2016	364	14	55	433	356		262 ⁶	618	1,050

- 1 Benefits include a car allowance of £20,000 for Karim Bitar and £12,000 for Stephen Wilson. Insured benefits include life assurance, private medical insurance and a medical screen.
- 2 Executive Directors receive a cash allowance in lieu of pension, which is shown in the Pension column.
- 3 Bonus earned includes the 25% of the Core Bonus element which is deferred into Company shares.
- 4 All awards under the Company Milestone element are made in shares deferred for three years.
- 5 The value of the PSP is determined by the number of awards vesting in relation to performance in the period ended 30 June 2017. Dividend equivalents are not added to awards made under the PSP. The value shown for 2017 is based on the average share price for the final three months of the 2017 financial year (which was 1,821.95p).
- 6 The 2016 values shown as estimated in the previous Annual Report have been restated to reflect the actual value at vesting. The share price was 1,926p on 27 September 2016 when awards vested for the Chief Executive and Group Finance Director.

How the Bonuses for 2017 Were Calculated

Annual Bonus: Core Element

The 2017 bonuses for Executive Directors were calculated by reference to performance against a challenging sliding scale of profit, cash flow and personal targets. As in 2016 and as previously communicated to shareholders, the Committee exercised discretion to exclude costs relating to gene editing incurred in the year when calculating awards under the plans. These costs were unforeseen at the time of setting targets for these awards and the Committee believes that the targets remain as stretching as when the awards were originally made. This ensured management's reward was not unfairly affected by decisions to make the right long-term investment decisions on behalf of the business.

The following are the results achieved in each element of the annual bonus incentive.

Bonus target ¹	Strategic objective	Proportion of salary (maximum)	Actual 2017 performance	Threshold	Target	Stretch	Extent to which targets were met (%)
Adjusted profit before tax ²	Year-on-year profit growth	80%	£52.4m	£50.6m	£55.6m	£58.2m	18.1%
Generation of free cash flow	Generate cash for reinvestment and dividend	20%	£25.4m	£12.4m	£15.4m	£18.4m	100%
Personal objectives	To build the foundation for future growth	25%	See page 66				Chief Executive 90% Group Finance Director 90%

- 1 The financial elements of the bonus are payable on a straight-line basis between each threshold, target and stretch level.
- 2 Adjusted profit before tax in constant currency was £49.0m (actual currency was £56.4m). For purposes of measuring growth for the annual bonus the agreed policy is to exclude gene editing costs which were £3.4m (2016: £0.9m), giving a 2017 performance of £52.4m. Without this adjustment the award level would have been below threshold for this part of the bonus.

Overall extent to which targets for the Core Element of the annual bonus were met:

Chief Executive 45.6%
Group Finance Director 45.6%



Annual Report on Remuneration continued

Section D: Annual Report on Remuneration continued

Personal Objectives

Performance against personal objectives related to targets set in a number of areas that included customers, people, and product and service improvement. Retrospective disclosure of performance against these targets is as follows:

Executive Director		Key achievements in the year	Payout against maximum of 25% of salary
Karim Bitar	Customer	<p>Achieved PIC targets on profit and new stockings, with strong performance in Asia, specifically China, and robust growth in the EU. Extended the royalty model in China, with key integrated producers and penetrated large customers in North America.</p> <p>ABS: disappointing H1 was followed by stronger H2 after interventions. Global volumes grew 1% and adjusted operating profit declined by 13%.</p> <p>IVB met targets, successful launch of Mexican and US operations.</p> <p>Beef opportunities analysed, and strategy approved: execution of H2 plan.</p>	90%
	People	<p>Aligned people to strategy, with appointment of COO Beef; integration of Asia into species business units completed with no loss of performance; appointed ABS Dairy COO to drive performance improvement; invested in R&D, GSS and IVB to drive future revenue streams.</p>	
	Product and service improvement	<p>PIC genetic improvement exceeded its target and met its regional dissemination targets.</p> <p>PIC supply chain strengthened by strategic partnership with Hermitage, taking advantage of its strong European footprint; acquisition of Hermitage porcine genetics.</p> <p>Targeted investment in gene editing with PRRSv project meeting 2017 milestones.</p> <p>Formed the De Novo joint venture with De-Su to produce world class Holstein genetics.</p>	
	Results	<p>Acquired remaining 49% of IVB, now fully integrated Genus business.</p>	
Stephen Wilson	Customer/stakeholders	<p>Sustained good relationships with the Company's shareholders.</p>	90%
	People	<p>Further strengthening of team, specifically IT, with appointment of new Group CIO and further strengthening of the finance leadership.</p>	
	Product and service improvement	<p>Critical to successful year of business development with acquisitions, licensing and partnerships, including De Novo joint venture with De-Su, full acquisition of IVB through the buyout, Hermitage acquisition and NMR.</p> <p>Continued to improve internal finance controls.</p> <p>Improved financial planning processes through TM1 system.</p> <p>Supported the ABS sales force with mobile technology to support herd mating schedules.</p>	
	Results	<p>Maintained tight internal cost management disciplines and cash flow management, risk management and controls.</p>	



Annual Bonus: Company Milestones

The Committee included this element of the annual bonus for 2017 as disclosed in our 2016 Directors' Remuneration Report. We set a target related to securing the ability to deploy our sexed semen technology, producing our first product (Sexcel) delivered to customers through our ABS business. This would represent the culmination of multiple years of development and be the first case of Genus developing its own proprietary technology to offer to customers. The Committee believed that this was fully in line with the intended purpose of the Company Milestone element: an example of a significant strategic achievement that will change our industry and build long-term value for shareholders.

The maximum opportunity under the Company Milestone was an award of shares deferred for three years worth up to 75% of salary for the Chief Executive and 50% of salary for the Group Finance Director. The performance criteria and resulting awards as determined by the Committee are as follows:

Performance criteria	Outcome/progress made	Resulting award
Remove threats and barriers so the business can launch the Genus sexed semen technology in targeted markets	<ul style="list-style-type: none"> Gained a permanent injunction enabling freedom to launch new technology to market Demonstrated that a competitor had wilfully maintained a monopoly position within a market 	The Committee concluded that 80% of the possible award should be made for each of the Executive Directors.
Deliver the production plan to launch Sexcel	<ul style="list-style-type: none"> Production facilities developed and tested Successfully ramped up production Targeted cost efficiency achieved 	This corresponds to awards of deferred shares worth 40% of salary for the Group Finance Director and 60% of salary for the Chief Executive.

As a result of this performance, the total annual bonus (both the Core Element and Company Milestone) awarded to the Executive Directors was:

	Annual bonus: Core Element			Annual bonus: Company Milestone		Total bonus		
	Extent to which targets were met	Cash bonus	Deferred shares	Extent to which targets were met	Deferred shares	Total cash	Deferred shares ¹	Total
Karim Bitar	45.6%	£234,236	£78,079	80%	£328,868	£234,236	£406,947	£641,183
Stephen Wilson	45.6%	£158,728	£52,909	80%	£148,569	£158,728	£201,478	£360,206

¹ The number of shares will be calculated in September when bonuses are paid.

How the Performance Share Plan Figure was Calculated in the Single Total Remuneration Table

Karim Bitar's and Stephen Wilson's PSP awards granted on 20 November 2014 were subject to a performance condition, based on the growth in adjusted earnings per share from 2014 to 2017. The range of targets applicable to the awards, which had a value of 200% of salary for the Chief Executive and 175% of salary to the Group Finance Director, was as follows:

Average annual growth in adjusted earnings per share ¹	% of award vesting
Less than 6% p.a.	Nil
6% p.a.	20%
20% p.a.	100%

¹ Straight line vesting between the points in the above table.

As with the short-term award, the Committee exercised discretion to calculate the long-term award after excluding gene editing costs incurred during the performance period, to avoid an unintended impact on the Executives' remuneration.

The adjusted 2017 earnings per share after the cost of share based payments and adjusting for costs relating to gene editing was 68.1p. This represents an average annual growth in adjusted earnings per share of 16.4% compared to the comparable 2014 adjusted earnings per share figure (after the cost of share based payments). The resulting level of vesting is therefore 79.4% of maximum for both the Chief Executive and Group Finance Director¹.

Karim Bitar's award was over a maximum of 86,271 shares, so the actual level of vesting is 68,499 shares and these will vest on 20 November 2017. Stephen Wilson's award was over a maximum of 51,153 shares, so the actual level of vesting is 40,615 shares and these will vest on the same date.

The Company's average share price for the period from 1 April 2017 to 30 June 2017 was 1,821.95p, meaning that the values shown for these awards within the single figure table are £1,248,021 for Karim Bitar and £739,994 for Stephen Wilson.

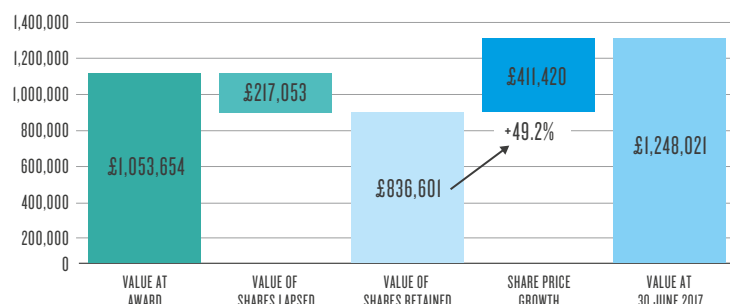
¹ The average annual earnings per share growth including the gene editing costs would be 13.7% and the associated vesting level would be 64% of maximum.



Annual Report on Remuneration continued

Section D: Annual Report on Remuneration continued

Breakdown of Vesting for Chief Executive:



2014 PSP Award:

Key points:

- Based on average annual earnings per share-growth of 16.4%, 79.4% of the original grant of shares will vest
- Strong share price growth was seen over the three year period, from 1,221p at award to 1,821.95p at release (based on average price over last three months of the year)
- This increased the value of the long term award on vesting by 49.2%

Material Contracts

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

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

There were no payments for loss of office in the year or to any former Directors of the business.

Executive Directors' External Appointments

Executive Directors are permitted to accept an external non-executive position, with the Board's approval. Any fees received in respect of these appointments may be retained by the Executive. Neither the Chief Executive nor Group Finance Director held any Non-Executive Directorships in the period from 1 July 2016 to 30 June 2017. As previously communicated, the Chief Executive (Karim Bitar) has been appointed as a Non-Executive Director of Spectris Plc with effect from 1 July 2017. Any fees or payments made in connection with this appointment will be disclosed in future remuneration reports.

2. What the Executive Directors Can Earn in 2018

A summary of this chapter is given on page 63.

Base Salary

The Committee reviews the Executive Directors' base salaries, taking into account factors such as individual and corporate performance, an assessment of market conditions and, most importantly, the salary increases applicable to the Group's other UK employees.

In line with other UK employees, the date of salary review has been moved to 1 September 2017. The Executive Directors' current salary levels (with effect from 1 September 2017 and with no backdating of awards) are as follows:

- Karim Bitar: £556,336 (1.5% increase); and
- Stephen Wilson: £376,994 (1.5% increase).

The Committee determined that salaries would be increased by 1.5%, reflecting the core award across the UK employee population. It did not refer to other market benchmarking data this year when making this decision.

Benefits

The Executive Directors will receive benefits including a car allowance, private fuel (for Chief Executive), life assurance, an annual medical screen and private medical insurance.

Pension

In lieu of Company pension contributions, the Company pays the Chief Executive and Group Finance Director a taxable pension allowance of 25% and 15% of basic salary per annum respectively.



Performance-Related Annual Bonus

Consistent with the Remuneration Policy agreed by shareholders in 2016, the Company bonus scheme for 2018 for the Executive Directors is:

Annual Bonus: Core Element

Value of bonus	A Core Element of 125% of salary based on profit, cash and personal objectives.		
Bonus	Chief Executive/Group Finance Director On-target value of bonus 62.5% (Core Bonus element)		
Performance measures	Adjusted profit before tax	– 80% of salary weighting.	
	Cash generation	– 20% of salary weighting.	
	Personal objectives	– 25% of salary weighting.	
Calibration of profit target	No bonus is payable unless the prior year's result is exceeded. Thereafter, the Core Bonus award is determined on the following basis:		
	Growth on prior year adjusted profit before tax ¹	Payout (profit element)	Percentage of salary awarded
	0%	0%	0%
	10% p.a. delivers	50%	40%
	15% p.a.	100%	80%
	Straight-line payout between performance points.		
	1 In constant currency and excluding gene editing costs.		
Calibration of cash generation target	The cash target is the budgeted figure, with a specific range of £3m below the target and £3m above. Specific numbers were set (rather than a percentage range) to ensure Executives are focused on actual cash generation.		
Calibration of personal objectives	Personal objectives are linked to successful implementation of objectives for the Executive Directors. It would be commercially sensitive to disclose them in advance. We will disclose retrospectively performance against these targets.		
Bonus deferral	Of the 125% Core Bonus element, one quarter of the total award will be deferred by way of shares for three years and will vest subject to continued employment, other than in certain good leaver circumstances.		
Malus and clawback	The Committee can apply malus to deferred bonuses and claw back any element of paid bonuses that should not have been awarded or paid, in the event of a material misstatement of the Group's annual results.		

Annual Bonus: Company Milestone Element

Value of bonus	A Company Milestone element of up to 75% and 50% of salary for the Chief Executive and the Group Finance Director respectively.		
Performance measures	Company Milestones represent pivotal and significant events in the Company's development, which reposition the Company as an agricultural biotechnology pioneer. Such events would be significant strategic achievements and long-term value creating.		
	The Committee has determined that this element of the annual bonus will be included for 2018 for the Chief Executive and Group Finance Director. Due to commercial sensitivity the target and achievement against it including any resulting award will be disclosed retrospectively.		
Bonus deferral	For achievement of the Company Milestone element, any award will be deferred into shares for three years and will vest subject to continued employment, other than in certain good leaver circumstances.		



Annual Report on Remuneration continued

Section D: Annual Report on Remuneration continued

2. What the Executive Directors Can Earn in 2018 continued

Long-Term Incentives

Awards to be granted in 2018 will be granted in line with the Remuneration Policy approved by shareholders and under the 2014 PSP. The Chief Executive will be granted an award over shares worth 200% of salary and the Group Finance Director will be granted an award over shares worth 175% of salary. These awards are in line with those awarded in 2015, due to vest in 2018.

The performance targets for the awards to be granted in 2018 will primarily relate to average annual growth in adjusted earnings per share, measured over three years and excluding gene editing costs. The same approach will govern awards due to vest in 2018.

The range of targets for the 2018 awards is as follows:

Average annual growth in adjusted earnings per share ¹	Vesting (% award)
Less than 5% p.a.	0%
5% p.a.	20%
15% p.a.	100%

Straight-line vesting between performance points.

¹ Growth in adjusted earnings per share over the three-year performance period will be calculated on a simple average annual growth rate after the cost of share based payments and gene editing.

The Committee remains convinced that using adjusted earnings per share is the correct approach and is consistent with awards made in 2016. The Committee believes the above targets are appropriately challenging, that they incentivise Executives to deliver the Company's growth strategy and are therefore aligned with shareholders' interests. They also adhere to the principles of transparency and simplicity, to maximise the incentive provided to participants by the 2014 PSP.

As with awards currently granted under the 2014 PSP, the Committee will retain the ability to scale back vesting based on earnings per share performance if it does not consider the vesting result to be consistent with the progress achieved against the Company's strategy during the performance period. This is considered appropriate to broaden the Executive team's focus beyond financial performance.

2014 PSP awards granted in 2018 will continue to require the Executives to retain the after-tax number of shares vesting in 2020 for two years. Clawback and malus provisions may be applied at the Committee's discretion, if the Company's results are found to have been materially misstated within three years of vesting.

3. The Process the Committee Followed to Arrive at These Decisions

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

During 2017, the Committee comprised:

Director	Independent status	Attendance at meetings
Nigel Turner (Chairman)	Yes	6/6
Mike Buzzacott ¹	Yes	3/3
Duncan Maskell	Yes	6/6
Lykele van der Broek	Yes	6/6
Lysanne Gray ²	Yes	5/6
Bob Lawson	Yes	6/6

¹ Mike Buzzacott retired on 17 November 2016.

² Due to prior commitments pre-appointment, Lysanne Gray was unable to attend the July 2016 Remuneration Committee meeting following her appointment. However, Lysanne was provided with all Committee materials and submitted feedback via the Chairman prior to the meeting.

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

During the year, the Committee continued to use PricewaterhouseCoopers ('PwC') for advice it considers is of value, objective and independent. PwC's fees were £35k for its remuneration advice to the Committee. PwC is a member of the Remuneration Consultants Group and complies with its Code of Conduct. Separate teams within PwC provide unrelated advisory service, including taxation, international assignments and acquisition related services to the Group.



During the year to 30 June 2017, the Committee met six times and considered the following matters:

JULY 2016 <ul style="list-style-type: none"> • Pay review for GELT members. 	SEPTEMBER 2016 <ul style="list-style-type: none"> • Approval of the Directors' Remuneration Report for 2016. • Determination of Annual Bonus awards in respect of 2016. • Testing of the performance conditions and approval of the vesting levels of long-term share incentive awards granted in 2013. • Approve long-term share incentive awards under the Company's 2014 PSP and the associated performance targets. • Review of shareholdings by Executive Directors and GELT. • Approval of PSP for senior leadership. 	NOVEMBER 2016 <ul style="list-style-type: none"> • Review of shareholder voting on the Remuneration Policy and Annual Remuneration Report. • Review of remuneration reporting for 2016.
JULY 2016 <ul style="list-style-type: none"> • Review of Directors' Remuneration Report. 		APRIL 2017 <ul style="list-style-type: none"> • Discussion of Company Milestone element within annual bonus. • Review shareholder perspectives and discussion of AGM season.
		MAY 2017 <ul style="list-style-type: none"> • Proposal for Company Milestone for 2018. • Committee effectiveness review.

How Shareholders' Views are Taken into Account

We consulted with shareholders ahead of proposing a revised Remuneration Policy to shareholders at our 2016 AGM. We were pleased with the constructive dialogue with shareholders and for their time and feedback on the proposed policy changes. The results of the most recent vote were as follows:

	Vote on Directors' Remuneration Report (advisory)		Vote on Directors' Remuneration Policy	
	Total number of votes	% of votes cast	Total number of votes	% of votes cast
For	41,184,785	96.94	40,093,114	96.12
Against	1,301,514	3.06	1,619,093	3.88
Total number of shares in respect of which votes were validly made	42,486,299	100	41,712,207	100
Votes withheld	513,260		1,287,352	

How Employees' Pay is Taken into Account

While the Company does not consult employees on matters of Directors' remuneration, the Committee does take account of the policy for employees across the workforce when determining the Remuneration Policy for Directors.

The Group HR Director facilitates this process, presenting to the Committee on the pay structures across the organisation and how they fit the Group's Remuneration Policy. The process includes a staff engagement survey that includes questions on pay, as well as consulting employees informally on their views of the current overall Remuneration Policy. This forms part of the feedback provided to the Committee and is used by the Group HR Director to assess the Remuneration Policy's ongoing effectiveness and the changes that should be made.

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



Annual Report on Remuneration continued

Section D: Annual Report on Remuneration continued

4. How the Chief Executive's Pay Compares to Shareholder Returns Over the Past Eight Years and to Employees' Pay Total Shareholder Return

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

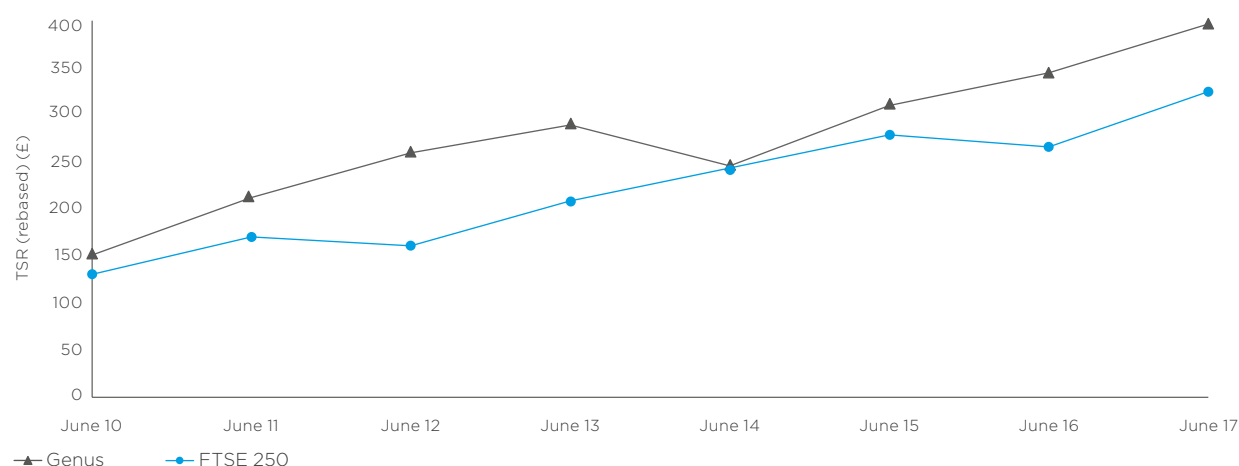
	Year ending 30 June								
	Richard Wood			Karim Bitar					
	2010	2011 ¹	2012	2012 ²	2013	2014	2015	2016	2017
Total remuneration (£000s)	£2,034	£2,383	£231	£1,776	£868	£877	£1,622	£1,704	£2,597
Annual bonus (% of max)	64%	94%	88%	77%	31%	32%	99%	78%	58.5% ³
Total PSP vesting (% of max)	100%	88%	–	–	–	–	26%	34%	79.4%

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

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

3 Includes the award under the Company Milestone element of the annual bonus.

Eight years of Total Shareholder Return



This graph shows the value, by 30 June 2017, of £100 invested in Genus plc on 30 June 2009 compared with the value of £100 invested in the FTSE 250 Index. Source: Thomson Datastream.

Chief Executive Pay Compared to Genus Employees Remuneration Received (% Change from 2016 to 2017)

	Salary %	Benefits %	Annual bonus %
Chief Executive	2	(1)	22 ¹
UK comparators ²	2.1	0	(35)

1 Includes the award made under the Company Milestone element of the annual bonus.

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

Distribution Statement

	2016	2017	% change
Employee costs (£m)	£118.4m	£137.6m	16%
Distributions to shareholders ¹	£12.2m	£13.5m	11%

1 Includes dividends and share buy-backs.



5. The Chairman and Non-Executive Directors' Fees

Fees payable to the Non-Executive Directors per annum are as follows:

Position	2016 fees	2017 fees	2018 fees
Chairman	£160,000	£160,000	£160,000
Audit and Remuneration Committee Chairs	£60,000	£60,000	£60,000
Adviser to R&D PMT	n/a	n/a	£65,000
Base Non-Executive Director fee	£55,000	£55,000	£55,000

Fees were increased in 2016 (as explained in the Directors' Remuneration Report set out in the 2015 Annual Report and approved at the 2015 AGM). The Chairman's fee, which had not been reviewed since 2010, was increased to £160,000 and Non-Executive Director fees, which were last reviewed in 2012, increased to £55,000 which includes, for each of them, their fees for membership of the Board's Committees. The responsibilities of chairing the Audit and Remuneration Committees were also recognised with an additional fee of £5,000, giving the Chairs of these Committees a total fee of £60,000.

Fees will continue at this level for 2018. The additional responsibilities as advisors of the R&D PMT are to be recognised for 2018 as shown in the above table.

Total Single Figure of Remuneration (Audited) for 2016 and 2017 are as follows:

		Fees £000s	Taxable expenses £000s	Benefits £000s	Total £000s
Non-Executive Directors					
Bob Lawson	2017	160	2	-	162
	2016	160	3	-	163
Nigel Turner	2017	60	1	-	61
	2016	60	2	-	62
Mike Buzzacott ¹	2017	25	1	4	30
	2016	60	2	-	62
Duncan Maskell	2017	55	2	-	57
	2016	55	2	-	57
Lykele van der Broek	2017	55	1	11	67
	2016	55	-	6	61
Lysanne Gray	2017	58	1	-	59
	2016	14	-	-	14
Total	2017	413	8	15	436
	2016	404	9	6	419

1 Mike Buzzacott retired on 17 November 2016

The Non-Executive Directors' taxable expenses are travel expenses related to their role and have been grossed up for tax where applicable, in line with HMRC rules.

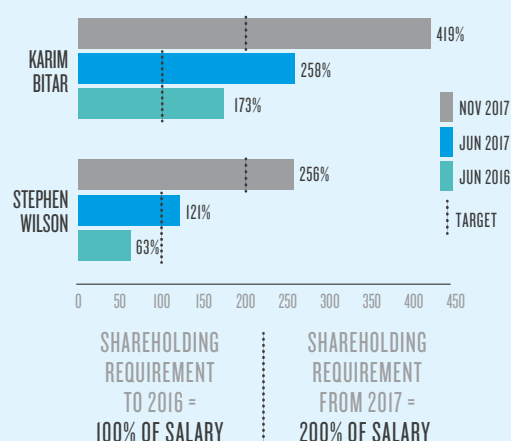
Spotlight: Increased Alignment of Executives to Genus through shareholding

In introducing the new Remuneration Policy, we increased the shareholding guideline for Executives from 100% of salary to 200% of salary.

As will be seen within the Directors' Remuneration Report, a significant part of the Annual Bonus for 2017 will be made in shares. In addition, Executives will be required to retain the post-tax shares from the 2014 PSP award for a further two years from November 2017. We have seen significant progress by both Executives in developing their shareholding in the business as highlighted in the adjacent table.

This shows the value of shares held by the individual and the post-tax value of any shares awarded under the DSBP not yet released. We have also provided a forecast of the position as at November 2017, when awards under the DSBP for the 2017 annual bonus will have been made, and the vesting of the 2014 PSP awards will have taken place (which the Executives are required to retain for a further two years).

Shareholding as percentage of salary



Annual Report on Remuneration continued

Section D: Annual Report on Remuneration continued

6. Details of the Directors' Shareholdings and Rights to Shares

Directors' Shareholdings (Audited)

The Directors had the following interests in the Company's shares:

	At 30 June 2017 Number	% of salary held ¹	% of shareholding guideline ²	Unvested DSBP awards at 30 June 2017 Number	Unvested PSP awards held at 30 June 2017 Number	At 30 June 2016 Number
Bob Lawson	8,557	n/a	n/a	n/a	n/a	7,201
Karim Bitar	65,353	258%	200%	23,548	223,307	50,213
Stephen Wilson	16,214	121%	200%	16,150	132,406	8,433
Nigel Turner	15,000	n/a	n/a	n/a	n/a	15,000
Mike Buzzacott	4,000 ³	n/a	n/a	n/a	n/a	4,000
Duncan Maskell	0	n/a	n/a	n/a	n/a	-
Lykele van der Broek	3,750	n/a	n/a	n/a	n/a	3,750
Lysanne Gray	0	n/a	n/a	n/a	n/a	-
Total	112,874			39,698	355,713	88,597

- Based on the combined number of beneficially held shares and the net of tax DSBP awards held and the average closing share price over the three months to 30 June 2017 of 1,821.95p.
- Executive Directors are expected to work towards achieve a shareholding of 200% of salary as set out in the Remuneration Policy agreed by shareholders in 2016. This was increased from 100% in 2016.
- This represents the shareholding at the point Mike Buzzacott retired from the Board (17 November 2016)

There were no changes in the Directors' interests between 30 June 2017 and the date of this report.

Company Share Price

The market price of the Company's shares on 30 June 2017 was 1,780p and the lowest and highest share prices during the financial year were 1,642p and 2,042p respectively.

Performance Share Awards Granted in 2017 (Audited)

The awards granted under the 2014 PSP were as follows:

Executive	Number of shares comprising award	Face/maximum value of awards at grant date (% salary) ¹	% of award vesting at threshold	Performance period
Karim Bitar	58,186	£1,096,224 (200%)	20	01.07.16-30.06.19
Stephen Wilson	34,500	£649,980 (175%)	20	01.07.16-30.06.19

- The closing average share price over the three days prior to the award being granted has been used to determine the maximum face value of the awards. This was 1,884p for Karim Bitar and Stephen Wilson (award granted on 14 September 2016).

The awards were granted as nil-cost share options and vesting will be subject to achieving a challenging sliding scale of adjusted earnings per share growth target and a strategic underpin, consistent with our Remuneration Policy. The adjusted earnings per share growth performance target for the above awards is:

Average annual growth in adjusted earnings per share ¹	Vesting (% award)
Less than 5% p.a.	0%
5% p.a.	20%
20% p.a.	100%
Straight-line vesting between performance points	

- Growth in adjusted earnings per share over the three-year performance period will be calculated on a simple average annual growth rate after the cost of share based payments and adjusted for gene editing costs.

Deferred Bonus Awards Granted in 2017 (Audited)

The basis of the awards' calculation is described in more detail on page 65, which resulted in the following DSBP awards being granted in relation to the 2016 annual bonus:



Executive	Number of shares comprising award	Face value of awards at grant date ¹
Karim Bitar	6,973	£131,371
Stephen Wilson	4,725	£89,019

These awards are not subject to any further performance conditions and will normally vest in full on 14 September 2019, subject to continued service.

¹ The closing average share price over the three days prior to the award being granted has been used to determine the maximum face value of the awards. This was 1,884p for Karim Bitar and Stephen Wilson (award granted on 14 September 2016).

Summary of Scheme Interests (Audited)

At 30 June 2017, the Executive Directors had the following beneficial interests in share awards and share options:

Karim Bitar

Grant date	Award	Vesting period	Share price at grant	At 30 June 2016 Number	Granted in year Number	Lapsed in year Number	Exercised in year Number	At 30 June 2017 Number
26 September 2013	PSP	26 September 2013 to 27 September 2016	1,413p	73,107	-	(47,958)	(25,149)	0
30 December 2013	DSBP	30 December 2013 to 27 September 2016	1,413p	3,495	-	-	(3,495)	0
21 October 2014	DSBP	21 October 2014 to 21 October 2017	1,111p	4,648	-	-	-	4,648
20 November 2014	PSP	20 November 2014 to 20 November 2017	1,221p	86,271	-	-	-	86,271
14 September 2015	DSBP	14 September 2015 to 14 September 2018	1,363p	11,927	-	-	-	11,927
14 September 2015	PSP	14 September 2015 to 14 September 2018	1,363p	78,850	-	-	-	78,850
14 September 2016	PSP	14 September 2016 to 14 September 2019	1,884p	-	58,186	-	-	58,186
14 September 2016	DSBP	14 September 2016 to 14 September 2019	1,884p	-	6,973	-	-	6,973
Total				258,298	65,159	(47,958)	(28,644)	246,855

Stephen Wilson

Grant date	Award	Vesting period	Share price at grant	At 30 June 2016 Number	Granted in year Number	Lapsed in year Number	Exercised in year Number	At 30 June 2017 Number
26 September 2013	PSP	26 September 2013 to 27 September 2016	1,413p	43,347	-	(29,736)	(13,611)	0
30 December 2013	DSBP	30 December 2013 to 27 September 2016	1,413p	1,050	-	-	(1,050)	0
21 October 2014	DSBP	21 October 2014 to 21 October 2017	1,111p	3,445	-	-	-	3,445
20 November 2014	PSP	20 November 2014 to 20 November 2017	1,221p	51,153	-	-	-	51,153
14 September 2015	DSBP	14 September 2015 to 14 September 2018	1,363p	7,980	-	-	-	7,980
14 September 2015	PSP	14 September 2015 to 14 September 2018	1,363p	46,753	-	-	-	46,753
14 September 2016	PSP	14 September 2016 to 14 September 2019	1,884p	-	34,500	-	-	34,500
14 September 2016	DSBP	14 September 2016 to 14 September 2019	1,884p	-	4,725	-	-	4,725
Total				153,728	39,225	(29,736)	(14,661)	148,556



Annual Report on Remuneration continued

Section D: Annual Report on Remuneration continued

6. Details of the Directors' Shareholdings and Rights to Shares continued

Summary of Scheme Interests (Audited) continued

In relation to the share awards granted on 14 September 2016, the closing average share price over the three days prior to 14 September 2016 (the grant date for the PSP awards) was used (1,884p) to determine the number of shares comprising individual awards.

The performance targets applying to the 14 September 2016 awards are as described above. An earnings per share range also applied to awards made in 2015 and 2014. No further performance conditions apply to the DSBP awards.

Dilution

The aggregate dilution of all relevant share incentives is 4.98% at 30 June 2017, which is less than the permissible 10% in ten years dilution limit.

7. Details of the Executive Directors' Contracts and Non-Executive Directors' Letters of Appointment

Director	Appointment date	Current contract date	Expiry date	Notice period (Months)
Executives				
Karim Bitar	24 May 2011	24 May 2011	n/a	12 (from Company) 6 (from Executive)
Stephen Wilson	12 December 2012	12 December 2012	n/a	12 (from Company) 6 (from Executive)
Non-Executives				
Bob Lawson	11 November 2010	11 November 2016	11 November 2019	1
Nigel Turner	17 January 2008	17 January 2017	16 January 2020	1
Duncan Maskell	1 April 2014	1 April 2017	1 April 2020	1
Lykele van der Broek	1 July 2014	1 July 2017	1 July 2020	1
Lysanne Gray	1 April 2016	1 April 2016	1 April 2019	1
Mike Buzzacott	7 May 2009	7 May 2015	17 November 2016 ¹	n/a

¹ Mike Buzzacott retired on 17 November 2016.



Section E: Summary of Directors' Remuneration Policy

Our existing Directors' Remuneration Policy was approved by shareholders on 17 November 2016. We were pleased to receive over 96% support for the changes which you will see referred to elsewhere within this Report. There are no proposed changes to the Policy this year and therefore there will be no resolution seeking shareholder approval at the forthcoming AGM. We will continue to have the annual resolution seeking shareholder approval on how we have implemented the Remuneration Policy.

The table summarising the Remuneration Policy is shown below for information. The full details of the revised Remuneration Policy can be found within our 2016 Annual Report (which can be viewed through our website at www.genusplc.com).

Directors' Remuneration Policy Report

The key objectives of the Remuneration Policy are that:

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



Annual Report on Remuneration continued

Summary of Current Remuneration Policy continued

Base Salary	Benefits	Pension
<p>To provide competitive fixed remuneration that will attract and retain key employees and reflect their experience and position in the Group.</p>	<p>To provide competitive benefits and to attract and retain high-calibre employees.</p>	<p>To provide a competitive Company contribution that enables effective retirement planning.</p>
<p>Operation</p>	<p>Operation</p>	<p>Operation</p>
<p>Reviewed annually as the norm, with increases from 2017 usually effective from 1 September.</p> <p>Periodically benchmarked against relevant market comparators, reflecting the size and nature of the role, individual performance and experience, increases awarded to other employees, Group performance and broader economic conditions.</p>	<p>Benefits generally include a car allowance and insured benefits (e.g. life assurance and private medical insurance).</p> <p>Where Executive Directors are recruited from overseas, or required to relocate on an international assignment, benefits more tailored to their geographical location may be provided and may include relocation costs and/or tax equalisation arrangements as necessary.</p> <p>Where revised benefits are offered in a geographic location or across the Group, Executive Directors are likely to be eligible to receive those benefits on similar terms.</p> <p>If the Company introduces an all-employee share plan, Executive Directors will be eligible to participate on the same terms as other employees.</p>	<p>Only basic salary is pensionable.</p> <p>Pension is provided by way of contribution to a personal pension or as a salary supplement in lieu of pension provision.</p>
<p>Maximum</p>	<p>Maximum</p>	<p>Maximum</p>
<p>Annual percentage increases are generally consistent with the range awarded across the Group and in line with the salary awards for the home country in which the Executive works.</p> <p>Percentage increases in salary above this level may be made in certain circumstances, such as a change in responsibility or a significant increase in the role's scale or the Group's size and complexity.</p>	<p>The car allowance value is limited to £20,000 per annum.</p> <p>The value of insured benefits will vary year on year, based on the cost of providing insured benefits, and is included in the total single figure table on page 65.</p>	<p>Pension contribution or salary supplements in lieu of pension are provided to a maximum of 25% of basic salary.</p>
<p>Performance Conditions</p>	<p>Performance Conditions</p>	<p>Performance Conditions</p>
<p>A broad assessment of individual and Company performance is used as part of the salary review.</p> <p>The salaries payable to the Executive Directors from 1 September 2017 are disclosed on page 68.</p>	<p>None.</p>	<p>None.</p>



Annual Bonus

The bonus is split into two parts:

A Core Bonus element incentivises against a combination of financial targets and personal objectives.

A Company Milestone element incentivises achievement of significant Company Milestones. This element is included at the discretion of the Committee.

In combination, these elements support achievement of the Group's goals.

Operation

25% of the payments under the Core Bonus element are made in Company shares deferred for three years subject to continued service. The remaining award is payable in cash.

Malus and clawback provisions may apply for a period of three years from the point of award, in the event of a material misstatement of the Group's financial results.

A dividend equivalent provision operates, enabling dividends to be paid (in cash or shares) on deferred shares that vest.

Payments under the Company Milestone element are made fully in Company shares deferred for three years subject to continued service.

Share awards made under the DSBP (under either the Core Bonus element or Company Milestone element) will vest after three years, subject to continued service.

Maximum

Core Bonus opportunity: 125% of salary

The Committee has the discretion to award an additional variable award (up to 75% of salary for the Chief Executive, up to 50% of salary for other Executive Directors) to reward achievement of Company milestones under the Company Milestone element.

The Committee has the discretion to determine in which year the award is earned, and can choose to recognise achievement in a subsequent year. The maximum award in any year will be up to 75% for the Chief Executive 50% for other Executive Directors.

Therefore the maximum under the annual bonus is 200% of salary for the Chief Executive, 175% for other Executive Directors.

Performance Conditions

Core bonus awards are subject to achievement against a sliding scale of challenging financial targets and personal objectives, which the Committee sets each year to reflect the priorities for the year ahead.

The specific performance measures, targets and weightings are set every year to align with the Company's strategy.

Financial targets govern the majority of Core Bonus payments and are typically linked to the Group's key performance indicators (e.g. profit and cash generation), with a minority earned based on performance against personal objectives.

The Committee may include the Company Milestone element to incentivise and reward the achievement of pre-determined Company Milestones.

The Committee has the discretion to adjust the bonus outcome in light of overall underlying performance. Any adjustment made will be disclosed within the following Annual Report on Remuneration.

For financial performance targets under the Core Bonus element, bonus is earned on a graduated scale. The level of payment at threshold is set annually but will not exceed 25% of maximum. Maximum awards (100% payable) are for substantial outperformance against targets.

A summary of the performance targets for 2018 is included on page 69.



Annual Report on Remuneration continued

Summary of Current Remuneration Policy continued

2014 PSP

The 2014 PSP incentivises Executives to achieve superior returns to shareholders over a three-year period, to retain key

individuals and align their interests with shareholders.

Operation

Eligibility to receive awards is at the Committee's discretion each year.

Awards vest three years from grant, subject to continued employment and satisfaction of challenging three-year performance targets.

For awards granted from 2014, the post-tax number of vested shares must be held for at least a two-year period following vesting.

A dividend equivalent provision enables dividends to be paid (in cash or shares) on shares that vest.

Malus and clawback provisions may apply for a period of three years, in the event of a material misstatement of the Group's financial results.

Maximum

Maximum annual award of 200% of salary (300% of salary in exceptional circumstances, such as recruitment).

Performance Conditions

Awards vest based on three-year performance against a challenging range of targets, aligned with the delivery of the Company's long-term strategy.

Financial targets (including adjusted earnings per share growth) will determine the vesting of a majority of awards granted in any year.

Targets are typically structured as a challenging sliding scale, with no more than 20% of the maximum award vesting for achieving the threshold performance level through to full vesting for substantial outperformance of the threshold.

The awards will also be subject to an underpin that enables the Committee to scale back (but not scale up) vesting, if the Group's performance over the period is not considered to reflect the progress made against its strategic business targets.

A summary of the performance targets for 2018 is given on page 70.

The Committee will review performance conditions annually, specifically the range of earnings per share targets and the metrics and weightings applied to each element of the PSP. Any revisions to the metrics and/or weightings will only take place if it is necessary because of developments in the Company's strategy and, where these are material, following dialogue with the Company's major shareholders. Should the Committee believe that a major change of the current approach is appropriate (for example, replacing a primary performance metric with an alternative), this would only take place following a revised Directors' Remuneration Policy being tabled to shareholders.

Share Ownership Guidelines

To align Executives and shareholders.

Operation

Executives are expected to achieve a shareholding of 200% of salary, by retaining 50% of the net of post-tax number of vested shares under the Company's DSBP and PSP.

In addition, the Chief Executive will retain the entire post-tax number of Restricted Stock that was granted to him shortly after his appointment.

Maximum

n/a

Performance Conditions

n/a



Non-Executive Directors

To provide compensation that attracts high-calibre individuals and reflects their experience and knowledge.

Approved by the Board and signed on its behalf by:

Nigel Turner
Chair of the Remuneration Committee
 6 September 2017

Operation

The Committee determines the Chairman's fee.

The Board periodically reviews Non-Executive Directors' fees.

No Directors take part in meetings where their own remuneration is discussed.

Fees are based on the time commitments involved in each role and set with reference to the fees paid in other similarly sized UK listed companies.

Maximum

Any increase in Non-Executive Director fees may be above the level awarded to other employees, given that they may only be reviewed periodically and may need to reflect any changes to time commitments or responsibilities.

The periodic review may result in an increase beyond the fees currently payable.

Non-Executive Directors also receive reimbursement of reasonable expenses incurred in connection with Company business and may settle any tax incurred in relation to these.

The fees payable for 2017 are stated on page 73.

Performance Conditions

None.



Other Statutory Disclosures

Directors

The Directors and the dates of their respective appointments are listed on pages 42 and 43.

Equal Opportunities/Employees with Disabilities

Genus values diversity and aims to make best use of everyone's skills and abilities. We are therefore committed to equal opportunities at every stage of our employees' careers. Our policy on employees with disabilities is to fully and fairly consider people with disabilities for all vacancies. We interview and recruit people with disabilities and endeavour to retain employees if they become disabled while they work for us. Where possible, we will retrain employees who become disabled and adjust their working environment, so they can maximise their potential.

Political Contributions

The Group does not make political contributions.

Dividend

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

Share Capital

Note 29 gives details of the Company's issued share capital and any movements in the issued share capital during the year. The Directors may only issue shares to the extent authorised by the shareholders in general meeting. The current power to allot shares was granted by shareholder resolution at the 2016 AGM and a new authority is being sought at the 2017 AGM within the limits set out in the notice of meeting, that is up to a nominal value of £4,078,303.72 (representing two-thirds of the Company's current issued share capital).

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

Details of the Company's employee share schemes are set out in note 51. In connection with these schemes, the Genus plc Employee Benefit Trust holds shares in the Company from time to time and abstains from voting in respect of any such shares.

For additional information on capital risk management including financial instruments, see note 24.

Authority to Acquire the Company's Own Shares

The Directors may only buy back shares to the extent authorised by the shareholders in general meeting. The current power to buy back shares was granted by shareholder resolution at the 2016 AGM and a new authority is being sought at the 2017 AGM within the limits set out in the notice of meeting, that is up to a nominal value of £611,745 (representing 10% of the Company's current issued share capital). No shares were bought back by the Company, under the authority granted at the 2016 AGM, from the date of that AGM up to the date of this report.

Going Concern and Long-Term Viability Statement

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 12 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.

During the year Genus exercised an extension option to extend the maturity of the facility for a further year to February 2022, on the same terms and pricing, and in March 2017 exercised the first tranche of the Accordion feature of the facility, increasing our GBP facility by £10m to £75m and increasing our US\$ facility by \$25m to \$165m.

At 30 June 2017 the Group had net debt of £111.6m (2016: £89.7m) and had substantial headroom of £73.6m (2016: £49.8m) under the renewed facilities of £202m. The Group's financial position remains strong.

In accordance with provision C.2.2 of the 2014 revision of the Code, the Directors have assessed the viability of the Group over a three-year period to June 2020. This period is deemed appropriate given the visibility the Company has to its product development pipeline, for example, as a result of the genetic lag of approximately three years between the porcine nucleus herds and customers' production systems. In addition, the nature of the principal risks and uncertainties affecting Genus, including the agricultural markets in which it operates, were taken into account in determining the three-year period. The Directors have considered Genus's current financial position, its planned capital expenditure, as well as the financing facilities available to the Group. They also assessed the potential impact, in severe but plausible scenarios, of the principal risks and uncertainties, set out on pages 12 to 13, and in particular the impacts of biosecurity, market down-turn, continuity of supply and increased competition including new product launches. The assessment took into account the likely degree of effectiveness of current and available mitigating actions.

Based on this assessment, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to June 2020.



Substantial Shareholdings

As at 1 September 2017, we were aware of the following material interests in the Company's ordinary shares:

Fund Manager	Shareholding	%
Lansdowne Partners	6,088,888	9.95
Baillie Gifford & Co	4,080,940	6.67
Columbia Threadneedle Investments	3,748,354	6.13
NFU Mutual Investment Mgrs	2,507,442	4.10
Allianz Global Investors	2,183,133	3.57
Legal & General Investment Mgt	2,117,859	3.46
M&G Investment Mgt	1,892,622	3.09

There have been no material changes in shareholding since 30 June 2017.

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

Provision of Information to the Company's Auditor

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

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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

Appointment of Auditor

Deloitte LLP has expressed its willingness to continue in office as auditor and a resolution to reappoint it will be proposed at the forthcoming AGM.

Directors' Indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its Directors which were made during the year and remain in force at the date of this report.

Requirements of the Listing Rules

Details of the Company's long-term incentive schemes can be found in the Directors' Remuneration Report on pages 60 to 81.

Approved by the Board and signed on its behalf by:

Dan Hartley

Group General Counsel and Company Secretary

6 September 2017



Director's Responsibilities

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law, the Directors are required to prepare the Group Financial Statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union and Article 4 of the IAS Regulation and have chosen to prepare the Parent Company Financial Statements in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the Parent Company Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether Financial Reporting Standard 101 'Reduced Disclosure Framework' has been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group Financial Statements, International Accounting Standard 1 requires that Directors:

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

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

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

Directors' Responsibility Statement

We confirm that to the best of our knowledge:

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

Approved by the Board and signed on its behalf by:

Karim Bitar
Chief Executive
6 September 2017

Stephen Wilson
Group Finance Director
6 September 2017



REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 June 2017 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 'Reduced Disclosure Framework'; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements of Genus plc (the 'Parent Company') and its subsidiaries (the 'Group') which comprise:

- the Group Income Statement;
- the Group Statement of Comprehensive Income;
- the Group and Parent Company Statements of Changes in Equity;
- the Group and Parent Company Balance Sheets;
- the Group Statement of Cash Flows; and
- the related notes 1 to 55.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the EU. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: <ul style="list-style-type: none">• Fair value of biological assets under IAS 41 'Agriculture'• Orphan pension scheme liabilities related to the Milk Pension Fund• Impairment of the ABS cash generating unit
Materiality	We determined materiality for the Group to be £2.2m (2016: £2.2m), which is 5.0% (2016: 5.3%) of pre-tax profit before exceptional items and changes in fair value of biological assets.
Scoping	Our audit scope covered 17 components (2016: 22). Of these, eight were subject to a full audit (2016: 11), whilst the remaining nine (2016: 11) were subject to specified audit procedures. The coverage of key account balances was 82% of revenue, 80% of profit before tax and 92% of net assets.
Significant changes in our approach	<p>Last year we included a key audit matter relating to the impairment of capitalised development costs, this was not included this year following the related court rulings in the year which have removed any restriction that prevents commercial launch.</p> <p>Our impairment risk in the current period has been focused specifically on the assets associated with the ABS business, due to the more limited headroom associated with this cash generating unit.</p>



Independent Auditor's Report continued

To the Members of Genus plc

Conclusions relating to principal risks, going concern and viability statement

We have reviewed the Directors' statement regarding the appropriateness of the going concern basis of accounting contained within note 2 to the financial statements and the Directors' statement on the longer-term viability of the Group contained within the Directors' Report on page 82.

We are required to state whether we have anything material to add or draw attention to in relation to:

- the disclosures on pages 12 - 13 that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation on page 84 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;
- the Directors' statement on page 84 about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group and the Parent Company's ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements;
- the Directors' explanation on page 82 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions; and
- whether the Directors' statements relating to going concern and the prospects of the Company required in accordance with Listing Rule 9.8.6R(3) are materially inconsistent with our knowledge obtained in the audit.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Fair value of biological assets under IAS 41 'Agriculture'

Key audit matter description

The Group calculates the fair value of biological assets through the use of discounted cash flow models and recent transaction prices. As at 30 June 2017 the total fair value of biological assets is £353m.

Our risk is focused specifically on the following key assumptions for each species, being the most sensitive assumptions applied in the valuation models. Certain assumptions contain high levels of management judgement and therefore represent potential areas where management could fraudulently manipulate the financial statements.

For bovine asset valuations: the future growth rates of proven and genomic semen sales; the biological asset value discount factor; and; the discount rates applied.

For porcine asset valuations: the expected useful breeding life of pigs; the number of offspring generations valued in the nucleus herd, and; the discount rate applied.

Details of the biological assets are disclosed in note 15 to the accounts. The Audit Committee has included their assessment of this risk on page 58 and it is included in the key accounting estimates and judgements in note 4.

We confirm that we have nothing material to add or draw attention to in respect of these matters.

We agreed with the Directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.



How the scope of our audit responded to the key audit matter

Our response to this risk considers the separate elements of the fair value calculations: the basis for management's estimates and judgements applied in the key assumptions; the validity of transactional data used for other inputs; and the mechanical integrity of the models themselves.

For the bovine asset valuations, our audit work included obtaining an understanding of management's processes surrounding the compilation of the future demand, marketable life and production volume forecasts. We considered the appropriateness of projected prices, volume growth rates against historical trends, current performance and third party market data, and analysed management's historical forecasting accuracy.

For the porcine asset valuations our audit work included consideration of the appropriateness of management's assessment of the number of future generations from which output is attributable to the current herd and expected useful lives. We tested the expected percentages of animals to be sold, retained and slaughtered as well as recent selling prices by reference to historical transactional data. For all other assumptions in each model we challenged the significant estimates with reference to third party or historical transactional data as appropriate.

For both species' valuation models, we used internal valuation experts in our testing of the discount rates applied to the cash flows.

We also tested the mechanical integrity of the spreadsheets used to calculate the fair values using analytical tools and performed sensitivity analyses on the key assumptions.

Key observations

From the work performed, we are satisfied that the key assumptions applied in respect of the valuation of biological assets are appropriate.

Orphan pension scheme liabilities related to the Milk Pension Fund (MPF)**Key audit matter description**

Genus is party to the MPF, a joint and several liable multi-employer pension scheme, and is exposed to the risk of additional liabilities from the default of other scheme members beyond its current share of 85% of the liabilities.

Our risk is focused on the financial position and stability of the other employers within the MPF. Our risk is also focused on the accounting treatment of National Milk Record plc's ("NMR") withdrawal from the scheme.

Details of the defined benefit pension scheme are disclosed in note 27 to the accounts. The Audit Committee has included their assessment of this risk on page 58 and it is included in the key accounting estimates and judgements in note 4.

How the scope of our audit responded to the key audit matter

In response to the risk of additional liabilities for the multi-employer scheme arising from other employers, we have considered the financial strength and stability of remaining employers in the scheme and their ability to contribute to the deficit through a review of the most recent publicly available financial information, including the latest financial statement and media reports

We have reviewed the accounting and disclosure for NMR withdrawal from the MPF, as set out in note 27 to the financial statements.

Key observations

From our work performed, we are satisfied that the accounting and disclosure is appropriate for the orphan liabilities and NMR's withdrawal from the scheme.

Impairment of the ABS CGU**Key audit matter description**

The Group has £32.4m of goodwill on its balance sheet and total assets of £132.8m in relation to the ABS CGU.

On an annual basis, management is required to perform an impairment assessment for goodwill, and to assess for indicators of impairment in respect of other intangible and tangible assets.

Assessment of the carrying value of CGU's assets is a key risk due to the quantum of the balance and the judgements involved in setting the key assumptions and assertions used by management to support their assessment of the carrying value. In testing the carrying value for impairment, management has made a number of key assumptions including short-term and long-term growth rates and discount rates.

Our risk in the current period has been focused specifically on the assets associated with the ABS business due to the more limited headroom associated with this CGU.

The associated disclosure is included in note 14. The Audit Committee has included their assessment of this risk on page 58 and it is included in the key accounting estimates and judgements in note 4.



Independent Auditor's Report continued

To the Members of Genus plc

Impairment of the ABS CGU (continued)

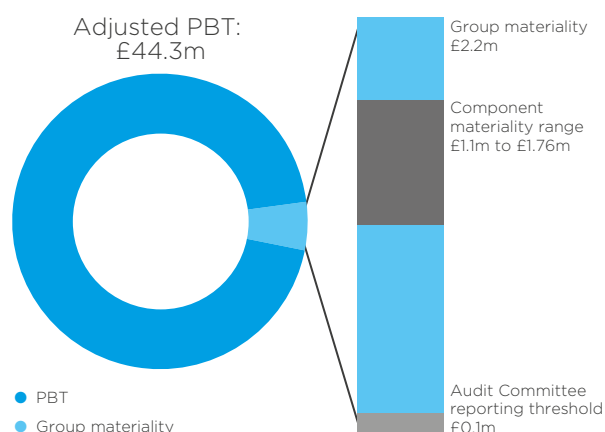
How the scope of our audit responded to the key audit matter	<p>We challenged the assumptions used by management in their annual impairment assessment by comparing the projected growth rates and forecast cash flows against historical trends achieved in the business in the wake of what has been challenging market conditions. We analysed historical budgeting accuracy to assess the reliability of management's forecasts. We reviewed third-party market data sources used by management in their forecast models.</p> <p>We evaluated management's assessment of the sensitivity of the Group's impairment assumptions to reasonably possible changes and considered the associated disclosures provided by the Group in relation to its impairment review within note 14.</p> <p>We used valuation specialists within the audit team to challenge the discount rates applied to these cash flows by reference to market data, including the risk premium applied to each CGU.</p>
Key observations	<p>From our work performed, we are satisfied that the carrying value of the goodwill and other assets attributable to the ABS segment is appropriate.</p>

Our application of materiality

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

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Group materiality	£2.2m (2016: £2.2m)
Basis for determining materiality	5.0% (2016: 5.3%) of pre-tax profit before exceptional items and changes in fair value of biological assets.
Rationale for the benchmark applied	We have used a profit based measure given the Group is listed and therefore shareholders focus on profitability. The profit is adjusted for the exceptional items and changes in fair value of biological assets to avoid distortion that could otherwise arise due to non-recurring items and fair value movements.



We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.1m (2016: £0.1m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

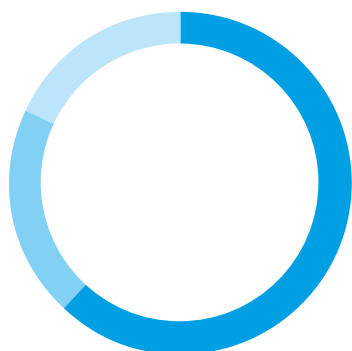
An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. Based on that assessment, we focused our Group audit scope primarily on the audit work at 17 components (2016: 22). Of these, eight were subject to a full audit (2016: 11), whilst the remaining nine (2016: 11) were subject to specified audit procedures where the extent of our testing was based on our assessment of the risks of material misstatement and of the materiality of the Group's operations at those locations. The change in number of components within scope reflects the impact of acquisitions and certain entities which are no longer significant to the Group following internal restructuring.



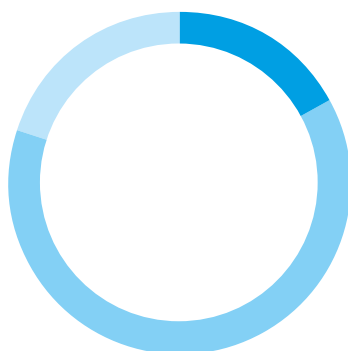
These 17 components represent the principal business units and account for 82% (2016: 88%) of the Group's revenue and 80% (2016: 92%) of the Group's profit before tax and 92% (2016: 99%) of the Group's net assets.

REVENUE



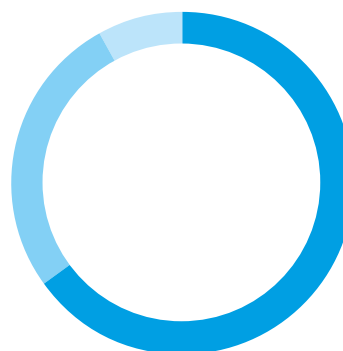
● 62% Full audit scope
● 20% Specified audit procedures
● 18% Out of scope

PROFIT BEFORE TAX



● 17% Full audit scope
● 63% Specified audit procedures
● 20% Out of scope

NET ASSETS



● 65% Full audit scope
● 27% Specified audit procedures
● 8% Review at group level

At the Parent entity level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances.

The Group audit team continued to follow a programme of planned visits. The lead audit partner visited the United States, Mexico and Brazil components during the current and previous year. In years when we do not visit a significant component we include the component audit team in our team briefing, discuss their risk assessment, and review documentation of the findings from their work.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon.

We have nothing to report in respect of these matters.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- Fair, balanced and understandable – the statement given by the directors that they consider the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- Audit Committee reporting – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or
- Directors' statement of compliance with the UK Corporate Governance Code – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.



Independent Auditor's Report continued

To the Members of Genus plc

Responsibilities of Directors

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and of the Parent Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or Directors' Report.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

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

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

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made or the part of the Directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Other matters

Auditor tenure

Following the recommendation of the Audit Committee, we were appointed by the Board on 8 June 2006 to audit the financial statements for the year ending 30 June 2006 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 12, covering the years ending 30 June 2006 to 30 June 2017.

Consistency of the audit report with the additional report to the Audit Committee

Our audit opinion is consistent with the additional report to the Audit Committee we are required to provide in accordance with ISAs (UK).

Andrew Bond, FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor
Reading, United Kingdom
6 September 2017



Group Income Statement

For the year ended 30 June 2017

FINANCIAL STATEMENTS

	Note	2017 £m	2016 £m
Revenue	5, 6	459.1	388.3
Adjusted operating profit	5	55.1	49.3
Adjusting items:			
- Net IAS 41 valuation movement on biological assets	15	(1.1)	(17.1)
- Amortisation of acquired intangible assets	14	(8.7)	(6.1)
- Share-based payment expense	28	(4.6)	(3.8)
		(14.4)	(27.0)
- Exceptional items:	7		
- 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	8	38.2	58.6
Share of post-tax profit of joint ventures and associates retained	17	6.2	6.9
Finance costs	10	(4.5)	(4.7)
Finance income	10	0.8	0.1
Profit before tax		40.7	60.9
Taxation	11	(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	12		
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	10	(3.7)	(4.6)
Adjusted profit before tax from continuing operations		56.4	49.7
Adjusted earnings per share from continuing operations	12		
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

	Note	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	11	(4.6)		(16.8)	
Items that may not be reclassified subsequently to profit or loss			2.5		45.8
Actuarial gain/(loss) on retirement benefit obligations	27	1.2		(12.8)	
Movement on pension asset recognition restriction	27	0.3		(0.6)	
Recognition of additional pension liability	27	(4.3)		(14.9)	
Tax relating to components of other comprehensive income	11	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

For the year ended 30 June 2017

FINANCIAL STATEMENTS

	Note	Called up share capital £m	Share premium account £m	Own shares £m	Translation 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	13	-	-	-	-	-	(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	13	-	-	-	-	-	(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

	Note	2017 £m	2016 £m
Assets			
Goodwill	14	104.7	86.0
Other intangible assets	14	88.3	78.0
Biological assets	15	279.2	264.6
Property, plant and equipment	16	67.5	61.8
Interests in joint ventures and associates	17	22.7	24.3
Other investments	18	5.5	3.6
Derivative financial asset	24	0.1	-
Deferred tax assets	11	3.8	4.7
Total non-current assets		571.8	523.0
Inventories	19	33.1	35.7
Biological assets	15	73.9	66.4
Trade and other receivables	20	88.8	78.1
Cash and cash equivalents	21	26.5	34.0
Income tax receivable		1.9	1.0
Derivative financial asset	24	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	22	(76.4)	(65.1)
Interest-bearing loans and borrowings	25	(7.7)	(4.6)
Provisions	23	(2.7)	(1.2)
Obligations under finance leases	26	(1.4)	(1.1)
Current tax liabilities		(5.2)	(4.9)
Derivative financial liabilities	24	(0.6)	(0.5)
Total current liabilities		(94.0)	(77.4)
Interest-bearing loans and borrowings	25	(127.2)	(115.3)
Retirement benefit obligations	27	(40.9)	(44.5)
Provisions	23	(3.7)	-
Deferred tax liabilities	11	(124.2)	(118.5)
Derivative financial liabilities	24	(3.7)	(12.6)
Obligations under finance leases	26	(1.8)	(2.7)
Total non-current liabilities		(301.5)	(293.6)
Total liabilities		(395.5)	(371.0)
Net assets		402.1	368.1
Equity			
Called up share capital	29	6.1	6.1
Share premium account		112.8	112.3
Own shares	29	(0.1)	(0.1)
Translation reserve	29	40.0	37.5
Hedging reserve	29	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	24	(3.3)	(11.4)
Total non-controlling interest		2.8	(6.4)
Total equity		402.1	368.1

The financial statements were approved and authorised for issue by the Board of Directors on 6 September 2017.

Signed on behalf of the Board of Directors

Karim Bitar
Chief Executive

Stephen Wilson
Group Finance Director



Group Statement of Cash Flows

For the year ended 30 June 2017

FINANCIAL STATEMENTS

	Note	2017 £m	2016 £m
Net cash flow from operating activities	30	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	36	(17.5)	(3.5)
Increase in investment in subsidiaries	36	(12.0)	-
Acquisition of investment	18	(0.3)	(3.5)
Acquisition of investment in joint venture	17	(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	14	(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	21	26.5	34.0



Notes to the Group Financial Statements

For the year ended 30 June 2017

1. Reporting entity

Genus plc (the 'Company') is a public company limited by shares incorporated in the United Kingdom under the Companies Act 2006. Its registered office is Matrix House, Basing View, Basingstoke, Hampshire RG21 4DZ. The Group financial statements for the year ended 30 June 2017 comprise the Company and its subsidiaries (together referred to as the 'Group'). We have used the equity method to account for the Group's interests in joint ventures and associates. Our business model on pages 4 and 7 explains the Group's operations and principal activities.

2. Basis of preparation

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

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

The going concern statement has been included in the Directors' Report on page 82 and forms part of these statements.

In note 5 we have reclassified the comparative period to reflect the change in operating segments and amendments in non-current assets between geographical regions, in note 9 we have restated the comparative employee costs to conform with the current period definition and in note 15 we reclassified a prior year misclassification between the two bovine categories 'changes in fair value of biological assets' and 'inventory transferred to cost of sales at fair value', also impacting the comparative in note 8 – cost of inventories recognised as an expense.

Functional and presentation currency

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

Use of estimates

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

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

Alternative performance measures ('APMs')

In reporting financial information, the Group presents 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 earnings per share 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 7 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.



3. Significant accounting policies applied in the current reporting period that relate to the financial statements as a whole

This section sets out our significant accounting policies that relate to the financial statements as a whole. Where an accounting policy is generally applicable to a specific note to the financial statement, the policy has been described in that note. We have also detailed below the new accounting pronouncements that we will adopt in future years and our current view of the impact they will have on our financial reporting.

Accounting convention

We prepare the Group financial statements under the historical cost convention, except for our biological assets, share-based payment expense, pension liabilities and derivative financial instruments. In accordance with IFRS, we measure: biological assets at fair value less point-of-sale costs, which represent the costs of distribution and selling expenses; share-based payment expense; pension liabilities; and certain financial instruments at fair value.

Basis of consolidation

Subsidiaries are entities the Group controls. We have control of an entity when we are exposed, or have the rights, to variable returns from the entity and have the ability to affect the returns through power over the entity. In assessing control, we take into account potential voting rights that we can currently exercise or convert. We fully consolidate the results of subsidiaries we acquire from the date that control transfers to the Group. We cease consolidating the results of subsidiaries we cease to control from the date that control passes.

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

Foreign currencies

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

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

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

When exchange differences arise from translating foreign operations into Sterling, or from the fair value movement of related effective hedges, we take them to the foreign currency translation reserve. When we dispose of a foreign operation, we release these differences to the Income Statement. Exchange movements on inter-Company loans designated as long-term funding are taken to the foreign currency translation reserve, together with any related taxation.

The principal exchange rates were as follows:

	Average			Closing		
	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

Revenue

Revenue is the value of sales and royalties receivable from customers, net of trade discounts and value added tax.

The principal components of the Group's revenue and their respective accounting treatments are:

- Revenue from the sale of bovine and porcine semen, porcine breeding animals, embryos and ancillary products, which we recognise when risks and rewards transfer to the customer or distributor. This is either when we ship to customers or on delivery, depending on the terms of sale.
- Royalties, which we recognise when receivable. We receive royalty payments from certain porcine customers based on key performance variables, such as the number of pigs born per litter, the number of litters born per sow and the average slaughter weight of the animals born. This amount is confirmed directly to Genus by the customer.
- Revenue from consulting, which represent the amounts we charged for services we provided during the year, including recoverable expenses but excluding value added tax. We recognise services provided but not yet billed as revenue, based on a fair value assessment of the work we have delivered and our contractual right to receive payment. Where unbilled revenue is contingent on a future event, we do not recognise any revenue until the event occurs.
- Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined based on the fair value of services provided to date.
- Revenue from the slaughter of porcine animals, which we recognised when the risks and rewards transfer to the slaughterhouse.



Notes to the Group Financial Statements continued

For the year ended 30 June 2017

3. Significant accounting policies applied in the current reporting period that relate to the financial statements as a whole continued

Research and development

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

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

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

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

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.

4. Critical accounting judgements and key sources of estimation uncertainty

In applying the Group's accounting policies, which are described in note 3 or in the specific note the policy relates to, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

Critical judgements

Defined benefit pension schemes (note 27)

Amounts recorded in the financial statements in respect of defined benefit pension schemes are also based on significant estimates. Judgements required included the extent to which we should provide for any amounts that might become payable under our joint and several liability in respect of the Milk Pension Fund ('MPF'), and the extent of additional liability required under IFRIC 14.

Estimates and key sources of estimation uncertainty

Determination of the fair value of biological assets (note 15)

Determining the fair values of our bovine and porcine biological assets requires significant estimates and assumptions.

Following is a list of these significant estimates and assumptions, showing whether we consider them to be observable or unobservable inputs to the fair value determination. In addition we identify those inputs that are 'readily obtainable transactional data' or 'open market prices'.



4. Critical accounting judgements and key sources of estimation uncertainty *continued*

	Significant estimates and assumptions	Observable/unobservable	
Bovine	Long-term dairy volume growth rate	Unobservable	n/a
	Expected unit prices	Unobservable	n/a
	Animals' useful lifespan	Observable	readily obtainable
	Discount rate	Unobservable	n/a
Porcine (general)	Animals' useful lifespan	Observable	readily obtainable
	The proportion of animals that go to slaughter	Observable	readily obtainable
	The mix of boars and gilts	Observable	readily obtainable
Porcine (pure line herds)	Number of future generations attributable to the current herds	Observable	readily obtainable
	Fair value prices achieved on sales	Observable	open market prices
	Animals' expected useful lifespan and productivity	Observable	readily obtainable
	Discount rate	Unobservable	n/a

Impairment of goodwill and intangible assets (note 14)

Determining whether goodwill and intangible assets are impaired requires us to consider any specific impairment indicators and to estimate the value in use of the CGUs to which we have allocated goodwill and intangible tangible assets. The value in use calculation requires us to estimate the future cash flows arising from the CGU, the appropriate discount rate and the long-term growth rates, in order to calculate present value.

5. 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 £m	2016 £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.



Notes to the Group Financial Statements continued

For the year ended 30 June 2017

5. Segmental information continued

Adjusted operating profit

	2017 £m	2016 £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 £m	2016 £m	2017 £m	2016 £m	2017 £m	2016 £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 £m	2016 £m	2017 £m	2016 £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 7 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.



5. Segmental information continued**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 £m	2016 £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 £m	2016 £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

6. Revenue

	2017 £m	2016 £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 10)	0.8	0.1
	459.9	388.4

7. Exceptional items**Accounting policy**

The Group presents exceptional items separately, as we believe it helps to improve the understanding of the Company's underlying performance.

In determining whether an item should be presented as exceptional, we consider items which are material either because of their size or their nature, and those which are non-recurring. For an item to be considered as exceptional, it must initially meet at least one of the following criteria:

- it is a one-off material item;
- it has been directly incurred as the result of either an acquisition and/or integration or other major restructuring programme;
- it has been previously classified as an exceptional item, and as such consistent accounting treatment is being applied; or
- it is unusual in nature e.g. outside the normal course of business.

If an item meets at least one of the criteria, we then exercise judgement as to whether the item should be classified as exceptional.

The tax impact of the exceptional items is disclosed in note 11.

	2017 £m	2016 £m
Operating (expense)/income:		
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



Notes to the Group Financial Statements continued

For the year ended 30 June 2017

7. Exceptional items continued

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 27 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 MPF 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 Enil (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 upfront amount of US\$750,000 and an ongoing 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 ongoing 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.



8. Operating profit

Operating costs comprise:

	2017 £m	2016 £m
Cost of sales excluding net IAS 41 valuation movement on biological assets and amortisation of multiplier contract intangible assets	(199.7)	(157.6)
Net IAS 41 valuation movement on biological assets	(1.1)	(17.1)
Amortisation of multiplier contract intangible assets	(0.2)	(0.2)
Cost of goods sold	(201.0)	(174.9)
Other cost of sales	(88.2)	(81.0)
Amortisation of customer relationship intangible assets	(5.8)	(3.6)
Other cost of sales	(94.0)	(84.6)
Research and Development expenditure	(41.5)	(34.4)
Amortisation of technology and licences and patents	(3.9)	(2.3)
Research and Development costs	(45.4)	(36.7)
Administrative expenses	(72.1)	(65.1)
Share-based payment expense	(4.6)	(3.8)
Amortisation of software, licences and patents	(1.3)	(0.9)
Exceptional items within administrative expenses	(2.5)	36.3
Total administrative expenses	(80.5)	(33.5)
Total operating costs	(420.9)	(329.7)

Profit for the year is stated after charging/(crediting):

	2017 £m	2016 £m
Net foreign exchange losses	0.1	0.5
Depreciation of owned fixed assets	7.1	6.4
Depreciation of assets held under finance leases and hire purchase contracts	1.7	1.5
Loss/(profit) on disposal of fixed assets	0.2	(0.2)
Profit on sale of asset held for sale	-	(0.2)
Operating lease rentals		
– plant and machinery	4.0	4.0
– other	4.5	3.4
Employee costs (see note 9)	137.6	118.4
Cost of inventories recognised as an expense	98.5	81.9

Auditor's remuneration is as follows:

	2017 £m	2016 £m
Fees payable to the Company's auditor and their associates for the audit of the Company's Annual Report and financial statements	0.3	0.1
Fees payable to the Company's auditor and their associates for other services to the Group – The audit of the Company's undertakings	0.5	0.5
Total audit fees	0.8	0.6
Tax compliance services	0.1	0.2
Other services	0.2	-
Total non-audit fees	0.3	0.2
Total fees to the Group's auditor	1.1	0.8

Fees payable to other auditors of Group companies

- -

Non-audit tax services principally comprise tax compliance support services. Other services include financial due diligence provided in relation to the acquisition of Hermitage Genetics. These services fall within the non-audit services policy approved by the Company's Audit Committee.



Notes to the Group Financial Statements continued

For the year ended 30 June 2017

9. Employee costs

This note shows the total employment costs and the average number of people employed by segment during the year.

Employee costs, including Directors' remuneration, amounted to:

	2017 £m	2016 £m
Wages and salaries (including bonuses and sales commission)	118.4	102.0
Social security costs	12.1	10.0
Contributions to defined contribution pension plans	3.5	3.0
Share-based payment expense (excluding National Insurance)	3.6	3.4
	137.6	118.4

The number of full time equivalent employees, including Executive Directors, was as follows:

	Year end		Average monthly	
	2017 Number	2016 Number	2017 Number	2016 Number
Genus PIC	669	705	686	722
Genus ABS	1,613	1,598	1,603	1,601
Research and Development	172	136	163	137
Central	81	62	69	58
	2,535	2,501	2,521	2,518
Included in the totals above:				
UK	702	705	704	729

The Directors' Remuneration Report sets out details of the Directors' remuneration, pensions and share options.

10. Net finance costs

Net finance costs mainly arise from interest due on bank loans, pension scheme liabilities, amortisation of debt issue costs and the results of hedging transactions used to manage foreign exchange and interest rate movements.

Accounting policy

We recognise interest income and interest payable in the Income Statement, as they accrue.

	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)

11. Taxation and deferred taxation

This note explains how our Group tax charge arises. The deferred tax section of the note also provides information on our expected future tax charges and sets out the tax assets and liabilities held across the Group together with our view on whether or not we expect to be able to make use of them in the future.

Accounting policies

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

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

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

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



11. Taxation and deferred taxation continued

We generally recognise deferred tax liabilities for all taxable temporary differences, and deferred tax assets to the extent that we will probably have taxable profits to utilise deductible temporary differences against. We do not recognise these assets and liabilities if the temporary difference arises from:

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

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

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

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 (see note 17)	1.4	1.4
Total income tax expense in the Group Income Statement	7.8	12.0

Reconciliation of effective tax rate

	2017 %	2017 £m	2016 %	2016 £m
Profit before tax		40.7		60.9
Add back share of income tax of equity-accounted investees		1.4		1.4
Profit before tax excluding share of income tax of equity-accounted investees		42.1		62.3
Income tax at UK corporation tax of 19.75% (2016: 20.00%)	19.75	8.3	20.00	12.5
Effect of tax rates in foreign jurisdictions	7.83	3.3	1.35	0.8
Non-deductible expenses	0.70	0.3	0.48	0.3
Tax exempt income and incentives	(5.00)	(2.1)	(4.00)	(2.5)
Change in tax rate	(2.85)	(1.2)	1.28	0.8
Movements in recognition of tax losses	0.70	0.3	1.12	0.7
Change in unrecognised temporary differences	(0.70)	(0.3)	(0.32)	(0.2)
Tax overprovided in prior periods	(0.95)	(0.4)	(0.49)	(0.3)
Tax on undistributed reserves	(0.95)	(0.4)	(0.16)	(0.1)
Total income tax expense in the Group Income Statement	18.53	7.8	19.26	12.0

The tax rate for the year depends on our mix of profits by country and our ability to recognise deferred tax assets in respect of losses in some of our smaller territories. Tax is calculated using prevailing tax legislation, reliefs, and existing interpretations and practice. The Group's future tax charge and effective tax rate could be affected by factors such as countries reforming their tax legislation to implement the OECD's BEPS recommendations and by European Commission initiatives including state aid investigations.

The tax credit attributable to exceptional items is £1.5m (2016: charge of £5.4m).



Notes to the Group Financial Statements continued

For the year ended 30 June 2017

11. Taxation and deferred taxation continued

Income tax recognised directly in the Statement of Comprehensive Income and Statement of Changes in Equity

	2017 £m	2016 £m
Income tax recognised directly to the Statement of Comprehensive Income		
Financial instruments	0.4	(0.1)
Foreign exchange differences on long-term intra-Group currency loans and balances	0.4	(0.1)
Actuarial movement on retirement benefit obligations	(0.4)	(4.5)
Translation of biological assets, intangible assets and finance leases	3.8	17.0
	4.2	12.3
Income tax recognised directly to the Statement of Changes in Equity		
Share-based payment expense	(0.4)	(0.1)

Unrecognised deferred tax assets and liabilities

At the balance sheet date, the Group had unused tax losses which were available for offset against future profits, with a potential tax benefit of £15.6m (2016: £15.2m). We have recognised a deferred tax asset in respect of £2.4m (2016: £2.5m) of these benefits as we expect these losses to be offset against future profits of the relevant jurisdictions in the near term. We have not recognised a deferred tax asset in respect of the remaining £13.2m (2016: £12.7m), due to uncertainty about the availability of future taxable profits in the relevant jurisdictions.

At 30 June 2017, the expiry dates of deferred tax assets in respect of losses available for the carry forward were as follows:

	Expiring within		Unlimited £m	Total £m
	1 and 10 years £m	11 and 20 years £m		
Losses for which a deferred tax asset is recognised	-	0.2	2.2	2.4
Losses for which no deferred tax asset is recognised	-	-	13.2	13.2
	-	0.2	15.4	15.6

At 30 June 2016, the expiry dates of deferred tax assets in respect of losses available for the carry forward were as follows:

	Expiring within		Unlimited £m	Total £m
	1 and 10 years £m	11 and 20 years £m		
Losses for which a deferred tax asset is recognised	-	0.3	2.2	2.5
Losses for which no deferred tax asset is recognised	-	-	12.7	12.7
	-	0.3	14.9	15.2

The gross value of losses for which deferred tax assets are recognised is £12.9m (2016: £12.5m). The gross value of losses for which deferred tax assets are not recognised is £44.9m (2016: £41.5m).

We have not recognised deferred tax liabilities totalling £4.5m (2016: £4.5m) for the withholding tax and other taxes that would be payable on the unremitted earnings of certain overseas subsidiaries. This is because we can control the timing and reversal of these differences and it is probable that the differences will not reverse in the foreseeable future.

Recognised deferred tax assets and liabilities

We have offset deferred tax assets and liabilities above, to the extent that they arise in the same tax jurisdiction. The following is the analysis of the deferred tax balances:

	2017 £m	2016 £m
Deferred tax assets	(3.8)	(4.7)
Deferred tax liabilities	124.2	118.5
	120.4	113.8

UK deferred tax assets and liabilities are stated at 17%, which is the UK headline rate of tax effective from 1 April 2020. The tax effect of timing differences reversing in the UK between the reporting date and 1 April 2020 at current rates over 17% is immaterial.



11. Taxation and deferred taxation continued**Movement in net deferred tax liabilities during the year**

	Balance brought forward 1 July 2016 £m	Recognised in Income Statement £m	Changes in tax rate recognised in Income Statement £m	Prior year adjustments recognised in Income Statement £m	Recognised in equity £m	Acquisitions £m	Foreign exchange difference £m	Balance carried forward 30 June 2017 £m
Property, plant and equipment	7.0	1.2	0.3	(0.1)	-	-	0.2	8.6
Intangible assets	18.7	(2.2)	(0.4)	-	-	4.4	0.3	20.8
Biological assets	109.7	(0.1)	(1.6)	-	3.7	-	-	111.7
Retirement benefit obligations	(9.6)	1.3	0.2	0.1	(0.4)	-	(0.1)	(8.5)
Share-based payment expense	(2.2)	(0.6)	-	0.2	-	-	-	(2.6)
Short-term timing differences	(7.3)	(0.8)	(0.2)	(1.2)	1.2	0.8	0.3	(7.2)
Tax loss carry-forwards	(2.5)	-	0.1	-	-	-	-	(2.4)
	113.8	(1.2)	(1.6)	(1.0)	4.5	5.2	0.7	120.4

	Balance brought forward 1 July 2015 £m	Recognised in Income Statement £m	Changes in tax rate recognised in Income Statement £m	Prior year adjustments recognised in Income Statement £m	Recognised in equity £m	Acquisitions £m	Foreign exchange difference £m	Balance carried forward 30 June 2016 £m
Property, plant and equipment	4.4	0.7	0.2	0.6	-	-	1.1	7.0
Intangible assets	18.5	(1.7)	(0.4)	(0.2)	0.8	0.3	1.4	18.7
Biological assets	97.5	(5.5)	1.0	-	16.0	0.7	-	109.7
Retirement benefit obligations	(13.2)	7.9	0.7	-	(4.5)	-	(0.5)	(9.6)
Share-based payment expense	(1.9)	(0.5)	0.3	-	(0.1)	-	-	(2.2)
Short-term timing differences	(6.4)	(1.3)	0.2	0.5	0.2	-	(0.5)	(7.3)
Tax loss carry-forwards	(1.5)	(1.1)	0.2	-	-	-	(0.1)	(2.5)
	97.4	(1.5)	2.2	0.9	12.4	1.0	1.4	113.8

12. 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 (pence)	2016 (pence)
Basic earnings per share	53.8	81.1

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



Notes to the Group Financial Statements continued

For the year ended 30 June 2017

12. Earnings per share continued

Diluted earnings per share from continuing operations

	2017 (pence)	2016 (pence)
Diluted earnings per share	53.0	80.3

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 (pence)	2016 (pence)
Adjusted earnings per share	69.4	60.7
Diluted adjusted earnings per share	68.4	60.1

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 7)	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%

Reconciliation of effective tax rate

	2017 Profit £m	2017 Tax £m	2017 %
Total income tax expense in the Group Income Statement	42.1	7.8	18.5
Net IAS 41 valuation movement on biological assets	1.1	1.7	154.5
Amortisation of acquired intangible assets	8.7	3.1	35.6
Share-based payment expense	4.6	0.5	10.9
Exceptional items (see note 7)	2.5	1.5	60.0
Net IAS 41 valuation movement on biological assets in joint ventures	(0.5)	(0.2)	40.0
Attributable to non-controlling interest	(2.1)	(0.3)	14.3
Adjusted profit before tax	56.4	14.1	25.0



12. Earnings per share continued

	2016 Profit £m	2016 Tax £m	2016 %
Total income tax expense in the Group Income Statement	62.3	12.0	19.3
Net IAS 41 valuation movement on biological assets	17.1	4.5	26.3
Amortisation of acquired intangible assets	6.1	2.3	37.7
Share-based payment expense	3.8	0.4	10.5
Exceptional items (see note 7)	(36.3)	(5.4)	14.9
Net IAS 41 valuation movement on biological assets in joint ventures	(1.9)	(0.6)	31.6
Attributable to non-controlling interest	(1.4)	(0.4)	28.6
Adjusted profit before tax	49.7	12.8	25.8

13. Dividends

Dividends are one type of shareholder return, historically paid to our shareholders in December and March.

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.

14. Intangible assets

Our Group Balance Sheet contains significant intangible assets, mainly in relation to goodwill, acquired technology, customer relationships and our Genus Sexed Semen ('GSS') development project. We recognise that accounting for intangible assets is an area which includes critical accounting judgements and key sources of estimation uncertainty. See note 4.

Accounting policies

Identifiable intangible assets are recognised when the Group controls the asset, it is probable that future economic benefits attributed to the asset will flow to the Group and the cost of the asset can be reliably measured.

Goodwill

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

We state goodwill at cost less any accumulated impairment losses. We allocate goodwill to CGUs, which are the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. We do not amortise goodwill but we do test it annually for impairment.

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

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

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



Notes to the Group Financial Statements continued

For the year ended 30 June 2017

14. Intangible assets continued

Intangible assets

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

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

The estimated useful lives for intangible assets are as follows:

Porcine and bovine genetics technology	20 years
Multiplier contracts	15 years
Customer relationships	10 to 17 years
Genus sexed semen	10 years
Patents and licences	term of agreement (4 years)
Software	2 to 10 years

Intangible assets acquired separately

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

Impairment

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

For goodwill, and tangible and intangible assets that are not yet available for use, we estimate the recoverable amount at each balance sheet date. The recoverable amount is the greater of their net selling price and value in use. In assessing value in use, we discount the estimated future cash flows to their present value, using a pre-tax discount rate of 10.7% (2016: 10.8%), which is derived from the Group's weighted average cost of capital. For some countries we add a premium to this rate, to reflect the risk attributable to that country. If the asset does not generate largely independent cash inflows, we determine the recoverable amount for the CGU that the asset belongs to.

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

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

Reversals of impairment

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

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



14. Intangible assets continued

	Technology £m	Brand, multiplier contracts and customer relationships £m	Separately identified acquired intangible assets £m	Software £m	Genus Sexed Semen £m	Patents, licence and other £m	Total £m	Goodwill £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 36)	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.



Notes to the Group Financial Statements continued

For the year ended 30 June 2017

14. Intangible assets continued

Impairment testing for CGUs containing goodwill

To test impairment, we allocate goodwill to our CGUs which are in line with our operating segments. These are the lowest level within the Group at which we monitor goodwill for internal management purposes.

The aggregate carrying amounts of goodwill allocated to each operating segment are as follows:

	2017 £m	2016 £m
Genus PIC	72.3	59.3
Genus ABS	32.4	26.7
	104.7	86.0

We test goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. We determine the recoverable amount of our CGUs by using value in use calculations. The key assumptions for these calculations relate to discount rates, growth rates, expected changes to selling prices, direct costs and the cost saving derived from the GSS project.

We have estimated the pre-tax discount rate using the Group's weighted average cost of capital ('WACC'). We risk adjusted the discount rate for risks specific to each market, adding between nil and 14% to the WACC as appropriate. The post-tax WACC of 8.0% (2016: 8.0%) we applied to our cash flow projections equates to a pre-tax rate of approximately 10.7% (2016: 10.8%). Our estimates of changes in selling prices and direct costs are based on past experience and our expectations of future changes in the market.

The annual impairment test is performed immediately before year end. It is based on cash flows derived from our most recent financial and strategic plans approved by management, cash flows beyond this period extrapolated using estimated growth rates. Short-term profitability and growth rates are based on past experience, current trading conditions and our expectations of future changes in the market.

We have applied annual growth rates to cash flows in the five-year financial and strategic planning period. A growth rate of 2.5% (2016: 2.5%) has been used to extrapolate cash flows beyond this period.

The Genus PIC and Genus ABS CGUs are deemed to be significant. The individual country assumptions used to determine value in use for these CGUs are:

	Risk adjusted discount rate		Short-term growth rates (CAGR)		Long-term growth rates	
	2017	2016	2017	2016	2017	2016
Genus PIC	8-22%	8-23%	6-24%	6-12%	2.5%	2.5%
Genus ABS	8-22%	8-19%	1-26%	1-15%	2.5%	2.5%

	Weighted average risk adjusted discount rate		Weighted average short-term growth rates (CAGR)	
	2017	2016	2017	2016
Genus PIC	9%	9%	11%	9%
Genus ABS	9%	9%	8%	7%

The rates towards the higher end of the range above represent those which are applied to our smaller entities and those in emerging markets and hence appear high relative to others.

Sensitivity to changes in assumptions

Having completed our impairment review we have concluded that a reasonably possible change in any one key assumption does not result in an impairment in either PIC or ABS. A combination of a 4% reduction in ABS's weighted average short-term growth rates combined with global macro-economic changes which caused both a 1% increase in post-tax WACC and a 1% reduction in long-term growth rates could result in goodwill impairment in the ABS CGU. No reasonably possible combination of changes in key assumptions would result in impairment in the PIC CGU.



15. Biological assets

The Group applies quantitative genetics and biotechnology to animal breeding. We use these techniques to identify and select animals with the genes responsible for superior milk and meat, high health and performance traits. We sell breeding animals and semen to customers, who use them to produce offspring which yield greater production efficiency, milk and meat quality, for the global dairy and meat supply chain. We recognise that accounting for biological assets is an area which includes critical accounting judgements and key sources of estimation uncertainty. See note 4.

Accounting policies

Biological assets and inventories

In bovine, we use research and development to identify genetically superior bulls in a number of breeds, primarily the Holstein dairy breed. Each selected bull has its performance measured against its peers, by using genomic evaluations and progeny testing of its daughters' performance. We collect and freeze semen from the best bulls, to satisfy our customers' demand. Farmers use semen from dairy breeds to breed replacement milking stock. They use the semen we sell from beef breeds in either specialist beef breeding herds, for multiplying breeding bulls for use in natural service, or on dairy cows to produce animals to be reared for meat.

Our research and development also enables us to produce and select our own genetically superior females from which we will breed future bulls.

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

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

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

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

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

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

Determination of fair values – biological assets

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

Bovine – we base the fair value of proven bulls, bulls with a genomic evaluation and bulls on test, on the net cash flows we expect to receive from selling their semen, discounted at a current market-determined pre-tax rate. Proven bulls are those we have evaluated through daughter proofs and whose semen we actively market. Genomic bulls are those we market on their estimated genetic value. We adjust the fair value of the bovine herd and semen inventory we manage where a third party has a share in semen sales from a particular bull. The significant assumptions determining the fair values are the expected future demand for semen, estimated production value, each bull's expected marketable life and, for bulls on test, the percentage whose production we expect to actively market. In assessing the sales price, we use independent statistical data for the bulls. This data is produced three times a year in all our major markets. In addition, we estimate which markets we will sell the semen in, as well as domestic and export prices. Females are valued by reference to market prices and published independent genetic evaluations.

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



Notes to the Group Financial Statements continued

For the year ended 30 June 2017

15. Biological assets continued

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

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

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

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

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 in note 19.

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.



15. Biological assets continued

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 ¹			
Changes in fair value of biological assets ²	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 ²			
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)

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.

2 Includes £2.1m write down in bovine assets.

Fair value measurement

All of the biological assets fall under Level 3 of the hierarchy defined in IFRS 13.

Unobservable inputs

	2017	2016	Sensitivity
Bovine			
Long-term dairy volume growth rate	2.0%	2.6%	1% decrease in the growth rate would result in approximately a £4.0m reduction in value.
Discount rate	8.0%	8.0%	1% increase in the discount rate would result in approximately a £3.6m reduction in value.
Value at point of production – United States	17%	16%	1% decrease in the rate would result in approximately a £2.9m reduction in value.
Value at point of production – Rest of world	25%	26%	1% decrease in the rate would result in approximately a £2.6m reduction in value.
Porcine			
Discount rate – upfront prices	8%	8%	1% increase in the discount rate would result in approximately a £0.3m reduction in value.
Discount rate – pure line herd	11%	11%	1% increase in the discount rate would result in approximately a £2.8m reduction in value.

Significant increases/(decreases) in any of these inputs in isolation would result in a significantly lower or higher fair value measurement.



Notes to the Group Financial Statements continued

For the year ended 30 June 2017

15. Biological assets continued

Additional information

	2017	2016
Bovine		
<i>Quantities at period end</i>		
Number of proven bulls	256	258
Number of genomic bulls	266	280
Total number of marketable artificial insemination bulls	522	538
Number of doses of semen valued in inventory	7.2m	7.2m
Total number of bulls in development, excluding marketable bulls	854	1,071
<i>Amounts during the year</i>		
Fair value of agricultural produce – semen harvested during the period	£40.7m	£31.6m
Porcine		
<i>Quantities at period end</i>		
Number of pigs (own farms)	108,549	120,051
Number of pigs, excluding parent gilts, despatched on a royalty basis and valued at fair value	110,632	74,602
<i>Amounts during the year</i>		
Fair value of agricultural produce – semen harvested during the period	£19.3m	£18.0m

16. Property, plant and equipment

We make significant investments in our property, plant and equipment. All assets are depreciated over their useful economic lives.

Accounting policies

We state property, plant and equipment at cost, together with any directly attributable acquisition expenses, or at their latest valuation, less depreciation and any impairment losses. Where parts of an item of property, plant and equipment have different useful lives, we account for them separately.

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

- Freehold buildings 10 to 40 years
- Leasehold buildings over the term of the lease
- Plant and equipment 3 to 20 years
- Motor vehicles 3 to 5 years

We do not depreciate land or assets under construction.



16. Property, plant and equipment continued

	Land and buildings £m	Plant, motor vehicles and equipment £m	Assets under construction £m	Total £m
Cost or deemed cost				
Balance at 1 July 2015	37.3	45.2	5.1	87.6
Additions	2.0	4.1	8.0	14.1
Transfer	2.0	4.7	(6.7)	-
Disposals	(0.9)	(3.2)	(0.7)	(4.8)
Effect of movements in exchange rates	6.9	7.9	0.9	15.7
Balance at 30 June 2016	47.3	58.7	6.6	112.6
Additions	1.2	3.8	9.7	14.7
Reclassification to intangible assets	-	(1.0)	-	(1.0)
Transfer	2.2	6.9	(9.1)	-
Disposals	(0.6)	(3.7)	(0.5)	(4.8)
Effect of movements in exchange rates	1.6	1.7	0.2	3.5
Balance at 30 June 2017	51.7	66.4	6.9	125.0
Depreciation and impairment losses				
Balance at 1 July 2015	13.2	24.1	-	37.3
Depreciation for the year	2.0	5.9	-	7.9
Disposals	(0.7)	(2.4)	-	(3.1)
Effect of movements in exchange rates	2.7	6.0	-	8.7
Balance at 30 June 2016	17.2	33.6	-	50.8
Depreciation for the year	2.4	6.4	-	8.8
Reclassification to intangible assets	-	(0.7)	-	(0.7)
Disposals	(0.5)	(2.7)	-	(3.2)
Effect of movements in exchange rates	0.6	1.2	-	1.8
Balance at 30 June 2017	19.7	37.8	-	57.5
Carrying amounts				
At 30 June 2017	32.0	28.6	6.9	67.5
At 30 June 2016	30.1	25.1	6.6	61.8
At 30 June 2015	24.1	21.1	5.1	50.3

Leased plant and machinery

At 30 June 2017, plant, motor vehicles and equipment included assets held under finance leases with a carrying value of £7.3m (2016: £7.8m, 2015: £6.8m). The associated depreciation charge for the year was £1.7m (2016: £1.5m, 2015: £1.2m).

17. Equity-accounted investees

We hold interests in several joint ventures and associates where we have significant influence.

Accounting policies

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

Associates are entities in which the Group has significant influence, but not control, over the financial and operating policies. The Group financial statements include the Group's share of the total recognised income and expense of associates on an equity-accounted basis, from the date that significant influence commences until the date it ceases. When our share of losses exceeds our interest in an associate, we reduce the carrying amount to nil and stop recognising further losses, except to the extent that the Group has incurred legal or constructive obligations or made payments on an associate's behalf.

Under the equity method, investments in joint ventures or associates are initially recognised in the Group Balance Sheet at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint ventures and associates. Related party transactions with the Group's joint ventures and associates primarily comprise product and services. As each arrangement is a separate legal entity and control rights are substantially equal with the other parties, there are no significant judgements required to be made.

The Group's share of profit after tax in its equity-accounted investees for the year was £6.2m (2016: £6.9m).



Notes to the Group Financial Statements continued

For the year ended 30 June 2017

17. Equity-accounted investees continued

The carrying value of the investment is reconciled as follows:

	2017 £m	2016 £m
Balance at 1 July	24.3	19.6
Share of post-tax profits of joint ventures and associates retained	6.2	6.9
Dividends received from Agroceres – PIC Genética de Suínos Ltda (Brazil)	(3.8)	(2.4)
Shareholder loan repayment	(3.0)	(1.0)
Addition	0.2	0.2
Disposal of Humei Pig Improvement Company (China)	(1.5)	-
Effect of other movements including exchange rates	0.3	1.0
Balance at 30 June	22.7	24.3

During the year, the Group injected further capital of £0.2m into Chitale Genus ABS (India) Pvt. Ltd, which is its investment under a joint venture agreement with B.G. Chitale Dairies Pvt. Ltd in India.

There are no significant restrictions on the ability of the joint ventures and associates to transfer funds to the Parent, other than those imposed by the Companies Act 2006 or equivalent government rules within the joint venture jurisdiction.

Related party transactions with joint ventures and associates

	Transaction value		Balance outstanding	
	2017 £m	2016 £m	2017 £m	2016 £m
Purchase of goods and services to joint ventures and associates	3.7	2.0	(0.3)	(0.7)

All outstanding balances with joint ventures and associates are priced on an arm's-length basis and are to be settled in cash within six months of the reporting date. None of the balances are secured.

Summary financial information for equity-accounted investees, adjusted for the percentage ownership held by the Group, is shown below:

Joint ventures and associates – year ended 30 June 2017

Net assets	Ownership	Current assets £m	Non-current assets £m	Biological assets £m	Total assets £m	Current liabilities £m	Total liabilities £m	Net assets £m
Agroceres – PIC Genética de Suínos Ltda (Brazil)	49%	5.0	10.4	4.4	19.8	(3.1)	(3.1)	16.7
HY-CO Hybridschweine-Cooperations GmbH (Germany)	50%	0.3	-	-	0.3	(0.2)	(0.2)	0.1
Xianyang Yongxiang Agriculture Technology Co., Ltd. (China ¹)	49%	6.9	-	0.2	7.1	(2.3)	(2.3)	4.8
Chitale Genus ABS (India) Private Limited (India)	50%	1.3	-	-	1.3	(0.2)	(0.2)	1.1
		13.5	10.4	4.6	28.5	(5.8)	(5.8)	22.7

¹ Classified as an associate.



17. Equity-accounted investees continued

Income statement	Ownership	Revenue £m	Net IAS 41 valuation movement on biological assets £m	Expenses £m	Operating profit £m	Taxation £m	Profit after tax £m
Agrocères – PIC Genética de Suínos Ltda (Brazil)	49%	21.1	0.7	(15.2)	6.6	(1.4)	5.2
HY-CO Hybridschweine- Cooperations GmbH (Germany)	50%	1.7	-	(1.5)	0.2	-	0.2
Humei Pig Improvement Company (China)	50%	1.6	-	(1.6)	-	-	-
Xianyang Yongxiang Agriculture Technology Co., Ltd. (China ¹)	49%	3.8	(0.2)	(2.8)	0.8	-	0.8
Chitale Genus ABS (India) Private Limited (India)	50%	0.2	-	(0.2)	-	-	-
		28.4	0.5	(21.3)	7.6	(1.4)	6.2

Joint ventures and associates have a December year end, except Chitale Genus ABS (India) Private Limited, which has a March year end.

Joint ventures and associates – year ended 30 June 2016

Net assets	Ownership	Current assets £m	Non-current assets £m	Biological assets £m	Total assets £m	Current liabilities £m	Total liabilities £m	Net assets £m
Agrocères – PIC Genética de Suínos Ltda (Brazil)	49%	6.8	6.2	3.9	16.9	(1.8)	(1.8)	15.1
HY-CO Hybridschweine- Cooperations GmbH (Germany)	50%	0.1	-	-	0.1	-	-	0.1
Humei Pig Improvement Company (China)	50%	1.3	1.2	-	2.5	(1.1)	(1.1)	1.4
Xianyang Yongxiang Agriculture Technology Co., Ltd. (China ¹)	49%	7.0	4.5	0.4	11.9	(5.1)	(5.1)	6.8
Chitale Genus ABS (India) Private Limited (India)	50%	0.1	0.9	-	1.0	(0.1)	(0.1)	0.9
		15.3	12.8	4.3	32.4	(8.1)	(8.1)	24.3

¹ Classified as an associate.



Notes to the Group Financial Statements continued

For the year ended 30 June 2017

17. Equity-accounted investees continued

Income statement	Ownership	Revenue £m	Net IAS 41 valuation movement on biological assets £m	Expenses £m	Operating profit £m	Taxation £m	Profit after tax £m
Agroceres – PIC Genética de Suínos Ltda (Brazil)	49%	14.7	1.7	(10.2)	6.2	(1.4)	4.8
HY-CO Hybridschweine-Cooperations GmbH Germany	50%	1.2	–	(1.1)	0.1	–	0.1
Humei Pig Improvement Company (China)	50%	3.7	–	(3.5)	0.2	–	0.2
Xianyang Yongxiang Agriculture Technology Co., Ltd. (China ¹)	49%	4.0	0.2	(2.4)	1.8	–	1.8
Chitale Genus ABS (India) Private Limited (India)	50%	0.1	–	(0.1)	–	–	–
		23.7	1.9	(17.3)	8.3	(1.4)	6.9

¹ Classified as an associate.

18. Other investments

We hold a number of unlisted and listed investments, mainly comprising our strategic investment in Caribou Biosciences, Inc. and shares in listed entity National Milk Records plc ('NMR').

Accounting policy

Available for sale ('AFS') financial assets are non-derivatives that are either designated as AFS or are not classified as: (a) loans and receivables; (b) held-to-maturity; or (c) financial assets at fair value through the profit and loss.

AFS listed equity investments are stated at fair value. AFS unlisted equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

AFS investments carried at fair value

	2017 £m	2016 £m
Unlisted equity shares – Caribou Biosciences	3.6	3.6
Unlisted equity shares – RenOVate Biosciences, Inc.	0.3	–
Listed equity shares – NMR	1.6	–
	5.5	3.6

On 21 June 2017, as part of the NMR pension agreement, we acquired 2,120,000 ordinary shares in NMR.

During the prior year, we invested \$5.0m to acquire a strategic non-controlling interest of 5% in Caribou Biosciences, Inc. These shares are not held for trading and accordingly are classified as AFS.

19. Inventories

Our inventory primarily consists of bovine semen, raw materials and ancillary products.

Accounting policies

Inventory (excluding biological assets) is stated at the lower of cost and net realisable value. Cost is determined on the basis of weighted average costs and comprises direct materials and, where appropriate, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition.

For biological assets accounting policies, see note 15.

	2017 £m	2016 £m
Biological assets' harvest classed as inventories	22.2	23.4
Raw materials and consumables	0.7	0.9
Goods held for resale	10.2	11.4
	33.1	35.7



20. Trade and other receivables

Our trade and other receivables mainly consist of amounts owed to us by customers and amounts we pay to our suppliers in advance.

Accounting policies

We state trade and other receivables at their amortised cost less any impairment losses.

	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.

Included in the Group's trade receivables balance, net of provision, are debtors with a carrying amount of £17.3m (2016: £14.7m) which are past due at the reporting date but which we have not provided for, as there has been no significant change in credit quality and we consider the amounts are recoverable. The Group does not hold any collateral over these balances. The average age of these receivables is 48 days (2016: 48 days).

Ageing of trade receivables that are past due and presented net of provisions that have been established:

	2017 £m	2016 £m
Days past due		
0-30 days	9.2	7.7
31-90 days	5.8	5.1
91-180 days	1.5	1.3
Over 180 days	0.8	0.6
	17.3	14.7

At 30 June 2017, trade receivables of £21.7m (2016: £19.0m) were past due but not impaired. The ageing of these receivables is as follows:

	2017 £m	2016 £m
Days past due		
0-30 days	9.2	7.7
31-90 days	5.9	5.2
91-180 days	2.0	2.5
Over 180 days	4.6	3.6
	21.7	19.0

The Directors consider that the carrying amount of trade and other receivables approximates their fair value. At 30 June 2017, trade receivables are shown net of an allowance for doubtful debts of £4.4m (2016: £4.3m).



Notes to the Group Financial Statements continued

For the year ended 30 June 2017

20. Trade and other receivables continued

Movement in the allowance for doubtful debts

	2017 £m	2016 £m
Balance at the start of the year	4.3	3.1
Impairment losses recognised	1.6	2.6
Amounts written off as uncollectible	(0.4)	(0.5)
Impairment losses reversed	(1.5)	(1.3)
Disposed of on dissolution	-	(0.1)
Effect of movements in exchange rates	0.4	0.5
Balance at the end of the year	4.4	4.3

In determining the recoverability of a trade receivable, we consider any change in the receivable's credit quality from the date we initially granted credit up to the reporting date. The concentration of credit risk is limited, as our customer base is large and unrelated.

Receivables denominated in currencies other than Sterling comprise £32.1m denominated in US Dollars (2016: £29.5m), £11.0m denominated in Euros (2016: £11.3m) and £27.9m denominated in other currencies (2016: £22.1m).

21. Cash and cash equivalents

We hold cash and bank deposits which have a maturity of three months or less, to enable us to meet our short-term liquidity requirements.

Accounting policies

Cash and cash equivalents comprise cash balances. Bank overdrafts that are repayable on demand form an integral part of our cash management and are included in interest-bearing loans and borrowings less than one year. We only include them in cash and cash equivalents in the statement of cash flows.

	2017 £m	2016 £m
Bank balances	26.5	34.0

The carrying amount of these assets approximates their fair value.

Included within bank balances above is £9.7m (2016: £5.8m) which is subject to certain local restrictions, principally in China.

22. Trade and other payables

Our trade and other payables mainly consist of amounts we owe to our suppliers that have been invoiced or are accrued. They also include taxes and social security amounts due in relation to our role as an employer.

Accounting policies

Trade payables are not interest bearing and are stated at their nominal value.

	2017 £m	2016 £m
Trade payables	20.7	20.7
Other payables, accrued expenses and deferred income	49.0	40.0
Other taxes and social security	6.7	4.4
	76.4	65.1

Payables denominated in currencies other than Sterling comprise £32.3m denominated in US Dollars (2016: £25.2m), £9.8m denominated in Euros (2016: £9.0m) and £17.9m denominated in other currencies (2016: £15.4m). The carrying values of these liabilities are a reasonable approximation of their fair values.



23. Provisions

A provision is a liability recorded in the balance sheet, where there is uncertainty over the timing or amount that will be paid, and is therefore estimated. The main provisions we hold are in relation to contingent deferred consideration.

Accounting policies

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

	Contingent deferred consideration £m	Property lease provision £m	Other provisions £m	Total £m
Balance at 1 July 2015	-	0.1	2.3	2.4
Additional provision in the year	-	-	0.8	0.8
Utilisation of provision	-	-	(1.7)	(1.7)
Release of provision	-	-	(0.3)	(0.3)
Balance at 30 June 2016	-	0.1	1.1	1.2
Additional provision in the year	-	-	1.1	1.1
Acquisition	5.1	-	-	5.1
Utilisation of provision	-	-	(0.5)	(0.5)
Release of provision	-	-	(0.5)	(0.5)
Balance at 30 June 2017	5.1	0.1	1.2	6.4
			2017 £m	2016 £m
Current			2.7	1.2
Non-current			3.7	-
			6.4	1.2

Contingent deferred consideration of £5.1m relates to the acquisitions of Hermitage Genetics and De Novo Genetics, and are subject to certain conditions being met by the seller.

Other provisions mainly relate to legal (£1.0m) and restructuring (£0.2m) provisions. The timing and cash flows associated with the restructuring costs and a majority of legal claims are expected to be less than one year. However, for some legal claims the timing of cash flows may be long-term in nature. The property provision mainly represents the discounted future costs of dilapidations.

24. Financial instruments

This note details our treasury management and financial risk management objectives and policies, as well as the Group's exposure and sensitivity to credit, liquidity, interest and foreign exchange rate risk, and the policies in place to monitor and manage these risks.

Financial risk management objectives

The Group's Corporate Treasury function provides services to the business, coordinates our access to domestic and international financial markets, and monitors and manages the financial risks relating to the Group's operations, through internal risk reports that analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

We seek to minimise the effects of these risks by hedging them using derivative financial instruments. Our use of financial derivatives is governed by policies approved by the Board of Directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. The Board of Directors regularly reviews our compliance with policies and exposure limits. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Key financial risks and exposures are monitored through a monthly report to the Board of Directors, together with an annual Board review of corporate treasury matters.

Financial risk

The principal financial risks our activities expose us to are the risks of changes in foreign currency exchange rates, interest rates and commodity prices. We use derivative financial instruments to manage our exposure to interest rate, foreign currency and commodity price risks, including:

- forward foreign exchange contracts, to hedge the exchange rate risk arising on the sale of goods and purchase of supplies in foreign currencies;
- interest rate swaps, to mitigate the risk of rising interest rates; and
- forward commodity contracts, to hedge commodity price risk.



Notes to the Group Financial Statements continued

For the year ended 30 June 2017

24. Financial instruments continued

Accounting policies

Financial instruments

Financial assets and liabilities, in respect of financial instruments, are recognised on the Group's balance sheet when the Group becomes a party to the instrument's contractual provisions.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that provides a residual interest in the assets of the Group after deducting all of its liabilities and includes no obligation to deliver cash or other financial assets. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Put option arrangements over non-controlling interest

The potential cash payments related to put options issued by the Group over the equity of subsidiary companies are accounted for as financial liabilities, when such options may only be settled by exchange of a fixed amount of cash or another financial asset for a fixed number of shares in the subsidiary.

The amount that may become payable under the option on exercise is initially recognised at present value within borrowings, with a corresponding charge directly to equity. The charge to equity is recognised separately as written put options over non-controlling interest, adjacent to non-controlling interest in the net assets of consolidated subsidiaries.

Such options are subsequently measured at amortised cost, using the effective interest rate method, in order to accrete the liability up to the amount payable under the option at the date at which it first becomes exercisable. The charge arising is recorded as a financing cost. If the option expires unexercised, the liability is derecognised with a corresponding adjustment to equity.

Derivative financial instruments and hedging activities

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

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

Cash flow hedges

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

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

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

Net investment hedges

Where we have designated a derivative financial instrument as hedging the variability of the net assets of an overseas subsidiary, which arises from the spot or forward exchange rate translation risk associated with the subsidiary's functional currency, we recognise the effective part of any gain or loss on the instrument directly in the hedging reserve. Any ineffective portion of the hedge is recognised immediately in the Group Income Statement.

When a hedging instrument expires or is sold, terminated or exercised, or we revoke designation of the hedge relationship, the cumulative gain or loss at that point remains in equity until we dispose of the investment it relates to.

We only apply net investment hedge accounting in the Group financial statements.

Capital risk management

The Group manages its capital to ensure that Group entities can continue as a going concern, while maximising the return to shareholders by optimising our debt and equity balance. The Group's capital structure consists of debt, which includes the borrowings disclosed in note 25, cash and cash equivalents, and equity attributable to equity holders of the Parent, comprising issued capital, reserves and retained earnings as disclosed in note 29.



24. Financial instruments continued**Gearing ratio**

The Group keeps its capital structure under review and monitors it monthly to ensure the gearing ratio remains below 60%. The Group is not subject to externally imposed capital requirements. The gearing ratio at the year end was as follows:

	2017 £m	2016 £m
Debt (see note 25)	138.1	123.7
Cash and cash equivalents (see note 21)	(26.5)	(34.0)
Net debt (see note 30)	111.6	89.7
Equity	402.1	368.1
Net debt to equity ratio	28%	24%

Debt is defined as long and short-term borrowings, as detailed in note 25.

Equity includes all capital and reserves of the Group attributable to equity holders of the Parent.

Categories of financial instruments

We have categorised financial instruments held at valuation into a three-level fair value hierarchy, based on the priority of the inputs to the valuation technique in accordance with IFRS 13. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure fair value fall within different levels of the hierarchy, we base the category level on the lowest priority level input that is significant to the fair value measurement of the instrument in its entirety. We have estimated the fair values of the Group's outstanding interest rate swaps by calculating the present value of future cash flows, using appropriate market discount rates, representing Level 2 fair value measurements as defined by IFRS 13. We have not categorised any financial instruments as Level 1 or Level 3.

	2017 Carrying value £m	2016 Carrying value £m
Financial assets		
Other investments	5.5	3.6
Trade receivables and other debtors, excluding prepayments (see note 20)	81.0	72.8
Cash and cash equivalents	26.5	34.0
Derivative instruments in non-designated hedge accounting relationships	1.3	0.6
Assets held for sale	0.3	0.3
Derivative instruments in designated hedge accounting relationships	0.1	-
Financial liabilities		
Trade and other payables, excluding other taxes and social security (see note 22)	(69.7)	(60.7)
Derivative instruments in designated hedge accounting relationships	(0.4)	(1.2)
Loans and overdrafts (see note 25)	(134.9)	(119.9)
Leasing obligations (see note 26)	(3.2)	(3.8)
Derivative instruments in non-designated hedge accounting relationships	(0.6)	(0.5)
Put option over non-controlling interest	(3.3)	(11.4)

There is no material difference between the carrying value and fair value.

Foreign currency risk management

We undertake transactions denominated in foreign currencies.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date were as follows:

	Liabilities		Assets	
	2017 £m	2016 £m	2017 £m	2016 £m
US Dollar (including leases)	(106.2)	(89.1)	8.7	1.0
Euro	(12.1)	(9.4)	1.9	2.2
Brazilian Real	-	-	0.1	0.1
Chinese Yuan Renminbi	(1.9)	(5.3)	1.9	5.3



Notes to the Group Financial Statements continued

For the year ended 30 June 2017

24. Financial instruments continued

Foreign currency income statement sensitivity analysis

The Group is mainly exposed to movements in the US Dollar, Euro, Brazilian Real, Mexican Peso and Chinese Yuan Renminbi exchange rates.

The following table details the Group's sensitivity to a 10% increase and decrease in Sterling against these currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management and represents our assessment of a significant change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. It includes external loans, as well as loans to foreign operations within the Group where the loan is denominated in a currency other than the lender or borrower's currency. A positive number below indicates an increase in profit when Sterling weakens against the relevant currency. A strengthening of Sterling against the relevant currency would produce an equal but opposite reduction in profit, and the balances below would be negative.

	Euro currency impact		US Dollar currency impact	
	2017 £m	2016 £m	2017 £m	2016 £m
10% currency movement				
Profit or loss	1.0	0.6	2.0	3.1
	Brazilian Real currency impact		Mexican Peso currency impact	
	2017 £m	2016 £m	2017 £m	2016 £m
10% currency movement				
Profit or loss	0.9	0.7	1.2	1.0
	Chinese Yuan Renminbi currency impact			
	2017 £m	2016 £m		
10% currency movement				
Profit or loss			0.9	0.3

Forward foreign exchange contracts

The Group's policy is to enter into forward foreign exchange contracts, to cover specific foreign currency payments and receipts. The following table details the forward foreign currency contracts outstanding as at the year end:

	Average exchange rate		Foreign currency	Contract value		Fair value	
	2017	2016		2017 £m	2016 £m	2017 £m	2016 £m
Outstanding contracts							
Buy CNY	8.64	-	CNY	1.0	-	-	-
Buy AUD	1.75	1.93	AUD	1.8	1.7	(0.1)	(0.1)
Buy MXN	23.29	26.10	MXN	-	0.8	-	-
Sell CNY	-	9.07	CNY	-	0.1	-	-
Sell RUB	76.75	-	RUB	0.2	-	-	-
Sell EUR	1.14	-	EUR	0.6	-	-	-
Sell PLN	4.79	5.61	PLN	0.3	0.4	-	-
Sell ZAR	16.73	-	ZAR	-	-	-	-
Buy EUR/Sell CHF	1.06	1.10	CHF	0.3	0.3	-	-
Buy USD/Sell COP	2,930	3,017	COP	0.2	0.2	-	-
Buy BRL/Sell USD	3.37	-	BRL	0.5	-	-	-
Buy PHP/Sell AUD	37.4	-	PHP	0.2	-	-	-
Buy USD/Sell CLP	659	689	CLP	0.1	0.1	-	-
Buy USD/Sell ARS	16.16	-	ARS	0.4	-	-	-
Buy USD/Sell CNY	6.81	-	CNY	0.3	-	-	-
Buy PHP/Sell USD	49.98	46.86	PHP	4.6	1.2	0.1	-
Buy CAD/Sell USD	1.32	1.30	CAD	0.4	0.6	-	-
Buy USD/Sell MXN	18.27	-	MXN	0.2	-	-	-
Buy USD/Sell EUR	1.14	1.11	EUR	0.6	0.7	-	-
Buy ARS/Sell USD	-	14.25	ARS	-	0.1	-	-
Buy MXN/Sell USD	-	19.04	MXN	-	0.7	-	-
Buy USD/Sell ZAR	13.04	-	ZAR	0.1	-	-	-
						-	(0.1)



24. Financial instruments continued**Interest rate risk management**

The Group is exposed to interest rate risk, as Group entities borrow funds at both fixed and floating interest rates. We manage this risk centrally, by maintaining an appropriate mix between fixed and floating rate borrowings, using interest rate swaps. We regularly review our hedging activities, to align with our interest rate views and defined risk appetite, thereby ensuring we apply optimal hedging strategies to minimise the adverse impact of fluctuations in interest expense through different interest rate cycles.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate sensitivity analysis

We have determined the sensitivity analyses below, based on the Group's exposure to interest rates for both derivatives and non-derivative instruments, at the balance sheet date. For floating rate liabilities, we prepared the analysis assuming the liability outstanding at the balance sheet date was outstanding for the whole year. A 1.0% increase or decrease is used when reporting interest rate risk internally to key management and is our assessment of a significant change in interest rates.

If interest rates had been 1.0% higher or lower and all other variables were held constant, the Group's profit for the year ended 30 June 2017 would have decreased or increased by £0.5m (2016: decrease/increase by £0.5m). This impact is smaller than would otherwise be the case, due to our fixed rate hedging.

Interest rate swap contracts

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts, calculated on agreed notional principal amounts. These contracts enable us to mitigate the risk of changing interest rates on the cash flow exposures on the variable rate debt we hold. We determine the fair value of interest rate swaps at the reporting date by discounting the future cash flows, using the yield curves at the reporting date and the credit risk inherent in the contract. This fair value is disclosed below. The average interest rate is based on the outstanding balances at the end of the financial year.

Cash flow hedges

The following table details the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at the reporting date:

	Average contract fixed interest rate		Notional principal amount		Fair value	
	2017 %	2016 %	2017 £m	2016 £m	2017 £m	2016 £m
Outstanding receive floating pay fixed contracts						
USD interest rate swaps						
Within one year	-	0.68	-	15.0	-	(0.3)
Two to five years	1.10	1.10	84.7	82.3	1.2	(0.4)
GBP interest rate swaps						
Two to five years	0.51	-	20.0	-	0.1	-

The interest rate swaps settle on a quarterly basis. The corresponding floating rate on the interest rate swaps is three-month LIBOR. We settle the difference between the fixed and floating interest rate on a net basis.

Interest rate swap contracts that exchange floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges, to reduce our cash flow exposure resulting from variable interest rates on borrowings. The interest rate swaps and the interest payments on the loan occur simultaneously and we recognise the amount deferred in equity in profit or loss, over the period that the floating rate interest payments on debt affect profit or loss.

Commodity hedges

The Group hedges both feed and slaughter exposures by using the Chicago Mercantile Exchange lean hog, corn and soybean meal commodity futures.

	Average price		Notional principal amount		Fair value	
	2017 US\$	2016 US\$	2017 £m	2016 £m	2017 £m	2016 £m
Commodity hedge						
Open contracts from July 2017 to June 2018						
Lean hog futures	0.68	n/a	10.7	n/a	(0.1)	n/a
Corn	3.95	n/a	(2.2)	n/a	(0.2)	n/a
Soybean meal	314	n/a	(2.3)	n/a	(0.2)	n/a
Open contracts from July 2016 to June 2017						
Lean hog futures	0.76	0.71	(1.1)	9.0	(0.1)	(0.2)
Corn	3.98	3.99	(0.3)	(2.8)	-	(0.1)
Soybean meal	310	307	(0.2)	(1.8)	-	0.4
Winter wheat	-	5.07	-	(0.2)	-	-
			4.6	4.2	(0.6)	0.1



Notes to the Group Financial Statements continued

For the year ended 30 June 2017

24. Financial instruments continued

Credit risk management

Credit risk is the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the Group. We have a policy of only dealing with creditworthy counterparties. We regularly monitor our exposure and the credit ratings of our counterparties, and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure on financial instruments is controlled by counterparty limits that the Board reviews and approves annually.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. We carry out ongoing credit evaluation of the financial condition of accounts receivable.

Liquidity risk management

The Board of Directors has ultimate responsibility for managing liquidity risk. We manage this risk by maintaining adequate reserves and banking facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

Liquidity and interest risk tables

For non-derivative financial liabilities, see notes 25 and 26.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities, excluding trade payables and other creditors. We have drawn up the table based on the undiscounted cash flows of financial liabilities, using the earliest date on which we can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate %	Less than 1 month £m	1-3 months £m	3 months to 1 year £m	1-5 years £m	5+ years £m	Total £m
2017							
Variable interest rate instruments	2.3	7.8	0.5	4.7	144.4	-	157.5
2016							
Variable interest rate instruments	1.7	5.2	0.3	2.3	125.7	-	133.5

The following table details the Group's expected maturity for other non-derivative financial assets, excluding trade receivables and other debtors. We have drawn up this table based on the undiscounted contractual maturities of the assets, including interest we will earn on them, except where we expect the cash flow to occur in a different period.

	Weighted average effective interest rate %	Less than 1 month £m	1-3 months £m	3 months to 1 year £m	1-5 years £m	5+ years £m	Total £m
2017							
Variable interest rate instruments	0.63	26.5	-	-	-	-	26.5
2016							
Variable interest rate instruments	0.38	34.0	-	-	-	-	34.0

The Group has financing facilities with a total unused amount of £73.6m (2016: £49.8m) at the balance sheet date. We expect to meet our other obligations from operating cash flows and the proceeds of maturing financial assets. We expect to reduce the debt to equity ratio, as borrowings decrease through repayment from operating cash flows.

The following table details the Group's liquidity analysis for its derivative financial instruments. We have drawn up the table based on the undiscounted net cash outflows on derivative instruments that settle on a net basis and the undiscounted gross outflows on derivatives that require gross settlement. When the amount payable or receivable is not fixed, we have determined the amount disclosed by reference to the projected interest and foreign currency rates, as illustrated by the yield curves at the reporting date.

	Less than 1 month £m	1-3 months £m	3 months to 1 year £m	1-5 years £m	5+ years £m	Total £m
2017						
Interest rate swaps	-	-	0.1	0.9	-	1.0
2016						
Interest rate swaps	-	-	(0.5)	(0.7)	-	(1.2)



25. Loans and borrowings

The Group's borrowing for funding and liquidity purposes comes from a range of committed bank facilities.

Interest-bearing loans and borrowings

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

	2017 £m	2016 £m
Non-current liabilities		
Unsecured bank loans	127.2	115.3
Obligations under finance leases (see note 26)	1.8	2.7
	129.0	118.0
Current liabilities		
Unsecured bank loans and overdrafts	7.7	4.6
Obligations under finance leases (see note 26)	1.4	1.1
	9.1	5.7
Total interest-bearing liabilities	138.1	123.7

Terms and debt repayment schedule

Terms and conditions of outstanding loans and overdrafts were as follows:

	Currency	Interest rate	2017 £m	2016 £m
Revolving credit facility and overdraft	GBP	1.5%	22.6	26.2
Revolving credit facility, term loan and overdraft	USD	2.4%	106.2	86.0
Revolving credit facility and overdraft	EUR	0.7%	-	6.2
Finance lease liabilities	USD	5.0%	3.2	3.8
Other unsecured bank borrowings	Other	0.7%	6.1	1.5
Total interest-bearing liabilities			138.1	123.7

The above revolving credit facilities are unsecured. Information about the Group's exposure to interest rate and foreign currency risks is shown in note 24.

	2017 £m	2016 £m
Loans and borrowings (excluding finance leases) comprise amounts falling due:		
In one year or less or on demand	8.1	5.1
In more than one year but not more than two years	-	-
In more than two years but not more than five years	128.2	116.1
	136.3	121.2
Less: unamortised issue costs	(1.4)	(1.3)
	134.9	119.9
Current liabilities	(7.7)	(4.6)
Non-current liabilities	127.2	115.3

During the year, we exercised an Accordion request, which increased our available credit facilities by £10m and US\$25m. We also extended the Group's credit facilities by one year, which now expire in February 2022. At the balance sheet date, the Group's credit facilities comprised a £75m multi-currency revolving credit facility and a US\$165m revolving credit facility.

As part of its interest rate strategy, the Company has entered into interest rate swaps to hedge floating LIBOR rates. As a result, bank loan and overdrafts include borrowings of US\$110m (£84.7m) fixed at 1.10% and GBP £20m fixed at 0.51%, excluding applicable bank margin.



Notes to the Group Financial Statements continued

For the year ended 30 June 2017

26. Finance lease liabilities

A finance lease is a commitment to make a payment in the future, primarily in relation to plant and machinery and motor vehicles.

Accounting policies

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

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

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

Finance lease liabilities are payable as follows:

	Minimum lease payments 2017 £m	Interest 2017 £m	Principal 2017 £m	Minimum lease payments 2016 £m	Interest 2016 £m	Principal 2016 £m
Less than one year	1.4	0.1	1.5	1.1	–	1.1
Between one and five years	1.8	0.1	1.9	2.7	0.2	2.9
	3.2	0.2	3.4	3.8	0.2	4.0

Finance lease liabilities are secured on the assets to which they relate. There are no other restrictions imposed by the lessor. The fair value of the leases is approximately equal to the carrying amount.

27. 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 ('MPF') and the Dalgety Pension Fund ('DPF') in the UK, which are defined benefit schemes. The assets of these funds are held separately from the Group's assets and are administered by Trustees and managed professionally. We recognise that accounting for retirement benefit obligations is an area which includes critical accounting judgements and key sources of estimation uncertainty. See note 4.

Accounting policies

Defined contribution pension schemes

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

Defined benefit pension schemes

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

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

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

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



27. Retirement benefit obligations continued**Retirement benefit obligations**

The financial positions 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 MPF – 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.

The defined benefit plans are administered by Trustee boards that are legally separated from the Group. The Trustee board of each pension fund consists of representatives who are employees, former employees or are independent from the Company. The boards of the pension funds are required by law to act in the best interest of the plan participants and are responsible for setting certain policies, such as investment and contribution policies, and for the governance of the fund.

The defined benefit pension schemes exposes the Group to actuarial risks such as greater than expected longevity of members, lower than expected return on investments and higher than expected inflation, which may increase the plans' liabilities or reduce the value of their assets.

UK pensions are regulated by The Pensions Regulator, a non-departmental public body established under the Pensions Act 2004 and sponsored by the Department for Work and Pensions, operating within a legal regulatory framework set by the UK Parliament. The Pensions Regulator has statutory objectives set out in legislation, which include promoting and improving understanding of the good administration of work-based pensions, protecting member benefits and regulating occupational defined benefit and contribution schemes. The Pensions Regulator's statutory objectives and regulatory powers are described on its website at thepensionsregulator.gov.uk.

All defined benefit schemes are registered as an occupational pension plan with HMRC and are subject to UK legislation and oversight from The Pensions Regulator. UK legislation requires that pension schemes are funded prudently and valued at least every three years. Separate valuations are required for each scheme. Within 15 months of each valuation date, the plan trustees and the Group must agree any contributions required to ensure that the plan is fully funded over time on a suitably prudent measure.

Funding plans are individually agreed with the respective trustees for each of the Group's defined benefits pension schemes, taking into account local regulatory requirements.

The MPF

The MPF was previously operated by the Milk Marketing Board and was also open to staff working for Milk Marque Ltd (the principal employer, now known as Community Foods Group Limited), NMR, First Milk Ltd, hauliers associated to First Milk Ltd, Dairy Farmers of Britain Ltd (which went into receivership in June 2009) and Milk Link Ltd.

We have accounted for our section of the scheme and our share of any orphan assets and liabilities, which together represent approximately 85% of the MPF (2016: 75%). Although the MPF is managed on a sectionalised basis, it is a 'last man standing scheme', which means that all participating employers are jointly and severally liable for all of the fund's liabilities. With effect from 30 June 2013, Genus's remaining active members ceased accruing benefits in the fund and became deferred pensioners.

On 11 January 2016, the Trustees of the MPF agreed with a request from the employers to change the index used for pension and deferred pension increases from RPI to CPI. The members of the scheme were informed of this change on 17 February 2016, which is effective for increases starting in 2016. As a result of the change, Genus recorded a gain of £43.9m.

The most recent actuarial triennial valuation of the MPF was at 31 March 2015 and was carried out by qualified actuaries. The valuation has been agreed by the Trustees.

The principal actuarial assumptions adopted in the 2015 valuation were that:

- investment returns on existing assets would exceed fixed interest gilt yields by 1.1% p.a.;
- CPI price inflation is expected to be 0.9% p.a. lower than RPI price inflation; and
- pensions in payment and pensions in deferment would increase in future in line with CPI price inflation, subject to various minimum and maximum increases.

At 31 March 2015, the market value of the fund's assets was £403m. This represented approximately 87% of the value of the uninsured liabilities, which were £465m at that date.



Notes to the Group Financial Statements continued

For the year ended 30 June 2017

27. Retirement benefit obligations continued

The deficit in the fund as a whole, by reference to the 31 March 2015 valuation, was £62m (of which Genus's notional share was £47m). This shortfall is being addressed by additional contributions from the participating employers. Under the Trustee prepared schedule of contributions, Genus will be required to make deficit repair contributions of £5.6m p.a. commencing 31 March 2016, and rising thereafter by 3.4% p.a. until 31 August 2022, in addition to funding the scheme's operating expenses. Genus has assessed its additional pension liability under IFRIC 14 by reference to this schedule of contributions, resulting in an amount of £19.6m (2016: £14.9m) being recognised in the Group Statement of Comprehensive Income.

On 23 June 2017, 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 MPF pension scheme reflecting the impact of NMR paying undiscounted amounts into the scheme.

The DPF

The most recent actuarial valuation of the DPF was at 31 March 2015 and carried out by qualified actuaries.

The principal actuarial assumptions adopted in the 2015 valuation were that investment returns on existing assets would be 4.1% p.a. before retirement and 2.2% p.a. after retirement and that the annual increase in pensions in payment would be 3.3% p.a.

The market value of the available assets at 31 March 2015 was £31.6m. The value of those assets represented approximately 101% of the value of the uninsured liabilities, which were £31.3m at 31 March 2015. Under the funding agreement, the Company will not have to make deficit repair contributions.

The disclosures required under IAS 19 have been calculated by an independent actuary based on accurate calculations carried out as at 31 March 2015 and updated to 30 June 2016.

As at 30 June 2017 the DPF was in an overall net pension asset position of £6.5m. However, the Company does not have the unilateral right to this surplus and therefore in line with IFRIC 14 the recognition of this asset is restricted.

The Trustees of the DPF hold an £18.7m reserve against future unknown liabilities materialising. As the economic benefit to Genus of this amount is not certain, it is treated as a contingent asset.

In addition to the aggregate assets and liabilities disclosed, a bulk annuity policy was secured with an insurance company in July 1999, which matched the benefit entitlement of the almost all of the fund's current and deferred pension liabilities at that time. The value of these policies and related liabilities at 30 June 2017 was £708m (2016: £703m).

Other defined benefit scheme in deficit

The Group operates a closed defined benefit scheme for a small number of former employees of the National Pig Development Company Limited. The total market value of scheme assets and liabilities at 30 June 2017, under the provisions of IAS 19, were £5.2m (2016:£5.2m) and £6.7m (2016:£6.5m), respectively.

Other unfunded schemes

When the Group acquired Sygen International plc, it also acquired three unfunded defined benefit schemes and an unfunded retirement health benefit plan, which it now operates for the benefit of the previous Group's senior employees and executives.

The scheme liabilities for the three unfunded defined benefit schemes amounted to £8.1m (2016: £8.0m), based on IAS 19's methods and assumptions. This amount is included within pension liabilities in the Group Balance Sheet. Interest on pension scheme liabilities amounted to £0.2m (2016: £0.2m).

The principal assumptions used to calculate the scheme liabilities were that the discount rate would be 2.65% (2016: 2.8%) and that inflation and pension payment increases would be 3.1% per annum (2016: 2.7%).

The scheme liabilities for the unfunded retirement health benefit plan amounted to £0.9m (2016: £0.9m), based on IAS 19's methods and assumptions. This amount is included within retirement benefit obligations in the Group Balance Sheet. Interest on plan liabilities amounted to £nil (2016: £0.1m).

The principal assumptions used to calculate the plan liabilities were that the discount rate would be 2.65% (2016: 2.8%) and that the long-term rate of medical expense inflation would be 7.1% (2016: 6.7%).



27. Retirement benefit obligations continued
Aggregated position of defined benefit schemes

	2017 £m	2016 £m
Present value of funded obligations (includes Genus's 85% share of MPF (2016: 75%))	424.2	347.9
Present value of unfunded obligations	9.0	8.9
Total present value of obligations	433.2	356.8
Fair value of plan assets (includes Genus's 85% share of MPF (2016: 75%))	(418.4)	(334.0)
Restrict recognition of asset (DPF)	6.5	6.8
Recognition of additional liability (MPF)	19.6	14.9
Recognised liability for defined benefit obligations	40.9	44.5

Plan assets consist of the following:

	2017 £m	2016 £m
Equities	90.4	99.3
Diversified growth funds	93.7	57.6
Liability driven investments	93.5	32.7
Gilts and corporate bonds	59.5	95.7
Cash	8.9	1.7
Other	72.4	47.0
	418.4	334.0

Each of the defined benefits schemes manages risks through a variety of methods and strategies including equity protection, to limit downside risk of falls in equity markets, as well as inflation and interest rate hedging.

Movement in the liability for defined benefit obligations

	2017 £m	2016 £m
Liability for defined benefit obligations at the start of the year	356.8	386.1
Benefits paid by the plans	(15.3)	(18.3)
Current service costs and interest	9.8	14.3
Actuarial gains recognised on fund liabilities arising from changes in demographic assumptions	-	(10.9)
Actuarial losses recognised on fund liabilities arising from changes in financial assumptions	28.0	41.6
Actuarial losses/(gains) recognised on fund liabilities arising from experience (other)	2.2	(11.8)
Gains on curtailments and settlements	-	(1.4)
Change from RPI to CPI for benefit increases in the MPF	-	(43.9)
Recognition of additional liabilities due to increasing Genus's share of MPF	51.5	-
Exchange rate adjustment	0.2	1.1
Liability for defined benefit obligations at the end of year	433.2	356.8

Movement in plan assets

	2017 £m	2016 £m
Fair value of plan assets at the start of the year	334.0	329.2
Administration expenses	(0.6)	(0.7)
Gains on curtailments and settlements	-	(1.1)
Recognition of additional assets due to increasing Genus's share of MPF	52.7	-
Contributions paid into the plans	7.2	6.7
Benefits paid by the plans	(15.3)	(18.3)
Interest income on plan assets	9.0	12.1
Actuarial gains recognised in equity	31.4	6.1
Fair value of plan assets at the end of the year	418.4	334.0



Notes to the Group Financial Statements continued

For the year ended 30 June 2017

27. Retirement benefit obligations continued

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)

Amounts recognised in the Group Income Statement

	2017 £m	2016 £m
Administrative expenses	0.6	0.7
Interest obligation	9.8	14.3
Interest income on plan assets	(9.0)	(12.1)
Interest on additional liability	0.4	-
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)
	0.6	(41.3)

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 gains and losses recognised in the Group Statement of Comprehensive Income

	2017 £m	2016 £m
Cumulative loss at the start of the year	79.4	50.0
Actuarial (gain)/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
Cumulative loss at the end of the year	82.4	79.4



27. Retirement benefit obligations continued**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).

The following table shows the assumptions used for all schemes and illustrates the life expectancy of an average member retiring at age 65 at the balance sheet date and a member reaching age 65 in 20 years' time.

		2017 Years	2016 Years
Retiring at balance sheet date at age 65	Male	23.0	22.9
	Female	25.2	25.1
Retiring at age 65 in 20 years' time	Male	24.7	24.6
	Female	27.0	26.9

Duration of benefit obligations

The weighted average duration of the defined benefit obligations at 30 June 2017 was 17.4 years (2016: 17.5 years).

Sensitivity analysis

Measurement of the Group's defined benefit obligation is sensitive to changes in certain key assumptions. The sensitivity analysis below shows how a reasonably possible increase or decrease in a particular assumption would, in isolation, result in an increase or decrease in the present value of the defined benefit obligation as at 30 June 2017.

	Discount rate		Rate of inflation		Life expectancy	
	Decrease by 0.25% £m	Increase by 0.25% £m	Decrease by 0.25% £m	Increase by 0.25% £m	Decrease by 1 year £m	Increase by 1 year £m
Increase/(decrease) in present value of defined obligation	16.9	(16.2)	(11.9)	12.1	(16.9)	16.9

The sensitivity analysis may not be representative of an actual change in the defined benefit obligation, as it is unlikely that changes in assumptions would occur in isolation from one another.

The sensitivities assume the fund's assets remain unchanged. However, in practice changes in interest rates and inflation will also affect the value of the fund's assets. The fund's investment strategy aims to hold matching assets which should move broadly in line with the liabilities of the funds, to protect partially against changes in interest rates and inflation.

This sensitivity analysis has been prepared using the same method adopted when adjusting results of the latest funding valuation to the balance sheet date. This is the same approach adopted in previous periods.

The history of experience adjustment is as follows:

	2017 £m	2016 £m	2015 £m	2014 £m	2013 £m
Present value of the defined benefit obligation	433.2	356.8	386.1	367.8	355.2
Fair value of plan assets	(418.4)	(334.0)	(329.2)	(314.6)	(294.1)
Restrict recognition of asset and recognition of additional liability	26.1	21.7	6.2	5.0	3.9
Deficit in the plans	40.9	44.5	63.1	58.2	65.0
Experience adjustments arising on plan liabilities (%)	7.1	5.3	4.9	2.9	5.1
Experience adjustments arising on plan assets (%)	7.6	4.1	3.7	4.9	2.5



Notes to the Group Financial Statements continued

For the year ended 30 June 2017

28. Share-based payments

We have a number of share plans used to award shares to Directors and senior management as part of their remuneration. To record the cost of these, a charge is recognised over the vesting period in the consolidated income statement, based on the fair value of the award on the date of grant.

Accounting policies

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

The Group recognised a total share-based payment expense of £4.6m (2016: £3.8m), including National Insurance contributions of £1.0m (2016: £0.4m).

Share awards

There were 1,089,391 conditional share awards outstanding at 30 June 2017. These conditional shares were awarded to Executive Directors and senior management under the 2004 Performance Share Plan on 7 December 2012, 26 September 2013 and 14 March 2014, and under the 2014 Performance Share Plan on 20 November 2014, 14 September 2015 and 14 September 2016. In accordance with the plans' terms, participants have received a conditional annual award of shares or nil cost option awards which will normally vest after three years, with the proportion of the award vesting depending on growth in the Group's adjusted earnings per share. Further details of the plan's performance conditions are given in the Directors' Remuneration Report.

In the year ended 30 June 2017, awards were granted on 14 September 2016, with an aggregate fair value of £5,725,000. The fair value of services received in return for share awards granted is based on the fair value of share awards granted, measured using a Black-Scholes valuation model. At the date of grant, the fair value of a share awarded was £18.78, based on an expected dividend yield of 1.21%.

	Number of awards 2017	Number of awards 2016
Outstanding at the start of year	1,122,448	1,034,287
Exercised during the year	(94,882)	(61,550)
Forfeited during the year	(243,030)	(254,818)
Granted during the year	304,855	404,529
Outstanding at 30 June	1,089,391	1,122,448
Exercisable at 30 June	31,026	17,289

Bonus and restricted stock share awards

In addition to the outstanding share awards above, there were 102,731 bonus and restricted stock share awards outstanding at 30 June 2017. The bonus shares were awarded to Executive Directors and senior management as part of the compulsory deferred bonus, and restricted stock share awards were granted to senior management in connection with recruitment. In accordance with the awards' terms, participants have received a conditional annual bonus award of shares or nil cost option awards, which will normally vest between one and three years, after award, providing the participant is employed by the Group at that time.

In the year ended 30 June 2017, 25,576 bonus share awards were granted on 14 September 2016, with an aggregate fair value of £482,000, and 22,138 restricted stock share awards were granted in total on 21 December 2016, with an aggregate fair value of £182,000.

	Number of awards 2017	Number of awards 2016
Outstanding at the start of year	68,870	43,547
Exercised during the year	(12,153)	(19,370)
Forfeited during the year	(1,700)	(433)
Granted during the year	47,714	45,126
Outstanding at 30 June	102,731	68,870
Exercisable at 30 June	-	-



28. Share-based payments continued**Share options**

On 12 August 2004, the Group established a share option programme that entitles key management and other senior employees to purchase shares in the Company. Further grants on similar terms were offered to these employee groups as set out below. The terms and conditions of the grants are as set out below. All options are to be settled by physical delivery of shares and meet the criteria for being treated as equity settled.

Employees entitled	Grant date	Number of instruments	Vesting conditions	Option exercise price (pence)	Contractual life of options
2004 Company share plan	21 September 2007	4,048	Exercisable	582.00	10 years
2004 Company share plan	19 September 2008	7,923	Exercisable	775.67	10 years
2004 Company share plan	15 September 2009	17,911	Exercisable	654.50	10 years
2004 Company share plan	10 September 2010	31,993	Exercisable	729.83	10 years
2004 Company share plan	9 September 2011	41,729	Exercisable	977.83	10 years
2004 Company share plan	7 September 2012	47,711	Exercisable	1,334.00	10 years
2004 Company share plan	26 September 2013	72,050	Exercisable	1,413.00	10 years
Total share options		223,365			

The number and weighted average exercise prices of share options are as follows:

	Weighted average exercise price 2017 (pence)	Number of options 2017	Weighted average exercise price 2016 (pence)	Number of options 2016
Outstanding at the start of year	1,132	396,971	1,119	612,821
Forfeited during the year	1,351	(17,470)	1,171	(76,793)
SAR effected during the year	1,215	(87,296)	1,038	(94,801)
Exercised during the year	1,092	(68,840)	932	(44,256)
Outstanding at 30 June	1,118	223,365	1,132	396,971
Exercisable at 30 June	1,118	223,365	986	261,608

The options at 30 June 2017 had a weighted average remaining contractual life of 4.4 years (2016: 5.4 years). No share options were granted during the year (2016: nil). The weighted average share price at the date of exercise during the year was £19.45p (2016: £14.83p).

29. Capital and reserves

Called up share capital is the number of shares in issue at their par value. A number of shares were issued in the year in relation to employee share schemes.

Accounting policies

Equity instruments issued by the Group are recorded at the amounts of the proceeds received, net of direct issuance costs.

Own shares

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

Share capital

	2017 Number	2016 Number	2017 £m	2016 £m
Issued and fully paid				
Ordinary shares of 10 pence	61,161,622	61,012,703	6.1	6.1

The holders of ordinary shares are entitled to receive dividends, as declared from time to time.

The movement in share capital for the period was as follows:

	2017 Number	2016 Number	2017 £m	2016 £m
Issued under the Executive Share Option Plan	68,840	44,256	-	-
Issued to Employee Benefits Trust	80,079	-	-	-
	148,919	44,256	-	-



Notes to the Group Financial Statements continued

For the year ended 30 June 2017

29. Capital and reserves continued

Shares issued under share option plans were issued at option prices as follows:

	2017 Number	Price (pence)	2016 Number	Price (pence)
Executive Share Option Plan				
	-	440.00	4,992	440.00
	1,984	582.00	527	582.00
	2,847	776.00	-	776.00
	2,434	654.50	629	654.50
	8,065	729.83	4,860	729.83
	24,139	977.83	26,799	977.83
	9,206	1334.00	6,449	1334.00
	20,165	1413.00	-	1413.00
	68,840		44,256	

Reserve for own shares

The Company's shares are held by a QUEST, which is an employee benefit trust established to facilitate the operation of our long-term incentive scheme for senior management. The reserve amount represents the deduction in arriving at shareholders' funds for the consideration the trust paid for the Company's shares, which had not vested unconditionally at the balance sheet date. The number and market value of the ordinary shares held by the employee benefit trust and the QUEST were:

	2017 Number	2016 Number	2017 £m	2016 £m
Shares allocated but not vested	70,272	85,075	1.3	1.3
Unallocated shares	92,334	92,334	1.6	1.5
	162,606	177,409	2.9	2.8

The shares have a nominal value of £16,261 (2016: £17,741).

Translation reserve

The translation reserve comprises all foreign currency differences arising from translating the financial statements of our foreign operations.

The Group uses foreign currency denominated borrowings as a hedge against the translation exposure on the Group's net investment in overseas companies. Where the hedge is fully effective at hedging the variability in the net assets of such companies caused by changes in exchange rates, the changes in value of the borrowings are recognised in the Consolidated Statement of Comprehensive Income and accumulated in the hedging and translation reserve. The ineffective part of any change in value caused by changes in exchange rates is recognised in the Consolidated Income Statement.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments, net of taxation.

Hedging and translation reserves

	Hedging reserve £m	Translation reserve £m
Balance at 30 June 2015	-	(10.1)
Exchange differences on translation of overseas operations	-	77.8
Loss recognised on net investment hedges	-	(13.3)
Loss recognised on cash flow hedges - interest swaps	(0.7)	-
Income tax related to net gains recognised in other comprehensive income	0.1	(16.9)
Balance at 30 June 2016	(0.6)	37.5
Exchange differences on translation of overseas operations	-	8.6
Loss recognised on net investment hedges	-	(2.7)
Gain recognised on cash flow hedges - interest swaps	2.1	-
Income tax related to net gains recognised in other comprehensive income	(0.4)	(4.2)
Balance at 30 June 2017	1.1	39.2



30. Notes to the cash flow statement

	2017 £m	2016 £m
Profit for the year	34.3	50.3
Adjustment for:		
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
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.



Notes to the Group Financial Statements continued

For the year ended 30 June 2017

31. Operating leases

The Group has entered into non-cancellable commercial arrangements on certain properties, plant, motor vehicles and equipment.

Accounting policies

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

Total of future minimum lease payments under non-cancellable operating leases which expire within:

	2017 £m	2016 £m
Less than one year	2.7	1.3
Between one and five years	10.7	10.7
More than five years	5.8	9.2
	19.2	21.2

The leases have various terms and renewal rights. There are no other restrictions imposed by these lease agreements.

32. Capital and other commitments

At 30 June 2017, outstanding contracted capital expenditure amounted to £4.9m and all relate to the purchase of property, plant and equipment. (2016: £0.7m).

A software agreement was signed on 23 June 2017, with a minimum five-year term, with an annual cost of £0.7m.

33. 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 27 include obligations relating to the MPF 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 27.

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 two years.

34. Directors and key management compensation

This note details the total amounts earned by the Company's Directors and members of the Executive Committee.

Key management compensation (including Directors)

	2017 £m	2016 £m
Salaries and short-term employee benefits	6.1	5.8
Post-employment benefits	0.3	0.3
Share-based payment expense	2.6	2.1
	9.0	8.2

Directors

Details of Directors' compensation are included in the Directors' Remuneration Report.

Other transactions with key management personnel

Other than remuneration, there were no transactions with key management personnel.



35. Group entities

In accordance with section 409 of the Companies Act 2006, a list of subsidiaries and joint ventures and associates as at 30 June 2017 is set out below. All subsidiary undertakings are subsidiary undertakings of their immediate Parent undertaking(s), unless otherwise indicated.

Nature of business Bovine

Name of undertaking	Registered address	Country of incorporation	Direct/indirect Group interest	Share class	% of share capital/voting rights held by Group companies
ABS Argentina S.A.	A.Castellanos 1169, (3080) Esperanza, Sante Fe, Argentina	Argentina	Direct	ARS1 ordinary	100%
ABS Chile Limitada	Avenida del Parque #4161 office #601, Huechuraba, Santiago, Chile	Chile	Direct	CLP1 common stock	100%
ABS Genetics South Africa (Pty) Ltd	Prestige Park Block B, Unit No 5B, Pastoral Street, Durbanville Industrial Park, Durbanville, 7550, South Africa	South Africa	Indirect	ZAR1 ordinary	100%
ABS Global (Canada) Inc.	1525 Floradale Road, Elmira ON N3B 2Z1, Canada	Canada	Indirect	CAD1 ordinary	100%
ABS Global, Inc.	1525 River Road, De Forest WI 53532, United States	United States	Indirect	USD0.01 common	100%
ABS Italia S.r.l.	Via Bastida nr. 6, loc. Cavatigozzi, 26020, Cremona, Italy	Italy	Indirect	€1 Quota	100%
ABS México, S.A. de C.V.	Kansas No. 2028, Quintas Campestre, 31214, Chihuahua, Chih., Mexico	Mexico	Direct	MXN10 Class 1 MXN10 Class 2	100%
ABS Progen Ireland Limited	Suite 6, Rineanna House, Shannon Free Zone, Co. Clare, Ireland	Ireland	Indirect	€1.25 ordinary	100%
Bovec SASU – changed name	69 Chemin des Molieres, 69210, Lentilly, France	France	Indirect	€10 ordinary	100%
Chitale Genus ABS (India) Private Limited	Amar Neptune, Office No.406, off Baner Road, S. No.6/1/1, Village Baner, Tal. Haveli, Pune, Pune, Maharashtra, India	India	Indirect	INR100 ordinary	50% ¹
De Novo Genetics LLC	1286 Oriole Drive, New Albin IA 52160, United States	United States	Indirect	No par value LLC units	51%
Genus ABS Colombia SAS	Avenida Carrera 70 , No. 105 – 51, Bogota, Colombia	Colombia	Indirect	COPI0,000 ordinary	100%
Genus Australia Pty Ltd	2 Fleet Street, Somerton VIC 3062, Australia	Australia	Indirect	No par value ordinary	100%
Genus (Beijing) International Trade Co., Ltd.	B1608, Lucky Tower, East5 3rd Ring Road, Chaoyang District, Beijing, 100027, China	China	Indirect	No par value common stock	100%
Genus Breeding India Private Limited	Amar Neptune, Office No.406, off Baner Road, S. No.6/1/1, Village Baner, Tal. Haveli, Pune, Pune, Maharashtra, India	India	Indirect	INR10 ordinary	100%
Genus Breeding Limited	Matrix House, Basing View, Basingstoke, Hampshire RG21 4DZ, United Kingdom	United Kingdom	Direct	£1 ordinary	100%
'Genus Ukraine' LLC	Pidlisna str., 1, KYIV 03164, Ukraine	Ukraine	Indirect	No par value common stock	100%
GIFCO (Ireland) Designated Activity Company	Suite 6, Rineanna House, Shannon Free Zone, Co. Clare, Ireland	Ireland	Indirect	US\$1 ordinary	100%
Inimex Genetics Limited	Matrix House, Basing View, Basingstoke, Hampshire RG21 4DZ, United Kingdom	United Kingdom	Indirect	£1 ordinary	100%
In Vitro Brasil México, S.A. de C.V.	Plaza Comercial Punto Colorines, Boulevard Independencia #746, Lote. 27010, Sala 6 e 7., Cidade Torreon – Estado, Coahuila, Mexico	Mexico	Indirect	MXN1 ordinary	99%
In Vitro Brasil S.A.	São Francisco Farm, Km 165 of Righway Campinas-Mogi Mirim, City of Mogi Mirim, São Paulo, 13.800-970, Brazil	Brazil	Indirect	No par value common	100%



Notes to the Group Financial Statements continued

For the year ended 30 June 2017

35. Group entities continued

Name of undertaking	Registered address	Country of incorporation	Direct/indirect Group interest	Share class	% of share capital/voting rights held by Group companies
In Vitro Colombia S.A.S.	Carrera 72A N° 49A – 39, Barrio Normandia Segundo Sector – Bogotá D.C, Colombia	Colombia	Indirect	COP1 common	51%
In Vitro Russia LLC	188671, Distrito De Leningrado Região De Vsevoloskiy, Vilarejo De Lepsar, Russian Federation	Russia	Indirect	RUB1 ordinary	50%
IVB USA, Inc.	1525 River Road, De Forest WI 53532, United States	United States	Indirect	US\$0.001 common	100%
Pecplan ABS Imp. e Exp. Ltda.	Rod. BR 050 Km 196 + 150metros, Zona Rural, Delta, MG – 38108-000, Brazil	Brazil	Indirect	BRL1 ordinary	100%
St Jacobs Animal Breeding Corp.	1525 River Road, De Forest WI 53532, United States	United States	Indirect	No par value common	100%
ZAP In Vitro Mozambique, Limitada	400553858, Av. Mao Tse Tung, Maputo, Mozambique	Mozambique	Indirect	MZN1 ordinary	80%
Zitery S.A	Maximo Tajes 7189, Uruguay	Uruguay	Indirect	UYU0.54 provisional certified registered UYU1.00 registered	100%

Porcine

Name of undertaking	Registered address	Country of incorporation	Direct/indirect Group interest	Share class	% of share capital/voting rights held by Group companies
Agricola PIC Andina Limitada	Autopista Los Libertadores Km39.5, Chacabuco, Colina, Santiago, Chile	Chile	Indirect	CLP1 common stock	100%
Agrocere PIC Genética de Suínos Ltda	Rua 1 JN, n° 1411, Sala 16 – Jardim Novo, Rio Claro/SP – CEP, 13.502-741, Brazil	Brazil	Indirect	BRL1 ordinary	49% ¹
Agrocere PIC Suínos Ltda	Rua 1 JN, n° 1411, Sala 17 – Jardim Novo, Rio Claro/SP – CEP, 13.502-741, Brazil	Brazil	Indirect	BRL1 ordinary	49% ¹
Birchwood Genetics, Inc.	465 Stephens Road, West Manchester OH 45382, United States	United States	Indirect	No par value ordinary	100%
Genetiporc International Minnesota, LLC	100 BlueGrass Commons Blvd, Suite 2200, Hendersonville, TN 37075 United States	United States	Indirect	No par value ordinary	100%
Génétiporc México, S.A. de C.V.	Wenceslao de la Barquera No.7, Col. Villas del Sur, 76040 Queretaro, Queretaro, Mexico	Mexico	Indirect	MXN1 ordinary	100%
Genetiporc USA, LLC	100 BlueGrass Commons Blvd, Suite 2200, Hendersonville, TN 37075 United States	United States	Indirect	US\$100 LLC units	100%
Genus China Limited Company	Office 1106, Ramada Plaza, 509 Caobao Road, Xuhui District, Shanghai, 200233, China	China	Indirect	No par value common Stock	100%
Hermitage Genetics Designated Activity Company	Riverside One, Sir John Rogerson's Quay, Dublin 2, Ireland	Ireland	Indirect	€1.27 ordinary €1.27 redeemable preference shares	100%
HY-CO Hybridschweine-Cooperations GmbH	Tegelberg 19 – 21, 24576 Bad Bramstedt, Germany	Germany	Indirect	No par value common stock	50% ¹
LLC PIC Genetics	79 Narodnyy Boulevard, 308000, Belgorod, Russian Federation	Russia	Indirect	RUB1 ordinary	100%



35. Group entities continued

Name of undertaking	Registered address	Country of incorporation	Direct/indirect Group interest	Share class	% of share capital/voting rights held by Group companies
Morganite Investments Limited	Riverside One, Sir John Rogerson's Quay, Dublin 2, Ireland	Ireland	Indirect	€1 ordinary	100%
PIC (Zhangjiagang) Pig Improvement Co., Ltd.	Office 1210, International Finance Tower, 20 Jingang Road, Zhangjiagang Bonded Zone, Zhangjiagang City, Jiangsu Province, China	China	Indirect	US\$1 ordinary	100%
PIC Andina SpA	Avenida del Parque #4161 office #601, Huechuraba, Santiago, Chile	Chile	Indirect	US\$65.449 ordinary	100%
PIC Andina Venezuela S.A.	Avenida De La Urbanización San Jacinto, Residencias Ambar 1, Apto. E-2-A, Maracay, Estado Aragua, Venezuela, Bolivarian Republic of	Venezuela	Indirect	VEF1 ordinary	100%
PIC Canada Ltd.	4500 Bankers Hall East, 855 2nd Street SW, Calgary AB T2P 4K7, Canada	Canada	Indirect	CAD1 ordinary	100%
PIC France SA	69 Chemin des Molieres, 69210, Lentilly, France	France	Indirect	€17 ordinary	100%
PIG Datendienst GmbH	Ratsteich 31, 24837 Schleswig, Germany	Germany	Indirect	No par value common stock	50% ¹
Pig Improvement Company de México, S. de R.L. de C.V.	Wenceslao de la Barquera No.7, Col. Villas del Sur, 76040 Queretaro, Queretaro, Mexico	Mexico	Indirect	No par value common stock	100%
PIG Improvement Company Deutschland GmbH	Jathostraße 11a, D-30163 Hannover, Germany	Germany	Indirect	No par value common stock	100%
Pig Improvement Company España, S.A.	C/Pau Vila, 22 2º puerta 6, 08174 Sant Cugat del Valles, Barcelona, Spain	Spain	Indirect	€25 ordinary	100%
Pig Improvement Company UK Limited	Matrix House, Basing View, Basingstoke, Hampshire RG21 4DZ, United Kingdom	United Kingdom	Indirect	£0.10 ordinary	100%
PIC Italia S.r.l.	Strada dei Loggi 22, 06135, Ponte San Giovanni, Perugia, Italy	Italy	Indirect	€1 ordinary	85%
PIC Philippines, Inc.	Unit 2101/2102, 21st Floor Jollibee Plaza, F. Ortigas, Jr. Rd., Ortigas Center, Pasig City, 1605, Philippines	Philippines	Indirect	PHP100 ordinary	100%
PIC Polska Sp. z o.o.	ul. Gwiazdzista 7 lok.2, 01 – 651, Warszawa, Poland	Poland	Indirect	PLN1,000 ordinary	100%
PIC Romania S.R.L.	PIC Romania SRL, 8, Caimatei Street, Sector 2, Bucharest, Romania	Romania	Indirect	RON2,983.10 ordinary	100%
PIC USA, Inc.	100 BlueGrass Commons Blvd, Suite 2200, Hendersonville, TN 37075 United States	United States	Indirect	US\$1 ordinary	100%
RenOVate Biosciences, Inc.	3500 South Dupont Highway, Dover, Delaware 19901, United States	United States	Direct	US\$0.001 series seed preferred	50%
Reprodutores PIC, Lda	Avenida General Norton De Matos, 59A 1ºA/B, Miraflones, Oeiras, 1495-148 Alges, Portugal	Portugal	Indirect	No par value common stock	100%
Shaanxi PIC Pig Improvement Co., Ltd.	Room 2008, Unit 1, Building 1, Block Saigao, Weiyang Road, Xi'an Economic and Technological Development Zone, Xi'an City, Shaanxi Province, China	China	Indirect	No par value common stock	100%
Xianyang Yongxiang Agriculture Technology Co., Ltd.	Qiaojiaguan Village, Jianjun Town Yongshou County, Xianyang Shaanxi Province, China	China	Indirect	No par value common stock	49% ¹



Notes to the Group Financial Statements continued

For the year ended 30 June 2017

35. Group entities continued

Other

Name of undertaking	Registered address	Country of incorporation	Direct/indirect Group interest	Share class	% of share capital/voting rights held by Group companies
Promar International Limited	Matrix House, Basing View, Basingstoke, Hampshire RG21 4DZ, United Kingdom	United Kingdom	Direct	£1 ordinary	100%
Accounting & Managerial Services S. de R.L. de C.V.	Kansas No. 2028, Quintas Campestre, 31214, Chihuahua, Chih., Mexico	Mexico	Indirect	MXN1 class 1	100%
Génétiporc Servicios Tecnicos S.A. de C.V.	Wenceslao de la Barquera No.7, Col. Villas del Sur, 76040 Queretaro, Queretaro, Mexico	Mexico	Indirect	MXN 1 ordinary	100%
PIC Servicios Agropecuarios, S.A. de C.V.	Wenceslao de la Barquera No.7, Col. Villas del Sur, 76040 Queretaro, Queretaro, Mexico	Mexico	Indirect	MXN1,000 ordinary	100%
GIL Finance S.à.r.l.	121 Avenue de la Faiencerie , L - 1511 , Luxembourg	Luxembourg	Indirect	USD1 ordinary	100%
ABS International, Inc.	1525 River Road, De Forest WI 53532, United States	United States	Indirect	US\$1 common	100%
ABS Pecplan Ltda.	Rod. BR 050 Km 196 + 150metros, Zona Rural, Delta, MG - 38108-000, Brazil	Brazil	Direct	BRL1 ordinary	100%
Brazilian Holdings Limited	Matrix House, Basing View, Basingstoke, Hampshire RG21 4DZ, United Kingdom	United Kingdom	Indirect	£1 ordinary	100%
Fyfield (SM) Limited	Matrix House, Basing View, Basingstoke, Hampshire RG21 4DZ, United Kingdom	United Kingdom	Indirect	£1 ordinary	100%
Fyfield Holland B.V.	Matrix House, Basing View, Basingstoke, Hampshire RG21 4DZ, United Kingdom	Netherlands	Indirect	NPV ordinary	100%
Genus Investments Limited	Matrix House, Basing View, Basingstoke, Hampshire RG21 4DZ, United Kingdom	United Kingdom	Direct	£1 ordinary	100%
PIC (UK) Limited	Matrix House, Basing View, Basingstoke, Hampshire RG21 4DZ, United Kingdom	United Kingdom	Indirect	£1 ordinary	100%
PIC Do Brasil Empreendimentos e Participações Ltda.	Rua 1 JN, 12133, Piso Superior, Sala 13,, Jardim Novo, Cidade De Rio Claro, Estado De Sao Paulo, CEP 13.502.74, Brazil	Brazil	Indirect	BRL0.01 ordinary	100%
PIC Fyfield Limited	Matrix House, Basing View, Basingstoke, Hampshire RG21 4DZ, United Kingdom	United Kingdom	Indirect	£1 ordinary	100%
Pig Improvement Company Overseas Limited	Matrix House, Basing View, Basingstoke, Hampshire RG21 4DZ, United Kingdom	United Kingdom	Indirect	£1 ordinary	100%
Premium Genetics (UK) Limited	Alpha Building, London Road, Nantwich, Stapeley, Cheshire CW5 7JW, United Kingdom	United Kingdom	Indirect	£0.10 ordinary	100%
Premium Genetics Limited	Suite 6, Rineanna House, Shannon Free Zone, Co. Clare, Ireland	Ireland	Indirect	€1.27 ordinary	100%
Sygen, Inc.	100 BlueGrass Commons Blvd, Suite 2200, Hendersonville, TN 37075 United States	United States	Indirect	US\$10 common	100%
Sygen International Limited	Matrix House, Basing View, Basingstoke, Hampshire RG21 4DZ, United Kingdom	United Kingdom	Direct	£0.10 ordinary	100%
Agence Spillers N.V.	Place Saint-Lambert 14, 1200 Woluwe-Saint-Lambert	Belgium	Indirect	No par value common stock	100%
Bellapais Farm Limited	Julia House, 3 Th Dervis Street, Nicosia, Ch 1066, Cyprus	Cyprus	Indirect	No par value common stock	34.1% ¹



35. Group entities continued

Name of undertaking	Registered address	Country of incorporation	Direct/indirect Group interest	Share class	% of share capital/voting rights held by Group companies
Bellapais Hatcheries Limited	Julia House, 3 Th Dervis Street, Nicosia, Ch 1066, Cyprus	Cyprus	Indirect	No par value common stock	34.1% ¹
Bioscience Network Limited	25 Bothwell Street, Glasgow, Lanarkshire G2 6NL	United Kingdom	Direct	Limited by guarantee, without share capital	100%
Brazilian Properties Limited	Matrix House, Basing View, Basingstoke, Hampshire RG21 4DZ, United Kingdom	United Kingdom	Direct	£1 ordinary	100%
Busby Participações Ltda.	Av. Leopoldino de Oliveira, 4.113, Sala 303, Centro, CEP: 38010-000, UBERABA-MG	Brazil	Indirect	BRL1 ordinary	100%
Cannavarro Participações Ltda.	Av. Leopoldino de Oliveira, 4.113, Sala 303, Centro, CEP: 38010-000, UBERABA-MG	Brazil	Indirect	BRL1 ordinary	100%
Dalco Exportadora Ltda.	Rua Branco de Morais, No. 84, cj.06, Chacara Santo Antonio, Sao Paulo-SP, 04718-010, Brazil	Brazil	Indirect	BRL1 ordinary	100%
Dalgety Pension Trust Limited	Matrix House, Basing View, Basingstoke, Hampshire RG21 4DZ, United Kingdom	United Kingdom	Indirect	£1 ordinary	100%
Elmira ABC Ltd.	929 Arthur Street N. Elmira, N3B 2Z1, Canada	Canada	Indirect	NPV Class 'A' special shares NPV Class 'B' special shares NPV common shares	100%
Fyfield Dormant	Matrix House, Basing View, Basingstoke, Hampshire RG21 4DZ, United Kingdom	United Kingdom	Indirect	£1 ordinary	100%
Fyfield Ireland Limited	One Spencer Dock, North Wall Quay, Dublin 1, Ireland	Ireland	Indirect	€1.25 'A' ordinary €1.25 'B' ordinary	100%
Genus Americas, Inc.	1525 River Road, De Forest WI 53532, United States	United States	Indirect	US\$0.001 common	100%
Genus Quest Trustees Limited	Matrix House, Basing View, Basingstoke, Hampshire RG21 4DZ, United Kingdom	United Kingdom	Direct	£1 ordinary	100%
Genus Trustees Limited	Matrix House, Basing View, Basingstoke, Hampshire RG21 4DZ, United Kingdom	United Kingdom	Direct	£1 ordinary	100%
National Pig Development Company Limited	Matrix House, Basing View, Basingstoke, Hampshire RG21 4DZ, United Kingdom	United Kingdom	Indirect	£1 ordinary	100%
PIC Benelux B.V.	Saffierborch 18, 5241 LN Rosmaien, Netherlands	Netherlands	Indirect	No par value common stock	100%
Pig Improvement Company Far East Limited	C/O Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong	Hong Kong	Indirect	US\$10 ordinary	100%
Pigtales Limited	Matrix House, Basing View, Basingstoke, Hampshire RG21 4DZ, United Kingdom	United Kingdom	Indirect	£1 ordinary	100%
Progen Ltd	Matrix House, Basing View, Basingstoke, Hampshire RG21 4DZ, United Kingdom	United Kingdom	Indirect	£1 ordinary	100%
Skogluno Participações Ltda.	Av. Leopoldino de Oliveira, , 4.113, Sala 303, Centro, CEP: 38010-000, UBERABA-MG	Brazil	Indirect	BRL1 ordinary	100%



Notes to the Group Financial Statements continued

For the year ended 30 June 2017

35. Group entities continued

Name of undertaking	Registered address	Country of incorporation	Direct/indirect Group interest	Share class	% of share capital/voting rights held by Group companies
Spillers Limited	Matrix House, Basing View, Basingstoke, Hampshire RG21 4DZ, United Kingdom	United Kingdom	Indirect	£0.25 ordinary £1 preference	100%
Spillers Overseas Limited	Matrix House, Basing View, Basingstoke, Hampshire RG21 4DZ, United Kingdom	United Kingdom	Indirect	£0.25 ordinary	100%
Spratts GmbH	Ratsteich 31, 24837 Schleswig, Germany	Germany	Indirect	No par value common stock	100%
SyAqua México, S. de R.L. de C.V.	Av Camaron Sabalo No 310, Local 25 y 26 Zona Dorada, Mazatlan, Sinaioa, Mexico	Mexico	Indirect	No par value common stock	100%
Sygen Investimentos Ltda.	Rua Branco de Moraes, No. 84, cj.06, Chacara Santo Antonio, Sao Paulo-SP, 04718-010, Brazil	Brazil	Indirect	BRL0.63 ordinary	100%
Usicafé SA	c/o Cabinet Mayor, avocats, Rue Jean-Gabriel Eynard 6, 1205 Genève	Switzerland	Indirect	CHF1,000 ordinary	100%

1 Associated undertakings including joint venture interests.

36. Acquisition of subsidiaries

During the year, we formed De Novo Genetics, completed the purchase of Hermitage Genetics and acquired the remaining 49% shareholding of In Vitro Brasil S.A.

Accounting policies

Business combinations

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

We recognise the acquiree's identifiable assets, liabilities and contingent liabilities, which meet the conditions for recognition under IFRS 3, at their fair values at the acquisition date. The exceptions are non-current assets (or disposal Groups) that are classified as held for sale in accordance with IFRS 5 'Non-Current Assets Held for Sale and Discontinued Operations', which we recognise and measure at fair value less costs to sell.

Acquisition of interests from non-controlling shareholders

In transactions with non-controlling parties that do not result in a change of control, the difference between the fair value of the consideration paid or received and the amount by which the non-controlling interest is adjusted is recognised in equity.



36. Acquisition of subsidiaries continued**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.



Notes to the Group Financial Statements continued

For the year ended 30 June 2017

36. Acquisition of subsidiaries continued

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.

37. Post-balance sheet events

There are no post-balance sheet events.

38. Non-controlling interest

	2017 £m	2016 £m
Non-controlling interest	6.1	5.0
Put option over non-controlling interest (see note 24)	(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.

De Novo Genetics

	2017 £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.



Parent Company Balance Sheet

As at 30 June 2017

FINANCIAL STATEMENTS

	Note	2017 £m	2016 £m
Non-current assets			
Intangible assets	41	3.1	2.4
Tangible assets	42	0.8	0.7
Investments in subsidiaries	43	84.4	82.4
Other investments	44	1.9	-
Derivative financial asset	50	1.3	-
		91.5	85.5
Current assets			
Debtors	45	465.2	466.4
Cash at bank and in hand		-	-
		465.2	466.4
Creditors: amounts falling due within one year	47	(257.5)	(291.3)
Net current assets		207.7	175.1
Total assets less current liabilities		299.2	260.6
Creditors: amounts falling due after more than one year	48	(127.8)	(116.1)
Net assets		171.4	144.5
Capital and reserves			
Called up share capital	51	6.1	6.1
Share premium account		112.8	112.3
Own shares		(0.1)	(0.1)
Profit and loss account		51.5	26.8
Hedging reserve		1.1	(0.6)
Shareholders' funds		171.4	144.5

The Company recognised a total comprehensive profit for the year of £35.8m (2016: £9.3m loss).

The financial statements were approved and authorised for issue by the Board of Directors on 6 September 2017.

Signed on behalf of the Board of Directors

Karim Bitar
Chief Executive

Stephen Wilson
Group Finance Director

Company number: 02972325



Parent Company Statement of Changes in Equity

For the year ended 30 June 2017

	Called up share capital £m	Share premium account £m	Own shares £m	Profit and loss account £m	Hedging reserve £m	Total equity £m
Balance at 1 July 2015	6.1	112.2	(0.1)	45.2	-	163.4
Total comprehensive loss for the financial year	-	-	-	(9.3)	-	(9.3)
Shares issued	-	0.1	-	-	-	0.1
Dividends	-	-	-	(12.2)	-	(12.2)
Share-based payment expense, net of tax	-	-	-	3.1	-	3.1
Fair value of movement on cash flow hedges, net of tax	-	-	-	-	(0.6)	(0.6)
Balance at 30 June 2016	6.1	112.3	(0.1)	26.8	(0.6)	144.5
Total comprehensive profit for the financial year	-	-	-	35.8	-	35.8
Movement on pension asset recognition	-	-	-	(1.2)	-	(1.2)
Shares issued	-	0.5	-	-	-	0.5
Dividends	-	-	-	(13.5)	-	(13.5)
Share-based payment expense, net of tax	-	-	-	3.6	-	3.6
Fair value of movement on cash flow hedges, net of tax	-	-	-	-	1.7	1.7
Balance at 30 June 2017	6.1	112.8	(0.1)	51.5	1.1	171.4

For information on dividends (see note 13), cash flow hedges (see note 24) and share-based payment expense (see note 28).



39. Accounting information and policies

Basis of preparation

The Parent Company financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' ('FRS 101') and the Companies Act 2006 (the 'Act'). FRS 101 sets out a reduced disclosure framework for a 'qualifying entity' as defined in the standard, which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted IFRS.

The Company financial statements have been prepared using the historical cost convention, as modified by the revaluation of certain financial assets and financial liabilities and in accordance with the Act. The financial statements have been prepared on a going concern basis as set out in note 1 of the consolidated financial statements of Genus plc. The accounting policies set out below and stated in the relevant notes have been applied consistently to all periods presented in these financial statements.

The Company has taken advantage of the disclosure exemptions available under FRS 101 in relation to share-based payments, business combinations, financial instruments, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards issued not yet effective, impairment of assets and related party transactions. Where required, equivalent disclosures are given in the consolidated financial statements of Genus plc.

As permitted by section 408 of the Act, the Company has not presented its own income statement in this Annual Report.

Critical accounting judgements and key sources of estimation uncertainty

Preparing Company financial statements in conformity with FRS 101 requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the Company financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The areas of judgement that have the most significant effect on the amounts recognised in the financial statements are the review for impairment of investment carrying values and the valuation of share-based payments.

Pensions

A number of our employees are members of defined contribution pension schemes. We charge contributions to profit and loss as they become payable under the schemes' rules. We show differences between the contributions payable and the amounts actually paid as either accruals or prepayments in the balance sheet. The schemes' assets are held separately from those of the Company.

Certain former employees of the Company are members of one of the Group's defined benefit pension schemes, further details of which are given in note 27 of the Group financial statements. The schemes are all multi-employer defined benefit schemes, whose assets and liabilities are held independently from the Group but within their sponsored Group company.

Significant accounting policies applied in the current reporting period that relate to the financial statements as a whole

Taxation

We provide for current tax, including UK corporation tax and foreign tax, at the amounts we expect to pay or recover, using the tax rates and the laws enacted or substantively enacted at the balance sheet date.

Foreign currencies

We record transactions in foreign currencies at the rate ruling at the transaction date or at the contracted rate, if the transaction is covered by a forward foreign currency contract. We retranslate monetary assets and liabilities denominated in foreign currencies at the prevailing rate of exchange at the balance sheet date or, if appropriate, at the forward contract rate. All differences are taken to the income statement.

Own shares

The Company has adopted FRS 101, which requires us to recognise the assets and liabilities associated with the Company's investment in its own shares in the Company's financial statements, where there is de facto control of the assets and liabilities.

The Company's own shares held by a Qualifying Employee Share Ownership Trust remain deducted from shareholders' funds until they vest unconditionally with employees.



Notes to the Parent Company Financial Statements continued

For the year ended 30 June 2017

39. Accounting information and policies continued

Employee share schemes

The Company's Executive Directors and Chief Operating Officers receive part of their remuneration in the form of share awards, which vest upon meeting performance criteria over a three-year period.

We measure the cost of these awards by reference to the shares' fair value at the award date. At the end of each financial reporting period, we estimate the extent to which the performance criteria will be met at the end of three years, and record an appropriate charge in the profit and loss account, together with a corresponding credit to profit and loss reserves. Changes in estimates of the number of shares vesting may result in charges or credits to the profit and loss account in subsequent periods.

Share-based payments

We have implemented the generally accepted accounting principle for accounting for share-based payments with subsidiary undertakings under FRS 101, whereby the Company has granted rights to its shares to employees of its subsidiary undertakings under an equity-settled arrangement, and the subsidiaries have not reimbursed the Company for these rights. Under this arrangement, the Company treats the share-based payment recognised in the subsidiary's financial statements as a cost of investment in the subsidiary and credits equity with an equal amount.

Derivative financial instruments and hedging

Our activities expose us primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

We use interest rate swaps to hedge interest rate risk. We also use forward foreign currency contracts, implemented through a medium-term US Dollar cross currency borrowing and related interest rate swap, to hedge exposure to translation risk associated with US Dollar net assets of subsidiaries. Forward foreign currency contracts do not qualify for hedge accounting in the Parent Company financial statements, as the hedged item is not in its balance sheet.

Our use of financial derivative instruments is governed by the Group's policies, which are approved by the Board of Directors. The notes to the Group financial statements include information about the Group's financial risks and their management, and its use of financial instruments and their impact on the Group's risk profile, performance and financial condition.

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

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

Cash flow hedges

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

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

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

When a hedging instrument expires or is sold, terminated or exercised, or we revoke designation of the hedge relationship, the cumulative gain or loss at that point remains in equity until we dispose of the investment it relates to.

We treat derivatives embedded in other financial instruments or other host contracts as separate derivatives, when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not carried at fair value, with unrealised gains and losses reported in the income statement.



40. Employees

Staff costs, including Directors' remuneration, during the year amounted to:

	2017 £m	2016 £m
Wages and salaries	4.9	5.3
Social security costs	1.5	0.7
Pension costs	0.1	0.1
Share-based payment expense	2.0	1.7
	8.5	7.8

The average monthly number of employees including Directors during the year was as follows:

	2017 Number	2016 Number
Administration	37	34

Details of Directors' remuneration, pensions and share options are included in the Directors' Remuneration Report.

41. Intangible assets

Accounting policies

Patents, licences and software are stated at acquisition cost less accumulated amortisation. The amortisation period is determined by reference to expected useful life, which is reviewed at least annually. Amortisation is charged to the income statement on a straight-line basis over the estimated useful life. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

	Software £m	Patents and licences £m	Total £m
Cost			
Balance at 1 July 2016	1.0	2.2	3.2
Additions	0.3	1.5	1.8
Balance at 30 June 2017	1.3	3.7	5.0
Amortisation			
Balance at 1 July 2016	0.7	0.1	0.8
Amortisation for the year	0.2	0.9	1.1
Balance at 30 June 2017	0.9	1.0	1.9
Carrying amounts At 30 June 2017	0.4	2.7	3.1
At 30 June 2016	0.3	2.1	2.4

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.

42. Tangible assets

Accounting policies

We state fixed assets at cost, together with any incidental acquisition expenses, or at their latest valuation, less depreciation and any provision for impairment. We calculate depreciation on a straight-line basis, to write the assets down to their estimated residual values over their estimated useful lives. The rates of annual depreciation on tangible fixed assets are as follows:

Leasehold improvements	period of lease
Equipment	3 to 20 years



Notes to the Parent Company Financial Statements continued

For the year ended 30 June 2017

42. Tangible assets continued

We review the carrying value of fixed assets for impairment, if events or changes in circumstances indicate that the carrying value may not be recoverable.

	Short leasehold improvements £m	Equipment £m	Total £m
Cost			
Balance at 1 July 2016	0.5	0.6	1.1
Additions	–	0.2	0.2
Balance at 30 June 2017	0.5	0.8	1.3
Depreciation			
Balance at 1 July 2016	–	0.4	0.4
Depreciation for the year	0.1	–	0.1
Balance at 30 June 2017	0.1	0.4	0.5
Carrying amounts At 30 June 2017	0.4	0.4	0.8
At 30 June 2016	0.5	0.2	0.7

43. Investments in subsidiaries

Accounting policies

Shares in subsidiary undertakings are stated at cost less any provision for impairment.

The Company assesses investments for impairment whenever events or changes in circumstances indicate that the carrying value of an investment may not be recoverable. If any such indication of impairment exists, then we estimate the recoverable amount. If the recoverable amounts of the cash-generating unit is less than the value of the investment, it is considered to be impaired and we write it down to its recoverable amount. An impairment loss is recognised immediately in the profit and loss account.

	Shares in subsidiary undertakings £m
Cost	
Balance at 1 July 2016	273.0
Additions	4.6
Balance at 30 June 2017	277.6
Provision for impairment	
Balance at 1 July 2016	190.6
Provided during the year	2.6
Balance at 30 June 2017	193.2
Carrying amounts At 30 June 2017	84.4
At 30 June 2016	82.4

Additions relate to increasing our investment in ABS Pecplan Ltda. and Genus Investments Limited.

Impairment has been recognised on our investment in Pecplan ABS Imp. e Exp. Ltda., which reflects changes in the business structure, as well as Sygen International Limited, due to recognised foreign exchange losses.

Principal subsidiary undertakings

The Company's principal subsidiaries and their main activities are given in note 35.



44. Other investments

Accounting policies

Listed equity investments are stated at fair value. Unlisted equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

	2017 £m	2016 £m
Listed investment	1.6	-
Other investment	0.3	-
	1.9	-

On 21 June 2017, as part of the NMR pension agreement we acquired 2,120,000 ordinary shares in National Milk Records plc – see note 27.

We also invested £0.3m in Renovate Biosciences Inc.

45. Debtors

	Note	2017 £m	2016 £m
Amounts due within one year			
Amounts owed by Group undertakings		462.3	463.6
Corporation tax recoverable		0.1	-
Other taxes and social security		-	0.1
Prepayments and accrued income		1.3	0.5
Deferred taxation	46	1.5	1.6
Derivative financial asset		-	0.6
		465.2	466.4

At the balance sheet date, the amounts owed by Group undertakings were £462.3m (2016: £463.6m). The carrying amount of these assets approximates their fair value. There are impaired receivable balances of £nil (2016: £nil). Of the amounts owed by Group undertakings, £334.7m (2016: £336.0m) is interest-bearing.

46. Deferred taxation

Accounting policies

We recognise deferred taxation in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in future or a right to pay less tax in future have occurred at the balance sheet date.

We only recognise deferred taxation assets if we consider it more likely than not that we will have suitable profits from which we can deduct the future reversal of the underlying timing differences. Timing differences are differences arising between the Company's taxable profits and its results as stated in the financial statements, and which are capable of reversing in one or more subsequent periods.

We only recognise deferred taxation in respect of the future remittance of retained earnings of overseas subsidiaries to the extent that, at the balance sheet date, dividends have been accrued as receivable.

We measure deferred taxation on a non-discounted basis, at the tax rates we expect to apply in the periods in which we expect the timing differences to reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

The movements in deferred taxation are as follows:

	2017 £m	2016 £m
At the start of the year	1.6	1.2
Recognised in income statement	0.1	0.3
(Release)/recognised in equity	(0.2)	0.1
At the end of the year	1.5	1.6



Notes to the Parent Company Financial Statements continued

For the year ended 30 June 2017

46. Deferred taxation continued

The amounts provided are as follows:

	2017 £m	2016 £m
Share-based payment expense	1.3	1.1
Other timing differences	0.2	0.5
	1.5	1.6

Unrecognised deferred tax assets

At the balance sheet date, the Company had no unused tax losses available for offset against future profits with a potential tax benefit of £nil (2016: £nil).

47. Creditors: amounts falling due within one year

	Note	2017 £m	2016 £m
Bank loans and overdrafts	49	7.5	4.5
Trade creditors		0.8	0.6
Other creditors		0.7	0.2
Amounts owed to Group undertakings		245.0	281.9
Accruals and deferred income		2.9	3.6
Derivative financial liabilities	50	0.6	0.5
		257.5	291.3

Included within amounts owed to Group undertakings are amounts of £209.6m (2016: £240.7m) which are interest-bearing and payable on demand.

There are no outstanding contributions due to defined contribution pension schemes for the benefit of the employees (2016: £nil).

48. Creditors: amounts falling due after more than one year

	Note	2017 £m	2016 £m
Bank loans and overdrafts	49	127.4	115.3
Derivative financial liabilities	50	0.4	0.8
		127.8	116.1

49. Loans and borrowings

Accounting policies

We initially state debt at the amount of the net proceeds, after deducting issue costs. The carrying amount is increased by the finance cost in respect of the accounting period and reduced by payments made in the period.

We charge the finance costs of debt to the profit and loss account over the debt term, at a constant rate on the carrying value of the debt to which they relate.

	2017 £m	2016 £m
Loans and borrowings comprise amounts falling due:		
In one year or less or on demand	8.1	5.0
In more than one year but not more than two years	-	-
In more than two years but not more than five years	128.2	116.1
	136.3	121.1
Less: unamortised issue costs	(1.4)	(1.3)
	134.9	119.8
Amounts falling due within one year	(7.5)	(4.5)
Amounts falling due after more than one year	127.4	115.3

During the year, we exercised an Accordion request, which increased our available credit facilities by £10m and US\$25m. We also extended the Group's credit facilities by one year, which now expire in February 2022. At the balance sheet date, the Group's credit facilities comprised a £75m multi-currency revolving credit facility and a US\$165m revolving credit facility.

As part of its interest rate strategy, the Company has entered into interest rate swaps to hedge floating LIBOR rates. As a result, bank loan and overdrafts include borrowings of US\$110m (£84.7m) fixed at 1.10% and GBP £20m fixed at 0.51%, excluding applicable bank margin.



49. Loans and borrowings continued**Terms and debt repayment schedule**

Terms and conditions of outstanding loans and overdrafts were as follows:

	Currency	Interest rate	2017 £m	2016 £m
Revolving credit facility and overdraft	GBP	1.5%	22.6	26.2
Revolving credit facility, term loan and overdraft	USD	2.4%	106.2	86.0
Revolving credit facility and overdraft	EUR	0.7%	-	6.2
Other unsecured bank borrowings	Other	0.7%	6.1	1.4
Total interest-bearing liabilities			134.9	119.8

The above revolving credit facilities are unsecured.

50. Derivatives and other financial instruments

Additional disclosure on financial instruments can be found in note 24.

51. Capital and reserves**Share capital**

	2017 Number	2016 Number	2017 £m	2016 £m
Issued and fully paid				
Ordinary shares of 10 pence	61,161,622	61,012,703	6.1	6.1

The holders of ordinary shares are entitled to receive dividends, as declared from time to time.

The movement in share capital for the period was as follows:

	2017 Number	2016 Number	2017 £m	2016 £m
Issued under the Executive Share Option Plan	68,840	44,256	-	-
Issued to Employee Benefits Trust	80,079	-	-	-
	148,919	44,256	-	-

Shares issued under share option plans were issued at option prices as follows:

	2017 Number	Price (pence)	2016 Number	Price (pence)
Executive Share Option Plan				
	-	440.00	4,992	440.00
	1,984	582.00	527	582.00
	2,847	776.00	-	776.00
	2,434	654.50	629	654.50
	8,065	729.83	4,860	729.83
	24,139	977.83	26,799	977.83
	9,206	1334.00	6,449	1334.00
	20,165	1413.00	-	1413.00
	68,840		44,256	

Reserve for own shares

The Company's shares are held by a Qualifying Employee Share Ownership Trust ('Quest'), which is an employee benefit trust established to facilitate the operation of our long-term incentive scheme for senior management. The reserve amount represents the deduction in arriving at shareholders' funds for the consideration the trust paid for the Company's shares, which had not vested unconditionally at the balance sheet date. The number and market value of the ordinary shares held by the employee benefit trust and the QUEST were:

	2017 Number	2016 Number	2017 £m	2016 £m
Shares allocated but not vested	70,272	85,075	1.3	1.3
Unallocated shares	92,334	92,334	1.6	1.5
	162,606	177,409	2.9	2.8

The shares have a nominal value of £16,261 (2016: £17,741).

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments net of taxation - see note 24.



Notes to the Parent Company Financial Statements continued

For the year ended 30 June 2017

52. Operating leases

Accounting policies

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

The Company has entered into non-cancellable commercial arrangements on certain equipment, properties and motor vehicles. The leases have various terms and renewal rights.

Total of future minimum lease payments under non-cancellable operating leases which expire within:

	2017 £m	2016 £m
More than five years	1.0	1.2

Operating lease rentals charged in the year:

	2017 £m	2016 £m
Other	0.2	0.2

53. Related party transactions

The Company is exempt under FRS 101 from disclosing transactions with other members of the Group.

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Details of other related party transactions are disclosed in note 17, note 27 and note 34 in the Group financial statements.

54. Capital and other commitments

At 30 June 2017, outstanding contracted capital expenditure amounted to £nil (2016: £nil).

A software agreement was signed on 23 June 2017, with a minimum five-year term, with an annual cost of £0.8m.

55. Contingencies and bank guarantees

On 23 June 2017, 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 plc 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 27.

The retirement benefit obligations referred to in note 27 include obligations relating to the MPF 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 27.

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 two years.



The information included in the five-year record below is in accordance with IFRS as adopted for use in the European Union.

Financial results	2017 £m	2016 £m	2015 £m	2014 £m	2013 ² £m
Revenue from continuing operations	459.1	388.3	398.5	372.2	345.3
Adjusted operating profit from continuing operations ¹	55.1	49.3	47.2	42.9	45.0
Adjusted operating profit including joint ventures and associates ¹	60.1	54.3	51.2	44.8	48.2
Adjusted profit before tax ¹	56.4	49.7	46.6	39.3	42.5
Basic adjusted earnings per share ¹	69.4p	60.7p	56.8p	46.5p	49.1p
Diluted adjusted earnings per share ¹	68.4p	60.1p	56.1p	46.4p	48.4p
Operating profit from continuing operations	38.2	58.6	59.5	41.8	36.3
Profit before tax from continuing operations	40.7	60.9	57.8	38.2	33.4
Profit after tax from continuing operations	34.3	50.3	40.5	28.9	23.4
Basic earnings per share	53.8p	81.1p	65.7p	47.7p	38.8p
Diluted earnings per share	53.0p	80.3p	64.9p	47.6p	38.3p
Net assets	402.1	368.1	305.1	285.3	300.5
Net debt	111.6	89.7	71.8	63.9	52.9

¹ Adjusted operating profit, adjusted profit before tax and adjusted basic and diluted earnings per share are before net IAS 41 valuation movement on biological assets, amortisation of acquired intangible assets, share-based payment expense, exceptional items and other gains and losses.

² Restated due to adoption of the amendments of IAS 19.



Glossary

AGM – Annual General Meeting.

Artificial insemination or AI –

Using semen collected from a bull or boar to impregnate a cow or sow when in estrus. Artificial insemination allows a genetically superior male to be used to mate with many more females than would be possible with natural mating.

Biosecurity – The precautions taken to reduce the chance of transmitting disease agents from one livestock operation to another.

Boar – A male pig.

BRD – Bovine Respiratory Disease, a complex, bacterial and viral infection that causes lung disease in cattle (particularly calves) and is often fatal.

CEO – Chief Executive Officer.

Company – Genus plc.

CIO – Chief Information Officer.

COO – Chief Operating Officer.

CPI – Consumer Prices Index.

CRISPR-Cas 9 – Technology which accurately targets and cuts DNA to produce precise and controllable edits to the genome.

CSR – Corporate Social Responsibility.

DSBP – Deferred Share Bonus Plan.

EPS – Earnings per share.

Farrow – When a sow gives birth to piglets.

FDA – US Food and Drug Administration.

GELT – Genus Executive Leadership Team.

Gender skew – The ability to influence the proportion of offspring being of a particular sex.

Genetic gain – The change of the genetic make up of a particular animal population in response to having selected parents that excelled genetically for important traits.

Gene editing – The process that allows precise changes to be made in the genome of the animal without introducing genetic material from another organism.

Genetic lag – The amount of time required to disseminate genetic gain from a nucleus herd to the commercial customer.

Genetic nucleus – A specialised pig herd, where Genus PIC keeps its pure lines. Pigs are genetically tested at the nucleus to select the best animals to produce the next generation.

Genomic bull – A bull which has been assessed through genomic testing. This typically refers to bulls which have not been progeny-tested.

Genomically tested – An animal that has been DNA profiled.

Genomics – The study of the genome, which is the DNA sequence of an animal's chromosomes.

Gilt – A young female pig, which has not yet given birth.

GMS – ABS's Genetic Management System, which creates a genetic solution tailored to each individual dairy producer to obtain improved herd genetics.

Grandparent – The relationship of a breeding pig to the generation of terminal market pigs. A grandparent produces parents, who in turn produce the commercial generation of terminal pigs.

Group – Genus plc and its subsidiary companies.

GSS – Genus Sexed Semen.

INAD – Investigational New Animal Drug.

IVB – In Vitro Brasil S.A.

In vitro fertilisation or IVF – The fertilisation of an oocyte with semen (outside an animal) in a laboratory for transfer into a surrogate.

Index/Indices – A formula incorporating economically important traits for ranking the genetic potential of animals as parents of the next generation.



Integrated pork producer – Producers of pork typically involved in raising animals to slaughter weight all the way through to packaged and/or branded pork products.

IP – Intellectual property.

JV – Joint venture.

Line – Multiple animals that have been mated together in a closed breeding population. Pure lines can have their origins in one founding breed or in several breeds.

Market pig equivalents ('MPE') – A calculated measure of the number of terminal pigs, of which each pig accounts for half a male MPE and half a female MPE, produced by each invoiced product.

MPF – Milk Pension Fund.

Multiplier – A producer whose farm contains grandparent sows. The farm crosses together two lines of grandparents, multiplying the number of genetically improved parents that are available for sale.

NED – Non-Executive Director.

Net Merit ('NM') – A multi-trait selection index published by the U.S. Council on Dairy Cattle Breeding (CDCB), based on the economic value of yield, fitness and conformation evaluations.

NMR – National Milk Records plc.

PEDv – Porcine epidemic diarrhoea virus, which causes older pigs to lose weight and is usually fatal for newborn piglets.

PMT – Portfolio Management Team.

PQA – Pork Quality Assurance.

Progeny tested – Elite animals whose genetic value as a parent has been tested and validated through the performance of their offspring.

PRRSv – Porcine Reproductive and Respiratory Syndrome virus.

PSP – Performance Share Plan.

R&D – Research and development.

R&D PMT – Research and Development Portfolio Management Team.

RMS – ABS's Reproductive Management System, which is a systematic approach to maximising pregnancy production and its contribution to herd profitability.

RPI – Retail Prices Index.

RWD – ABS's Real World Data System of observed performance data from many dairy herds.

Sire – The male parent of an animal.

Sire line – The male line selected for traits desirable for the market.

Sow – A female pig which has given birth at least once.

Straw – A narrow tube used to package frozen bull semen.

Stud – Locations where bulls or boars are housed and their semen collected, evaluated, diluted into multiple doses/straws and packaged, ready for shipping to farms.

Trait – A measurable characteristic that may be a target for genetic selection.

TransitionRight™ – Genus ABS's patent-pending genetic selection tool to help prevent multiple post calving metabolic disorders that occur during transition.

Unit – A straw of frozen bull semen or tube/bag of fresh boar semen sold to a customer.

Terminal boars – The male pig that is used to mate with a parent female to produce a terminal pig.

2013 – 2018 – The year ending 30 June respectively.

Notice of Annual General Meeting

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000. If you have sold or transferred all your shares in Genus plc, please send this document and the accompanying documents as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Notice of Annual General Meeting

Notice is hereby given that the 2017 Annual General Meeting of Genus plc (the 'Company') will be held at Buchanan Communications, 107 Cheapside, London EC2V 6DN on 16 November 2017 at 11.00 am for the following purposes:

To consider and if thought fit, to pass the following resolutions, of which numbers 1 to 12 will be proposed as ordinary resolutions and numbers 13 to 16 as special resolutions.

Ordinary Resolutions

1. To receive the Company's audited Financial Statements and the Directors' Reports for the year ended 30 June 2017 (the 'Annual Report and Accounts').
2. To approve the Directors' Remuneration Report for the year ended 30 June 2017, as set out on pages 60 to 77 of the Company's Annual Report 2017.
3. To declare a final dividend of 16.2 pence per ordinary share, payable on 1 December 2017 to shareholders on the register of members at the close of business on 17 November 2017.
4. To re-elect Bob Lawson as a Director of the Company who, being eligible, offers himself for re-election.
5. To re-elect Karim Bitar as a Director of the Company who, being eligible, offers himself for re-election.
6. To re-elect Stephen Wilson as a Director of the Company who, being eligible, offers himself for re-election.
7. To re-elect Nigel Turner as a Director of the Company who, being eligible, offers himself for re-election.
8. To re-elect Lysanne Gray as a Director of the Company who, being eligible, offers herself for re-election.
9. To re-elect Duncan Maskell as a Director of the Company who, being eligible, offers himself for re-election.
10. To re-elect Lykele van der Broek as a Director of the Company who, being eligible, offers himself for re-election.
11. To reappoint Deloitte LLP as auditor of the Company to hold office from the conclusion of the Annual General Meeting until the conclusion of the next general meeting of the Company at which Financial Statements are laid and to authorise the Audit Committee of the Board to determine the remuneration of the auditor.
12. That the Directors be generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 (the 'Act') to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company up to a maximum aggregate nominal amount of:
 - 12.1. £2,039,151.86 being 20,391,518 ordinary shares of 10 pence each ('Ordinary Shares') representing one third of the issued share capital of the Company; and
 - 12.2. £2,039,151.86 being 20,391,518 Ordinary Shares representing a further third of the issued share capital of the Company, provided that (i) they are equity securities (within the meaning of section 560(1) of the Act) and (ii) they are offered by way of an offer to holders of Ordinary Shares open for acceptance for a period fixed by the Directors to holders on the register on a fixed record date (as the Directors may determine) in proportion as nearly as may be to the respective numbers of Ordinary Shares held by them on any such record date and to other holders of equity securities entitled to participate therein, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with any fractional entitlements or legal or practical difficulties under the laws of, or the requirement of any recognised regulatory body or any stock exchange in, any territory or by virtue of shares being represented by depositary receipts or any other matter (a "rights issue"),

such authority to expire on the conclusion of the Company's Annual General Meeting next following or, if earlier, the close of business on the day which is 15 months after the date on which this resolution is passed but so that the Company may, before the expiry of such period, make an offer or agreement which would or might require shares to be allotted or such rights to be granted after such expiry and the Directors may allot shares and grant rights in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.



Special Resolutions

13. That subject to and conditional on the passing of resolution 12, the Directors be empowered, pursuant to sections 570 and 573 of the Act, to allot equity securities (within the meaning of section 560 of the Act) for cash pursuant to the authority conferred by resolution 12 or by way of a sale of treasury shares as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities (or sale of treasury shares):
- 13.1. in connection with an offer of securities (but in the case of the authority granted under paragraph 12.2 of resolution 12 above by way of rights issue only, as defined in that paragraph) to the holders of Ordinary Shares on a fixed record date (as the Directors may determine) in proportion as nearly as may be to the respective numbers of Ordinary Shares held by them, on any such record date and to such other holders of equity securities entitled to participate therein, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with any fractional entitlements or legal or practical difficulties under the laws of, or the requirement of any regulatory body or any stock exchange in, any territory or by virtue of shares being represented by depository receipts or any other matter; and
- 13.2. other than pursuant to paragraph 13.1 above, to any person or persons up to an aggregate nominal amount of £305,872.78 representing not more than 5% of the issued share capital of the Company as at 2 October 2017 (being the latest practicable date prior to the publication of this Notice),
- and shall expire upon the expiry of the general authority conferred by resolution 12 above, save that the Company may, before such expiry, make an offer or agreement which would, or might, require equity securities to be allotted, or treasury shares to be sold, after such expiry and the Directors may allot equity securities or sell treasury shares in pursuance of any such offer or agreement as if the power had not expired.
14. That subject to and conditional on the passing of resolution 12, the Directors be authorised in addition to any authority granted under resolution 13 to allot equity securities (within the meaning of section 560 of the Act) for cash pursuant to the authority conferred by resolution 12 or by way of a sale of treasury shares as if section 561(1) of the Act did not apply to any such allotment or sale, provided that this power shall be:
- 14.1. limited to the allotment of equity securities, or sale of treasury shares, up to an aggregate nominal amount of £305,872.78 representing not more than 5% of the issued share capital of the Company as at 2 October 2017 (being the latest practicable date before publication of this Notice); and
- 14.2. used only for the purposes of financing (or refinancing, if the authority is to be used within six months after the original transaction) a transaction which the Directors of the Company determine to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this Notice,
- and shall expire upon the expiry of the general authority conferred by resolution 12 above, save that the Company may, before such expiry, make an offer or agreement which would, or might, require equity securities to be allotted, or treasury shares sold, after such expiry and the Directors may allot equity securities or sell treasury shares in pursuance of any such offer or agreement as if the power had not expired.
15. That the Company be generally and unconditionally authorised to make market purchases (within the meaning of section 693(4) of the Act) of Ordinary Shares on such terms and in such manner as the Directors think fit provided that:
- 15.1. the maximum aggregate number of Ordinary Shares hereby authorised to be purchased is 6,117,455 (representing 10% of the Company's issued ordinary share capital as at 2 October 2017, being the latest practicable date before publication of this Notice);
- 15.2. the minimum price, exclusive of any expenses, which may be paid for an Ordinary Share is 10 pence;
- 15.3. the maximum price, exclusive of any expenses, which may be paid for an Ordinary Share is an amount equal to the higher of: (a) 105% of the average of the middle market quotations for an Ordinary Share, as derived from the London Stock Exchange Daily Official List, for the five business days immediately before the day on which such share is contracted to be purchased; and (b) the higher of the price of the last independent trade and the highest current independent bid for an Ordinary Share in the Company on the trading venues where the market purchases by the Company pursuant to the authority conferred by this resolution 15 will be carried out; and
- 15.4. the authority conferred by this resolution shall expire on the conclusion of the Company's Annual General Meeting next following or the close of business on the day which is 15 months after the date of its passing (whichever occurs first) unless previously renewed, varied or revoked by the Company in general meeting, except that the Company may, before such expiry, enter into a contract for the purchase of Ordinary Shares under the authority hereby conferred prior to the expiry of such authority, which will or may be completed by or executed wholly or partly after the expiration of this authority, and may purchase its Ordinary Shares in pursuance of any such contract.
16. That a General Meeting, other than an Annual General Meeting, may be called on not less than 14 clear days' notice and that such authority shall expire on the conclusion of the Company's Annual General Meeting next following.



Notice of Annual General Meeting continued

The Board considers that all the resolutions to be considered at the Annual General Meeting are in the best interests of the Company and its members as a whole and are therefore likely to promote the success of the Company for the benefit of its members as a whole. The Directors unanimously recommend that you vote in favour of all the proposed resolutions as they intend to do in respect of their own beneficial holdings which amount in aggregate to 108,874 shares representing approximately 0.178% of the existing issued ordinary share capital of the Company.

By order of the Board
Registered office:
Matrix House
Basing View
Basingstoke
RG21 4DZ
Registered in England and Wales with number 02972325



Dan Hartley
Group General Counsel & Company Secretary
2 October 2017



Explanatory Notes

This section contains an explanation of each of the resolutions to be put to the Annual General Meeting. Resolutions 1 to 12 are ordinary resolutions requiring the approval of a simple majority of shareholders present (in person or by proxy) and voting at the Annual General Meeting. Resolutions 13 to 16 are special resolutions requiring the approval of 75% of shareholders present (in person or by proxy) and voting at the Annual General Meeting.

Resolution 1 – To Receive the Annual Report

The Chairman will present the Annual Report to the Annual General Meeting.

Resolution 2 – Approval of the Directors' Remuneration Report

The Company is required to offer an annual advisory vote on the implementation of the Company's existing remuneration policy in terms of the payments and share awards made to Directors during the year (the 'Directors' Remuneration Report') and a separate binding vote on the Company's forward looking remuneration policy (the 'Directors' Remuneration Policy') at least once every three years, or earlier if a change is made to the Directors' Remuneration Policy, or if the advisory vote is not passed by shareholders.

Resolution 2 seeks shareholder approval for the Directors' Remuneration Report as set out on pages 60 to 77 of the Company's Annual Report 2017. The Directors' Remuneration Report gives details of the Directors' remuneration for the year ended 30 June 2017. Resolution 2 is an advisory resolution and does not affect the future remuneration paid to any Director. The report also includes details of the Remuneration Committee's representations and activities. The Company's auditor Deloitte LLP has audited those parts of the Directors' Remuneration Report which are required to be audited and their report is issued in the Company's Annual Report 2017.

Shareholder approval for the Directors' Remuneration Policy was given at the Company's Annual General Meeting held in November 2016. As there are no proposed changes to the Directors' Remuneration Policy, it is not required to be offered at this year's Annual General Meeting. For ease of reference, a table summarising the Directors' Remuneration Policy has been included on pages 78 to 81 of the Directors' Remuneration Report, but that table does not form part of the Directors' Remuneration Report for the purposes of resolution 2.

Resolution 3 – Final Dividend

Final dividends must be approved by shareholders but must not exceed the amount recommended by Directors. If the meeting approves the recommended final dividend it will be paid out in accordance with resolution 3. An interim dividend of 7.4 pence per Ordinary Share was paid on 31 March 2017 to shareholders on the register at 3 March 2017, resulting in a total dividend for the year of 23.6 pence per Ordinary Share.

Resolutions 4 to 10 – Re-election of Directors

In accordance with provisions of the UK Corporate Governance Code, all Directors of the Company are required to offer themselves for annual re-election. Biographies of all of the current Directors can be found on pages 42 to 43 of the Company's Annual Report 2017. The Board has confirmed, following a performance review, that all Directors standing for re-election continue to perform effectively and demonstrate commitment to their roles. The Board has considered whether each of the independent Non-Executive Directors is free from any relationship that could materially interfere with the exercise of his or her independent judgement and has determined that each continues to be considered to be independent.

Resolution 11 – Appointment of Auditor and Auditor's Remuneration

The Company is required to appoint an auditor at each general meeting at which accounts are presented, to hold office until the end of the next such meeting. This resolution is recommended by the Audit Committee and proposes the reappointment of the Company's existing auditor, Deloitte LLP and gives authority to the Audit Committee to agree the auditor's remuneration.

Resolution 12 – Authority to Allot Shares

Resolution 12 is proposed as an ordinary resolution and seeks the approval of shareholders, in accordance with section 551 of the Act, to authorise the Directors to allot Ordinary Shares for a period as stated in resolution 12.

The Investment Association ("IA") guidelines on directors' authority to allot shares state that IA members will regard as routine resolutions seeking the authority to allot shares representing up to two-thirds of the Company's issued share capital, provided that any amount in excess of one-third of the Company's issued share capital is only used to allot shares pursuant to a fully pre-emptive rights issue.

In light of the IA guidelines, the Board considers it appropriate that Directors be granted authority to allot shares in the capital of the Company up to a maximum nominal amount of £4,078,303.72 representing two-thirds of the Company's issued ordinary share capital as at 2 October 2017 (the latest practicable date prior to publication of this Notice). If the Company wishes to allot more than a nominal amount of £2,039,151.86 (representing one-third of the Company's issued ordinary share capital), then any additional amount can only be allotted pursuant to a rights issue. The power will last until the end of the next Annual General Meeting of the Company or, if earlier, on the close of business on the day which is 15 months after the date on which resolution 12 is passed.

The Directors have no current intention to allot new Ordinary Shares¹ (other than in relation to the Company's employee share schemes) and intend to comply with the guidance issued by the Investment Association. However, if the Directors do exercise this authority, the Directors intend to follow emerging best practice as regards to its use. As at the date of this Notice, no shares are held by the Company in treasury.



Resolutions 13 and 14 – Disapplication of Pre-emption Rights

Resolutions 13 and 14 are special resolutions and give the Directors authority to allot Ordinary Shares in the capital of the Company pursuant to the authority granted under resolution 12 above for cash without complying with the pre-emption rights in the Act in certain circumstances.

Resolution 13 will permit the Directors to allot:

- (a) equity securities for cash and sell treasury shares up to a nominal amount of £4,078,303.72, representing two-thirds of the Company's issued share capital as at 2 October 2017 (the latest practicable date prior to publication of this Notice) on an offer to existing shareholders on a pre-emptive basis (that is including a rights issue or an open offer), with one-third being available only in connection with a rights issue (in each case subject to any adjustments, such as for fractional entitlements and overseas shareholders, as the Directors see fit); and
- (b) equity securities for cash and sell treasury shares up to a maximum nominal value of £305,872.78, representing approximately 5% of the issued ordinary share capital of the Company as at 2 October 2017 (the latest practicable date prior to publication of this Notice) otherwise than in connection with a pre-emptive offer to existing shareholders.

Resolution 14 is being proposed as a separate resolution to authorise the Directors to allot additional equity securities for cash and sell treasury shares up to a maximum nominal value of £305,872.78, representing a further 5% of the issued ordinary share capital of the Company (as at 2 October 2017, being the latest practicable date prior to publication of this Notice), otherwise than in connection with a pre-emptive offer to existing shareholders for the purposes of financing a transaction (or refinancing within six months of the transaction) which the Directors determine to be an acquisition or other capital investment contemplated by the Pre-Emption Group's Statement of Principles (the "Pre-Emption Group Principles").

The Pre-Emption Group Principles were revised in March 2015 to allow the authority for an issue of shares for cash otherwise than in connection with a pre-emptive offer to be increased from 5% to 10% of the Company's issued share capital, provided that the Company confirms that it intends to use the additional 5% authority only in connection with an acquisition or specified capital investment which is announced contemporaneously with the issue or which has taken place in the preceding six-month period and is disclosed in the announcement of the issue (a 'Relevant Acquisition or Specified Capital Investment'). The Directors believe that it is appropriate to seek this additional 5% authority in resolution 14 to give the Company the flexibility that this resolution affords. In line with Pre-Emption Group 2016 guidance, the annual disapplication of pre-emption rights is being proposed as two separate resolutions.

The Board intends to adhere to the provisions in the revised Pre-Emption Group's Statement of Principles and to not allot shares for cash on a non pre-emptive basis in excess of an amount equal to 7.5% of the total issued ordinary share capital of the Company (excluding treasury shares) within a rolling three-year period, without prior consultation with shareholders.

The authority contained in resolutions 13 and 14 will expire upon the expiry of the authority to allot shares conferred in resolution 14 (that is at the end of the next Annual General Meeting of the Company or, if earlier, on the close of business on the day which is 15 months from the date of these resolutions). The Directors' existing authority expires at the forthcoming Annual General Meeting.

Resolution 15 – Authority to Purchase Own Shares

Resolution 15, is proposed as a special resolution and seeks authority for the Company to purchase up to 10% of its Ordinary Shares at, or between, the minimum and maximum prices specified in this resolution. This power would be used only after careful consideration by the Directors, having taken into account market conditions prevailing at that time, the investment needs of the Company, its opportunities for expansion and its overall financial position. The Directors would exercise the authority to purchase Ordinary Shares only if they considered it to be in the best interests of shareholders as a whole and if the purchase could be reasonably expected to result in an increase in earnings per share.

The Directors have no present intention of exercising the authority to purchase Ordinary Shares but consider it prudent to obtain the flexibility this resolution provides. In considering whether to use this authority, the Directors will take into account factors including the financial resources of the Company, the Company's share price and future funding opportunities. The authority will be exercised only if the Directors believe that to do so would result in an increase in earnings per share and would be in the interests of shareholders generally. Any purchases of Ordinary Shares would be by means of market purchases through the London Stock Exchange.

Under the Act, the Company is allowed to hold its own shares in treasury following a purchase of its own shares, instead of cancelling them. Such shares may be resold for cash or used to satisfy share options and share awards under the Company's share incentive schemes but all rights attaching to them, including voting rights and any right to receive dividends, are suspended whilst they are held in treasury. If the Directors exercise the authority conferred by resolution 15, the Company will have the option of holding repurchased shares in treasury.

If resolution 15 is passed at the Annual General Meeting, it is the Company's current intention to hold in treasury all of the shares it may purchase pursuant to the authority granted to it. However, in order to respond properly to the Company's capital requirements and prevailing market conditions, the Directors will reassess at the time of any and each actual purchase whether to hold the shares in treasury or cancel them, provided it is permitted to do so. As at the date of this Notice, no shares are held by the Company in treasury.



At 2 October 2017 (the latest practicable date prior to the publication of this Notice), options were outstanding to subscribe for 1,447,510 Ordinary Shares, representing 2.3% of the issued share capital at that date. If the full authority to purchase such shares (existing and sought) was exercised, they would represent 2.6% of the Company's issued share capital as at that date. The authority sought at the Annual General Meeting will expire at the conclusion of the Annual General Meeting next following, or the close of business on the day which is 15 months from the date of this resolution (whichever is earlier).

Resolution 16 – Notice Period for General Meetings

Resolution 16, is proposed as a special resolution and seeks the approval of shareholders to reduce to 14 clear days the notice period required for a general meeting (other than an Annual General Meeting). The notice period required for general meetings for listed companies is 21 days but the Company may provide a shorter notice period of 14 clear days (for meetings other than Annual General Meetings) provided two conditions are met. The first condition is that the Company offers a facility for shareholders to vote by electronic means. This condition is met if the Company offers a facility, accessible to all shareholders, to appoint a proxy by means of a website. The second condition is that there is an annual resolution of shareholders approving the reduction of the minimum notice period from 21 days to 14 days. Annual General Meetings will continue to be held on at least 21 clear days' notice. It is intended that the shorter notice period would not be used as a matter of routine for general meetings but only where the flexibility is merited by the business of the meeting and is thought to be in the interests of the shareholders as a whole.

General Notes

This Notice is being sent to all members and to any person nominated by a member of the Company under section 146 of the Act to enjoy information rights. Information regarding the Annual General Meeting, including the information required by section 311A of the Act, is available from www.genusplc.com.

Proxies

Members will find an attendance card and a form of proxy enclosed with this Notice. If you are attending the Annual General Meeting, you should bring the attendance card with you. Only holders of Ordinary Shares, or their duly appointed representatives, are entitled to attend, vote and speak at the Annual General Meeting. Any member so entitled may appoint one or more proxies to attend, speak and to vote instead of him or her. A proxy need not be a member of the Company but must attend the Annual General Meeting to represent you. Your proxy could be the Chairman, another Director of the Company or another person who has agreed to attend to represent you. Your proxy must vote as you instruct and must attend the meeting for your vote to be counted. Details of how to appoint one or more proxies are set out in the notes to the proxy form. A member may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Annual General Meeting.

To be valid, a duly executed form of proxy for use at the Annual General Meeting together, if appropriate, with the power of attorney or other authority (if any) under which it is signed or a duly certified copy of such power or authority must be deposited at the offices of Equiniti Registrars, Freepost RTHJ-CLLL-KBKU, Equiniti, Aspect House, Spencer Road, Lancing, BN99 8LU at least 48 hours before the time appointed for holding the Annual General Meeting or any adjournment thereof. Alternatively, proxies may be appointed by having an appropriate CREST message transmitted, if you are a user of the CREST system (further details are below). In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.

To change your proxy instructions you may return a new proxy appointment using the methods set out above. Where you have appointed a proxy using the hard copy proxy form and would like to change the instructions using another hard copy proxy form, please contact Equiniti Limited, Aspect House, Spencer Road, Lancing BN99 6DA. The deadline for receipt of proxy appointments (see above) also applies in relation to amended instructions. Where two or more valid separate appointments of proxy are received in respect of the same share in respect of the same meeting, the one which is last sent shall be treated as replacing and revoking the other or others.

Completion and return of a form of proxy will not preclude shareholders from attending the Annual General Meeting and voting in person if they wish to do so.

The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communications from the Company in accordance with section 146 of the Act ('nominated persons'). Nominated persons may have a right under an agreement with the registered member who holds shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights.



Notice of Annual General Meeting continued

Voting record date

Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the time by which a person must be entered on the register of members of the Company in order to have the right to attend and vote at the Annual General Meeting is 6.30pm on 14 November 2017 (or if the Annual General Meeting is adjourned, members on the register of members not later than 6.30pm on the day that is two working days prior to the reconvened Annual General Meeting). Changes to entries on the register of members after the relevant time will be disregarded in determining the rights of any person to attend or vote (and the number of votes they may cast) at the Annual General Meeting or adjourned meeting.

Documents on display

Copies of contracts of service and letters of appointment between the Directors and the Company will be available for inspection at the Registered Office of the Company during normal business hours until the conclusion of the Annual General Meeting, and at the place of the Annual General Meeting for at least 15 minutes prior to the Annual General Meeting until its conclusion.

CREST

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for this Annual General Meeting to be held on 16 November 2017 at 11.00am and any adjournment(s) thereof by using the procedures described in the CREST Manual found on the Euroclear website www.euroclear.com. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK and Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA19) by the latest time(s) for receipt of proxy appointments specified in this Notice of Annual General Meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK and Ireland Limited do not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5) (a) of the Uncertificated Securities Regulations 2001, as amended.

Corporate Representatives

Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.

Total Voting Rights

As at 2 October 2017 (being the latest practicable date before publication of this Notice), the Company's issued share capital comprised 61,174,556 Ordinary Shares of 10 pence each. As at the date of this Notice, no shares are held by the Company in treasury. Each Ordinary Share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 2 October 2017 is 61,174,556. The Company's website, referred to above, will include the contents of this Notice, information on the number of shares and voting rights and, if applicable, any shareholders' statements, shareholders' resolutions or shareholders' matters of business received by the Company after the date of this Notice.

Questions

Under section 319A of the Act, the Company must cause to be answered at the Annual General Meeting any question a member asks relating to the business being dealt with at the Annual General Meeting unless answering the question would interfere unduly with the preparation for the Annual General Meeting or involve the disclosure of confidential information; the answer has already been given on a website in the form of an answer to a question; or it is undesirable in the interests of the Company or the good order of the Annual General Meeting that the question be answered.



Requisition Rights

Under section 527 of the Act, members meeting the threshold requirements set out in that section have the right to require the Company to publish on its website a statement setting out any matter relating to: (i) the audit of the Company's Accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting; or (ii) any circumstances connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Act. The Company may not require the members requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Act. Where the Company is required to place a statement on its website under section 527 of the Act, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under section 527 of the Act to publish on its website.

Voting at the meeting

In order for the voting preferences of all shareholders including those who cannot attend the meeting but who validly appoint a proxy, to be taken into account, a poll will be conducted on all resolutions at the Annual General Meeting this year. Each shareholder and proxy present at the meeting will be invited to complete a poll card indicating how they wish to cast their votes in respect of each resolution. The results of the voting will be posted on the Company's website as soon as practicable after the meeting. Except as provided above, members who have general queries about the Annual General Meeting should call Equiniti registrars on 0371 384 2290. Lines open 8.30am to 5.30pm, Monday to Friday (excluding UK public holidays). If calling from overseas, please call the Equiniti overseas helpline number of +44 121 415 7047. No other methods of communication will be accepted. You may not use any electronic address provided either in this Notice of Annual General Meeting, or any related documents (including the proxy form) to communicate with the Company for any purposes other than those expressly stated.



Advisers

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BANKERS

BARCLAYS BANK PLC

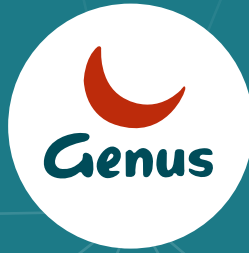
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