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The Group produced record sales of £183.7m, up 6%, with record profit before tax of £8.1m, up 58% on last year, despite a number of exceptionally adverse events in world agricultural markets. Group turnover included gains in all businesses: Bovine Genetics up 2%, Animal Health up 15%, and Development Consulting up 8% on continuing operations. Underlying operating profit in both Animal Health and Development Consulting increased strongly, together contributing £2.4m, up 55% on last year after excluding a one-off prior year credit of £0.4m and discontinued activities. However, the reported agricultural downturn in the first half of the year extended through several months of the second half because of a single case of BSE in the USA. This slowed the market recovery in the USA and suspended exports to a number of markets for three months. Together with other exceptional market related events in the first half year, as outlined below, these combined to reduce the underlying operating profit before exceptional items from the Bovine Genetics business to £10.6m, a small reduction on last year (2003: £11.2m).

Operating profit before exceptional charges was £9.2m (2003: £8.6m before operating exceptional charges of £0.2m). The exceptional charges of £0.5m related principally to the settlement of a legal claim inherited with the ABS acquisition in 1999 and the costs associated with an aborted acquisition in the first half year.

Interest charges of £1.3m were slightly lower than last year due to lower average debt levels which more than offset the impact of higher interest rates.

Property sales generated exceptional profits of £0.7m, which largely offset non-recurring charges this year.

The net result was an increase in profit before tax to £8.1m (2003: £5.1m) and almost to double basic EPS to 15.5p (2003: 8.3p).

**Cash Flow & Gearing**

Net debt reduced by £4.7m to £7.5m at 31st March 2004 (2003: £12.2m) because of the continuing strong cash flow from operations.
generating £10m after £4m of capital expenditure. There was a small decrease in the working capital requirement. Approximately £1.1m was generated from property sales. Cash investments totalling £1.2m were made on an acquisition in Chile, buying out the minority interest in the French subsidiary and in purchasing the Brazilian stud. £1.3m of cash was generated by the issue of shares to meet institutional demand, which is explained in more detail below. Gearing at the year end was 15% compared with 26% at the prior year end.

**Share Capital**

In pursuit of the Board's intention to increase the company's share liquidity, it has made a number of attempts to restructure the share register over time to achieve more balance. In this pursuit, the company supported a discounted dealing facility for small shareholders. Some 840 shareholders took advantage of the facility and 226,148 shares were acquired and placed with institutions. In addition, the company raised £1.3m in cash by placing 725,000 shares with institutional shareholders and raised a further £1.1m in cash by placing with institutions 1,072,280 shares issued under the company's share option and share saving schemes. Altogether, these measures increased the combined holdings of institutional shareholders to 37%.

Despite this progress, the Board believes further restructuring is needed in order to attain a register that enables the company to derive the full benefits of its quoted status. To this end, the Board has obtained expert advice and will be seeking a Court-approved reorganisation of the share register later in the year.

**Dividend**

On the basis of the confidence the Board has in its long-term strategy for growth, it is recommending a record 18% increase in dividend to 6.5 pence (2003: 5.5 pence). This will be paid on 18th August 2004 to shareholders on the register at the close of business on 23rd July 2004 with an ex-dividend date of 21st July 2004.

**Board**

One of the strengths of Genus is the depth and breadth of its management team. This was demonstrated when, as announced in August 2003, Philip Acton agreed to deputise as Finance Director until March 2004 when the permanent replacement, David Timmins, was appointed. Philip did this while keeping a watching brief on the Animal Health Business for which he was, and still is, Chief Operating Officer.

We announced in February 2004 that the non-executive director, Tim Yeo, would be resigning at the end of May 2004 following his appointment to two Shadow Ministries.

I would like to thank both Philip and Tim for their contributions and to welcome David to the Board.

On a personal note, I have overseen the development of Genus since its formation as an independent company. In 1996, its first full trading year, Genus was a small, marginally profitable, UK company owned by 29,000 customer/shareholders and trading solely in England and Wales. As we report nine years later, Genus is now a publicly quoted company and the largest Bovine Genetics company in the world. Against that background, it is with regret but with some pride, that I announce my intention to retire at the Annual General Meeting (AGM) in August this year.

I am delighted to announce that, following the AGM, John Hawkins has agreed to replace me as non-executive Chairman. John has been a non-executive director of Genus for more than three years, so brings knowledge of the company together with a wealth of experience in commerce which will be an invaluable asset for the Group as it moves into its next phase of strategic development. John is already non-executive Chairman of Salamander, recently awarded a Queen's Award for Innovation and is a non-executive director of Psion plc.

Recently the Board has developed a new five year corporate strategy for the Group. This aims to drive underlying earnings at a rate in excess of the strong average rate historically achieved. We plan to use the Group's cutting edge biotechnology research to supplement both organic and acquisition growth. The management will be incentivised with a new remuneration policy which will be presented to shareholders for approval at the AGM.

John's experience and strong business acumen will be invaluable in overseeing this strategic plan which will involve the commercialisation of new inventions and local and international acquisitions.

We have already started the search for a non-executive director to fill the vacancy created by John's appointment.

**Concluding Comments**

I wish the Company every success in what promises to be another exciting stage in its development. I am sure that, under the guidance of John Hawkins, the new five year corporate strategy will deliver significant shareholder value over the coming years.

John Beckett, Chairman
GENUS Highlights

1. Turnover from Continuing Operations (£m)

<table>
<thead>
<tr>
<th>Year</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>154.4</td>
<td>169.7</td>
<td>183.7</td>
</tr>
</tbody>
</table>

2. Operating Profit (£m)

<table>
<thead>
<tr>
<th>Year</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>7.3</td>
<td>8.4</td>
<td>8.7</td>
</tr>
</tbody>
</table>

3. Basic Earnings per Share (pence)

<table>
<thead>
<tr>
<th>Year</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>1.7</td>
<td>8.3</td>
<td>15.5</td>
</tr>
</tbody>
</table>

4. Net Debt (£m)

<table>
<thead>
<tr>
<th>Year</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>15.4</td>
<td>12.2</td>
<td>7.5</td>
</tr>
</tbody>
</table>
Bovine Genetics – 44% of Group Turnover

This international business uses biotechnology to drive genetic change in beef and dairy cattle. This year, 9.2 million doses of semen (2003: 8.6 million doses) were sold from the Group’s five bull studs, located in four continents, to farmers in seventy countries.

The international diversity of the business usually insulates it from country agricultural cycles but, this year, unprecedented market conditions occurred simultaneously in several markets. These combined to create conditions which resulted in uneconomic competitive activity, particularly from co-operatives in the USA.

The principal exceptional factors were:

- A general downturn in the USA
- The worst drought in history in Australia
- The introduction of trade barriers in Japan
- BSE in Canada throughout the year
- A single case of BSE in the USA which slowed the recovering US market in the second half year and halted some exports for three months
- Strong Sterling and a weak US Dollar.

Genus performed better than its competitors in these difficult market conditions. None of the Genus competitors is a publically quoted company. Two UK subsidiaries of international competitors have been put on the market. Genus has announced its intention to acquire one of these, the other has been put into administration. We believe that many of the larger national co-operatives have reported losses which may lead to consolidation opportunities.

The Genus business increased its volume by 5% but prices were reduced, particularly in the USA where co-operative competitors offered unrealistically low prices in a drive to gain volume in the depressed market. Sales realisations in the USA increased by 5% but this translated to a
Genus R&D benefits from grants totalling £2.5m

Genus has bioscience projects with 20 of the world’s leading research institutes including the Universities of London and Cornell.
decrease of 3% in Sterling terms. The increased volume improved market share in the USA by 1% to 23%. This improvement arose from the steady growth and acceptance of the Group’s unique dairy Reproductive Management Service. This system allows large producers to improve the predictability in producing cattle pregnancies while driving up milk output.

By contrast, in Latin America, the changes we made to the structure last year following the collapse of the Argentinian and Brazilian exchange rates have driven through a strong profit recovery. Market share has been increased by 3% to 26% and the business has become strongly profitable.

In Australia, all the integration objectives for the acquired business, RAB, have been met and the new enhanced operation has increased its market share by 5% to 40%, but in a smaller market because of the severe drought conditions which prevailed during the first half of the year.

In summary, Europe and the UK were on plan but in North America, Australia and Japan profits were lower than expected for the above exceptional market reasons.

Research & Development

Last year we increased the R&D spend by £0.9m to £9.0m (2003: £8.1m) to hasten the speed and diversity of the bioscience programme.

The Group commercially targets its research in order to select its portfolio of fundamental biotech projects. In this way, expenditure is spread across a number of short and long-term projects, all with a high chance of commercial success, were a technical solution to be achieved.

Targets fall into clear categories associated with size of the market opportunity, the extent of the technical difficulty for making a breakthrough and the timeframe of likely achievement. Leading projects are summarised below:

<table>
<thead>
<tr>
<th>Project</th>
<th>LeadTime</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase semen output per bull</td>
<td>Achieved</td>
<td>20-40% extra sales for top bulls, worth £200-£400k per animal/year</td>
</tr>
<tr>
<td>Develop technology for other species</td>
<td>2/3 years</td>
<td>Will enable pig semen to be frozen</td>
</tr>
<tr>
<td>Increase semen fertility</td>
<td>3 years</td>
<td>Differentiates Genus semen, offers premium pricing and/or greater market penetration</td>
</tr>
<tr>
<td>Sexed Semen (several projects)</td>
<td>2/3 years</td>
<td>Differentiates Genus semen. At least doubles the price of semen. Offers potential for multi-species applications</td>
</tr>
</tbody>
</table>
| Genetics & Gene Markers         | 5 plus years | 1. Increases hit rate for selection process  
                                       2. Allows selection for difficult traits  
                                       3. Biotech source for sexed semen |
animal at the same time it is uniquely identified. This revolutionary new chip is called idENTICHIP Bio-Thermo. Initially sales rose to over 20% of all chip sales but a temporary manufacturing problem held back growth in the final quarter. An immediate benefit of this new product will be to differentiate the Genus identification product range from generic competition, so creating a more stable premium priced market for Genus.

Progress has also been made in developing a number of new licensed pharmaceutical products, to add to the Group’s intellectual property base and profit growth potential. Sales from Oticyl and Lax-a-Past, the two “over the counter products” launched in the first half of the year, progressed strongly. Negotiations began for access to prescription products in five other therapeutic areas.

**Development Consulting 12.0% of Group Turnover**

This small business, located in the UK, provides consulting services to the UK Government, the EU and to overseas aid agencies for projects generally operated in less developed countries.

Development Consulting increased its turnover by 8% to £22.7m on continuing operations and produced an underlying operating profit of £0.8m, up 33% on its underlying performance last year excluding a one-off credit of £0.4m in the prior year. Amongst the notable projects in progress at the year end were:

1. Reforms to tea production in Sri Lanka for the Asian Development Bank
2. Trade Systems for Ukraine’s accession to the WTO for the UK Department of International Development

In a departure from past business emphasis this year, the Division led the group to win, in May 2004, a large and prestigious contract to provide the UK Government Department for Environment, Food and Rural Affairs (“Defra”) with emergency veterinary and management resources as a contingency for any future Foot & Mouth Disease (“FMD”) outbreak.

The contract, which is expected to commence in June 2004 is for an initial period of three years, with a possible extension to five years. In the absence of a FMD outbreak, Genus will receive fees for the maintenance of a trained and equipped resource. The Development Consultancy Division will provide the major contract management and the resources will be led and supplied by other Genus divisions. The equipment, pharmaceuticals and other consumables to maintain the operation will be stored and maintained under ISO 9001 and distributed by Genus.

In the event of a FMD outbreak, Genus will receive additional fees for the delivery of the required FMD management and vaccination services for the duration of the outbreak.

**Company Outlook**

There is already clear evidence of an upturn in some major agricultural markets. In the USA, the Department of Agriculture has recently issued a report forecasting an upturn in the dairy sector this year. This view is supported by the leading market indicators we track, including wholesale semen prices which increased steadily throughout our fourth quarter, after being in decline for the previous three quarters.

We believe Latin America will continue to be a strong and growing opportunity for Genus provided that the exchange rate remains stable. The Group’s stud in Brazil is by far the most prestigious in Latin America. The Genus market share has grown by 3% to 26% and the Group’s bulls are consistently top of their rankings. In the coming year, the growth of the Latin American business will benefit from the better control now achievable following the acquisition in March of the business of Genus’ exclusive agent in Chile.

We assisted the US State Department in its representations to the Japanese Agricultural Ministry and this eventually resulted in the removal of the tariff and trade protection measures introduced by the Japanese Government in the summer of 2003 with the result that trading is now back to normal.

Elsewhere in the world, prospects remain sound for next year, although there is still some uncertainty in Australia over the speed at which farmers will be able to rebuild their herds. As recently announced, the proposed regional acquisition of Supersires Ltd in the UK will provide synergy benefits from product substitution after the cost of integration has been absorbed.

Whilst 2003/4 was an exceptionally difficult and unpredictable year, we expect 2004/5 to be more settled and to herald the return of the historically good progress for the Group’s principal business in Bovine Genetics.

We expect both Animal Health and Development Consulting to continue to grow at historical rates.

Richard Wood, Chief Executive
Chief Operating Officers of Genus plc

A Genus produced calf is born somewhere in the world every eight seconds

Genus Germ Plasm Bank, dating back to 1950, comprises bovine genes sources for 13,000 different bulls representing fifty different breeds

Ian Biggs
Bovine Genetics

Ian Biggs (46) is a graduate chartered accountant having qualified in 1982 with KPMG.

Prior to joining Genus in 2000, he was with Roslin Bio Med, a company formed by the Roslin Institute to commercialise technology based on animal cloning using somatic cells.

Before this, he worked for PIC, now Sygen, first as Group Finance Director and later as Managing Director of their European business followed by head of North American operations.

Philip Acton
Animal Health

Philip Acton (46) is a graduate chartered accountant having qualified in 1982 with Deloittes.

Prior to joining Genus he worked for 10 years in the electrical engineering sector and was the Group Finance Director for the Scholes Group plc.

He joined Genus in 1995 and was its Finance Director until March 2003 at which point he became the Chief Operating Officer of Genus Animal Health.
Results

As is discussed more fully in the Chief Executive’s review, 2003/4 was a year in which the Group delivered sales growth and record profit before tax despite adverse market conditions. Operating profit before exceptional items and amortisation of goodwill increased by 5% to £10.9m. The Bovine Genetics division returned reduced operating profit for the reasons discussed in the Chief Executive’s report, though even in the difficult trading conditions, sales grew by 2.1%. The Consultancy business increased operating profit before goodwill amortisation and exceptional items on continuing operations by £0.2m to £0.8m following the restructuring in March 2003. The Animal Health business improved operating profit before goodwill amortisation by 69% to £1.6m. The interest charge of £1.3m was slightly down on the prior year. Net debt has been substantially reduced by £4.7m to £7.5m at the year end as a result of strong cash inflow in the second half of the year. During the year the group sold a number of properties for £1.1m realising a profit of £0.7m. Profit before tax increased by £3m to £8.1m (2003: £5.1m). The tax charge only rose by £0.5m from £2.3m to £2.8m due to a reduction in the requirement to provide for deferred taxation on timing differences and the effects of providing for impairments of purchased goodwill in the prior year. Accordingly, the tax rate on profit before tax was 34% (2003: 45%).

Earnings per Share and Dividends

The basic earnings per share increased by 87% to 15.5 pence (2003: 8.3 pence).

The Board has recommended an 18% increase in the dividend to 6.5 pence per share (2003: 5.5 pence per share). This dividend is covered 3 times by underlying earnings (2003: 4 times). The Board continues to take the view that splitting the dividend between interim and final payments is inappropriate, owing to the administrative cost of generating and posting some 29,000 dividend cheques. The dividend will be paid on 18 August 2004, one week earlier than in previous years.
Financing and Cash Flow

Net debt reduced from £12.2m to £7.5m during the year, a reduction of £4.7m. The principal components of this reduction are set out in the table below:

<table>
<thead>
<tr>
<th>Description</th>
<th>£m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Cash Flow from Operations</td>
<td>14.4</td>
</tr>
<tr>
<td>Interest Paid</td>
<td>(1.3)</td>
</tr>
<tr>
<td>Tax Paid</td>
<td>(2.5)</td>
</tr>
<tr>
<td>Proceeds from Disposal of Properties</td>
<td>1.1</td>
</tr>
<tr>
<td>Dividends Paid</td>
<td>(1.9)</td>
</tr>
<tr>
<td>Acquisitions</td>
<td>(1.2)</td>
</tr>
<tr>
<td>Capital Expenditure (net of other asset disposals)</td>
<td>(3.6)</td>
</tr>
<tr>
<td>Issue of Share Capital</td>
<td>2.4</td>
</tr>
<tr>
<td>Foreign Exchange Differences</td>
<td>(2.6)</td>
</tr>
<tr>
<td>Other Movements</td>
<td>(0.1)</td>
</tr>
<tr>
<td>Movement in Net Debt</td>
<td>4.7</td>
</tr>
</tbody>
</table>

Treasury

The Group has a centralised treasury function to manage foreign exchange and interest rate risk following guidelines laid down by the Board. Derivative instruments are used solely to mitigate these risks.

The Group’s borrowings are of three principal types:

- Bank borrowings, provided by Barclays Bank PLC
- Finance Leases and Hire Purchase contracts, which are used to finance the acquisition of certain fixed assets
- Loan notes, originally issued on the acquisition of VDC plc

The main risks arising from the Group’s financial instruments are interest rate risk, liquidity risk and foreign currency risk. The Board reviews and agrees policies for managing each of these risks and these policies are summarised below.

Interest Rate Risk

The Group borrows principally in US Dollars, Australian Dollars and Sterling. Interest rate swaps may be used to generate the desired interest profile and to manage exposure to interest rate fluctuations. At the year end, no such swaps were in place.

Liquidity Risk

The Group’s objective is to maintain a balance between continuity of funding and flexibility through the use of overdrafts, bank loans, loan notes and finance leases. At the year end, 95% of the Group’s borrowings were due to mature within one year and 5.7% between one and two years.

During the year, surplus funds were used to pay down all external US Dollar borrowings.

Short term flexibility is achieved through overdraft facilities, a bank multi-option facility to cover bank guarantees, borrowings and other items of £15m and a bank revolving credit facility of £10m which is available until 30th September 2005. At 31st March 2004, the Group had not drawn on the revolving credit facility.

Foreign Currency Risk

The Group is exposed to two principal types of foreign exchange risk: transaction risk and translation risk. Transactional exposures arise from operating units selling and/or purchasing goods and services in currencies other than their reporting currency. Where these exposures are large or other than short term, they are typically hedged by the use of forward contracts.

Translation exposure arises on the retranslation of overseas subsidiary companies’ profits and net assets into sterling for financial reporting purposes. Retranslation of overseas profits is not hedged, while retranslation of overseas net assets may be hedged by borrowings in the currency of those net assets where the exposure is perceived to be material to the Group’s net assets. At the year end, the Group had borrowings in Australian dollars partially hedging the retranslation of its net investment in those currencies.

Pensions

Genus’ largest pension scheme is the Milk Pension Fund, a UK-based defined benefit scheme which has a number of participating employers. Milk Marque Limited, the principal employer, has given notice of its intention to withdraw from the scheme. Negotiations are ongoing between the participating employers and the Scheme Trustees regarding the basis on which this withdrawal is to be effected.

Under FRS 17, a snapshot of the value of the scheme’s assets and liabilities at 31 March 2004 showed the Genus section of the scheme as having a market value of £94.8m representing 93% of accrued benefits. The last full actuarial funding valuation of the Milk Pension Fund was in March 2003, when the actuarial value of the assets was sufficient to cover 104% of the members’ accrued benefits.

Acquisition

In March 2004, the Group acquired the trade and certain assets and liabilities of Agrotec ABS Ltda, a Chilean company, for a total consideration of £543,000.

David Timmins, Group Finance Director
John Beckett (69), Non-Executive Chairman
John Beckett is a proprietor of Belton Cheese Limited and a businessman from Shropshire. He has held a number of directorships with agricultural and food companies, including serving as Chairman of NWF for eleven years. He is a director of the Royal Association of Dairy Farmers.

Richard Wood (59), Chief Executive
Richard Wood is a graduate chartered chemical engineer. He worked for ICI for twenty three years and is a former Managing Director of ICI Seeds UK. He then worked for seven years in the pharmaceutical industry, firstly as Chief Executive of Daniels Pharmaceutical Limited until it was acquired by Lloyds Chemists PLC and then as Managing Director of a division of Lloyds. He joined Genus in December 1996.

David Timmins (51), Group Finance Director
David Timmins, is a graduate chartered accountant, qualifying with KPMG in London. He has significant board experience in international public companies and joined Genus from Robotic Technology Systems PLC, where he was Group Finance Director for the previous five years. He has lived and worked in the USA and Germany.

Edwin White (63), Non-Executive Director
Edwin White is a Somerset dairy farmer and businessman. He is a director of the Royal Bath and West of England Society. Chairman of the South West Dairy Show and the founder and Chairman of the annual Dairy Industry dinner.

John Hawkins (50), Non-Executive Director
John Hawkins is non-executive Chairman of Salamander and a non-executive director of Psion Plc. Prior to this, he was Chief Executive of the Anite Group plc and before that was with Philips Electronics for 19 years. During the latter period he became European President of Philips Media. He took his first general management role more than ten years ago. He has lived and worked in Sweden, Holland, Asia Pacific and the USA.
Directors’ Report

The directors present their annual report and the financial statements for the year ended 31 March 2004.

Results and Dividends
The profit for the year, after taxation and minority interests, amounted to £5,273,000 (2003: £2,754,000). The directors are pleased to recommend the payment of a dividend of 6.5 pence per share amounting to £2,299,000 (2003: 5.5 pence per share amounting to £1,846,000) payable on 18 August 2004 to shareholders on the register at the close of business on 23 July 2004. The profit transferred to reserves is £2,967,000 (2003: £908,000).

Activities, Business Review and Future Developments
The principal activities of the Group during the year were the development of new genetic traits in cattle, sold as cattle semen world-wide, artificial insemination of cattle, providing consultancy advice to farmers, food manufacturers, agri-businesses and national and international policy makers, wholesale distribution of veterinary products and marketing of branded products for the small animal sector.

A review of the business and its future developments is contained in the Chief Executive’s Review on pages 5 to 9 and the Finance Director’s review on pages 12-13.

Charitable and Political Donations
During the year there were no charitable donations (2003: £nil). There were no contributions for political purposes (2003: £nil).

Directors and Their Interests
The directors holding office during the year were:

- J H Beckett - non-executive Chairman
- R K Wood - Chief Executive
- D P Timmins - Group Finance Director
  (Appointed 29 March 2004)
- M R D Roller - Group Finance Director
  (Resigned 5 August 2003)
- E W White - Senior non-executive Director
- J E Hawkins - non-executive Director
- T S K Yeo - non-executive Director
  (Resigned 31 May 2004)

The interests of the directors, who held office at the end of the financial year, in the ordinary shares of the company, other than with respect to options to acquire ordinary shares (which are detailed in the analysis of options included in the report on directors’ remuneration), are as follows:

<table>
<thead>
<tr>
<th>Shareholdings</th>
<th>At 31 March 2004</th>
<th>At 31 March 2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>R K Wood</td>
<td>59,400</td>
<td>No</td>
</tr>
<tr>
<td>D P Timmins</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>J H Beckett</td>
<td>56,717</td>
<td>46,717</td>
</tr>
<tr>
<td>E W White</td>
<td>21,002</td>
<td>21,002</td>
</tr>
<tr>
<td>J E Hawkins</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>T S K Yeo</td>
<td>20,000</td>
<td>20,000</td>
</tr>
<tr>
<td>Total</td>
<td>157,119</td>
<td>87,719</td>
</tr>
</tbody>
</table>

* or subsequent date of appointment

No changes in directors’ interests have arisen since the balance sheet date.

R K Wood, D P Timmins and M R D Roller were employed full-time by the Company. Other than as disclosed on page 14, no directors have any other directorships of companies not in the Genus group. In accordance with the Articles of Association and best practice David Timmins will offer himself for election and John Beckett will retire as a director by rotation at the Annual General Meeting.

Research and Development
Further details relating to the Group’s programme of Research and Development are contained in the Chief Executive’s review on pages 5 to 9.

Employment Policies
The Group’s policies respect the individual regardless of sex, race or religion. Full and fair consideration is given to applications for employment from disabled people. The services of employees who become disabled are retained wherever possible and training, career development and promotion opportunities are provided where appropriate.

The Group has a well established structure to communicate with employees at every level and to encourage their involvement regarding the Group’s performance and future activities. At the balance sheet date, 28 employees held options over a total of 61,489 shares under the three year Savings Related Share Scheme.

Environmental Policy
The directors recognise and accept that concern for the environment is an essential part of business strategy and seek to minimise risk to the environment by effective management of the Group’s activities.

Suppliers
The Company endeavours to agree the terms of payment with suppliers prior to placing business. This ensures that suppliers are aware of these terms in advance. It is the Company’s policy to settle liabilities by the due date. At 31 March 2004 the company had no purchases outstanding in trade creditors and the Group had an average of 44 days’ purchases outstanding in trade creditors.

Major Interest in Shares
At the date of this report, the NFU Mutual held interests of 17.7% of the Company’s issued ordinary share capital and Friends Provident Life Office held 3.1% of the Company’s issued share capital. No other person has notified an interest in the ordinary shares of the Company which is required to be disclosed to the Company in accordance with Sections 198 – 208 of the Companies Act 1985.

Special Business at the Annual General Meeting
At the Annual General Meeting on 12 August 2004 resolutions 1 to 6 are termed ordinary business, while resolutions 7 and 8 will be special business. The special business covers the directors’ authority to allot share, the partial disapplication of pre-emption rights and the directors’ authority to buy back
shares as explained below. The resolutions are set out in the Notice of Annual General Meeting on pages 53 to 60.

Resolution 5 gives authority to the directors to allot shares up to a total nominal amount of £770,671 being the nominal value of the authorised ordinary share capital less the nominal value of the issued share capital at the date of the notice of the resolution and representing 21.7% of the equity share capital in issue on that date. The authority will expire at the earlier of 15 months after its passing or the conclusion of the Annual General Meeting to be held in 2005 and replaces similar authorities granted on 21 August 2003 which expire at the conclusion of the forthcoming Annual General Meeting. The directors intend to exercise the authority conferred by this resolution both to allot shares in respect of any options granted under the existing share option scheme, to issue shares under the performance share plan and to allot shares in place of ordinary shares which are purchased by the Company as one or more market purchases on the Alternative Investment Market pursuant to the authority conferred by resolution 8.

The remuneration committee of the Company has recently reviewed the reward strategy and use of share incentives currently operated by the Company for its more senior employees. The objective was to consider the ways in which the Company’s shares could be used more efficiently to incentivise and motivate employees and executive directors to support the future long term strategy of the Company.

Following this review process the recommendations of the remuneration committee include the implementation of a new option plan, the Genus plc 2004 Executive Share Option Plan and a new long term incentive plan, the Genus plc 2004 Performance Share Plan. It is anticipated that the Performance Share Plan will provide key persons in the Company with the opportunity to acquire a scaled reward related to company performance, but only where there is long term commitment by those employees and stretching performance targets are met. It is the remuneration committee’s view that this will focus the key personnel on the future performance and success of the Company. The Share Option Plan will be used to incentivise a broader management group based on the Company’s performance. These proposed plans replace all previous discretionary plans for future awards.

In addition, the remuneration committee has recommended the adoption of a new all employee share plan, the Genus Plc Share Incentive Plan. The plan is a flexible arrangement under which employees can invest in “partnership shares” out of their gross salary (i.e. before tax and national insurance). The Company can also award free shares or free “matching shares” in relation to each partnership share purchased, although it does not currently intend to use these facilities. The shares are placed in a trust for a holding period of up to five years, after which all shares will be released without any liability to income tax or national insurance. The Directors consider that the flexibility offered by the Genus plc Share Incentive Plan, together with the potential tax benefits, will provide the Company with an effective means of using shares as part of the general reward strategy.

Resolution 6.1 seeks authority to establish the Genus plc 2004 Executive Share Option Plan, a summary of the principal features of which is set out in Appendix I to this notice of the Annual General Meeting.

Resolution 6.2 seeks authority to establish the Genus plc 2004 Performance Share Plan, a summary of the principal features of which is set out in Appendix II to the notice of the Annual General Meeting.

Resolution 6.3 seeks authority to establish the Genus plc 2004 Share Incentive Plan, a summary of the principal features of which is set out in Appendix III to the notice of the Annual General Meeting.

In addition, part (b) of each of Resolutions 6.1, 6.2 and 6.3 enable the directors to adopt similar plans for overseas employees, but making changes where necessary or desirable to take account of overseas tax, securities and exchange control laws.

The proposed rules of the plans are available for inspection at the Company’s registered office at da Vinci House, Basing View, Basingstoke, Hampshire, RG21 4EQ from the date of this report to the conclusion of the Annual General Meeting and at the place of the meeting itself for at least 15 minutes prior to and during the meeting.

The passing of resolution 7, a special resolution, will permit the directors, until the earlier of 15 months after its passing or the conclusion of the Annual General Meeting of the Company to be held in 2005, to make issues of equity securities for cash by way of rights issue or similar pre-emptive offer. In addition, they may issue equity securities for cash on a non pre-emptive basis, provided the shares so issued be limited to shares with a nominal value of £353,632, being 10% of the equity share capital in issue on 31 March 2004. £176,816 of this authority (5% of the issued share capital) can only be used to allot ordinary shares in the Company in place of ordinary shares which have been purchased by the Company as one or more market purchases on the Alternative Investment Market of the London Stock Exchange plc pursuant to the authority conferred by resolution 8. The power will, if granted, replace the similar power conferred on the directors on 21 August 2003.

The passing of resolution 8, a special resolution, will permit the directors, until the earlier of 18 months after its passing or the conclusion of the Annual General Meeting of the Company to be held in 2005, to buy back shares on the open market to a limit of 3,536,328 ordinary shares. The minimum price payable per share is 10p (exclusive of expenses) and the maximum is limited to 105% of the average of the middle market quotation for ordinary shares on the Alternative Investment Market for the five business days prior to the date of purchase (exclusive of expenses).

In the opinion of the directors, the passing of these resolutions is in the best interests of the shareholders.
Auditors
Ernst & Young LLP are willing to continue in office as auditors and a resolution to re-appoint them and fix their remuneration, will be put to the forthcoming Annual General Meeting.

Adoption of International Financial Reporting Standards
An ‘International Accounting Standards Regulation’ was adopted by the Council of the European Union (EU) in June 2002. This regulation requires all EU companies listed on an EU stock exchange to use ‘endorsed’ International Financial Reporting Standards (IFRS), published by the International Accounting Standards Board (IASB), to report their consolidated results with effect from 1 January 2005. The IASB published 15 revised standards in December 2003 and intends to complete its development of IFRS to be adopted in 2005 by the end of 2004.

A process of endorsement of IFRS has been established by the EU for completion in sufficient time to allow adoption by companies in 2005. The Group has established a project team to plan for and achieve a smooth transition to IFRS. The project team is looking at all implementation aspects, including changes to accounting policies, systems impacts and the wider business issues that may arise from such a fundamental change. The Group expects that it will be fully prepared for the transition in 2005. However, the implementation plan is dependent upon the completion of the standard-setting process by the IASB and the endorsement of such standards by the EU.

The Group has not yet determined the full effects of adopting IFRS. Our preliminary view is that the major differences between our current accounting practice and IFRS will be in respect of accounting for business combinations, agricultural assets, proposed dividends, deferred tax and share-based payments.

By order of the board.

C J Vickers
Secretary
3 June 2004
Report on Directors’ Remuneration

As a company whose shares are traded on the Alternative Investment Market, the Company is not required to, and does not, comply with Schedule 7A of the Companies Act 1985. The following disclosures are provided on a voluntary basis.

The Remuneration Committee comprises three non-executive directors – John Hawkins (Acting Chairman), John Beckett and Edwin White. The Committee makes recommendations to the Board, within agreed terms of reference, on an overall remuneration package for executive directors in order to attract, retain and motivate high quality executives capable of achieving the Group’s objectives.

Remuneration Policy
The Remuneration Committee policy for executive directors’ pay is to provide basic salaries and benefits of car, fuel and private health insurance at a rate competitive with that paid to directors of similar sized international public companies. Incentives are approached in a similar manner. A short-term bonus is paid on the improvement in underlying pre-tax profits, subject to a maximum bonus payable of 50% of annual salary. This bonus is pensionable. Long-term incentives are driven by achievement of milestones established for the long-term strategic plan and take the form of share options. The Remuneration Committee can award share options annually as a proportion of salary in any one year, subject to this not exceeding, in aggregate, four times salary. The shares can only be released if performance criteria are met during a three year period following the grant of the options, as set out below.

The Committee made awards of share options during the year ended 31 March 2004 to the executive directors and to a number of senior managers. The conditions are:

1) that the average annual percentage growth in underlying EPS exceeds 6% per annum over the performance period; and

2) that the average annual percentage growth in underlying EPS exceeds the average annual percentage increase in RPI by a minimum of 3% per annum over the performance period.

Details of awards to directors are shown in the table of directors’ interests on page 19 and details of the performance criteria for other share option schemes are included in note 21 to the accounts.

Two new incentive schemes are being proposed for approval at the Annual General Meeting as stated in the notice of the Annual General Meeting on pages 53 to 60 to replace the existing share option scheme but not prejudicing the rights of existing option holders.

Pension Arrangements
Richard Wood is a member of a defined contribution scheme whereby the Company pays contributions based on 30% of pensionable capped earnings. He also has a FURBS into which the Company made a contribution of £30,000 in the year ended 31 March 2004. The Company paid contributions to Michael Roller’s personal pension scheme based on 12% of his gross salary, equivalent to 18% of pensionable capped earnings. The executive directors are provided with life cover for death in service equivalent to four times basic pensionable earnings.

Service Contracts
The service contracts of the executive directors may be terminated by the Company on twelve months notice. There are provisions for compensation in the event of loss of office. The Remuneration Committee considers the circumstances of individual cases of early termination and determines compensation payments accordingly.

In the event of a change in control the executive directors would be entitled to resign within six months following a change of control and receive compensation amounting to two times gross emoluments including the average of the last three years’ bonuses paid to the individual executive director.

Non-Executive Directors
Fees for the non-executive directors are determined by the Board as a whole having regard to the time devoted to the Company’s affairs. The non-executive directors do not participate in any of the Company’s incentive schemes. Their appointment is not for a fixed term and they are subject to periodic re-election at the Company’s Annual General Meeting by rotation.
Report on Directors’ Remuneration

Directors’ Remuneration

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>£000</td>
<td>£000</td>
<td>£000</td>
<td>£000</td>
<td>£000</td>
<td>£000</td>
</tr>
</tbody>
</table>

**Executive directors**

R K Wood 204 - 21 225 278 60 59
D P Timmins 2 - - 2 - - -
M R D Roller 57 82 1 140 6 16 -
T P Acton - - - - - 131 - 9

**Non-executive directors**

J H Beckett 60 - - 60 55 - -
E W White 30 - - 30 25 - -
J E Hawkins 30 - - 30 22 - -
T S K Yeo 30 - - 30 13 - -

**Total** 413 82 22 517 530 76 68

M R D Roller resigned on 5 August 2003. D P Timmins was appointed on 29 March 2004.
T S K Yeo resigned on 31 May 2004.

Directors’ Share Options

The directors at 31 March 2004 had the following interest in share options:

<table>
<thead>
<tr>
<th>Exercise price</th>
<th>Share options At 31 March 2004</th>
<th>Share options At 31 March 2003*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No.</td>
<td>No.</td>
</tr>
</tbody>
</table>

R K Wood

(1) 50p  149,400
(2) 50p  15,600  15,600
(3) 175p  89,800  89,800
(4) 175p  89,800  89,800
(5) 90p  194,837  194,837
(6) 173p  43,414  43,414
(7) 192.5p  153,000  -

586,451  582,851

* or subsequent date of appointment.

No other director at 31 March 2004 had interests in share options.

The options are exercisable between the following dates:

1. 28 August 2000 and 29 August 2007
2. 20 March 2000 and 21 March 2007
3. 3 November 2002 and 4 November 2009
4. 5 March 2003 and 6 March 2010
5. 28 November 2004 and 29 November 2011
6. 11 June 2005 and 12 June 2012
7. 6 June 2006 and 7 June 2013

M R D Roller was granted options over 77,922 shares at an option price of 192.5p during the year prior to his resignation as a director on 5 August 2003.

R K Wood was granted options over 153,000 shares at an option price of 192.5p during the year. He exercised options over 149,400 shares in the year of which 90,000 shares were sold, and the aggregate gains realised of £130,500 were used to cover the subscription costs and taxes payable.

The market price of the Company’s shares on 31 March 2004 was 188.5 pence and the high and low share prices during the year were 217.4 pence and 148.0 pence respectively.

Further details on share option schemes and the performance criteria for exercise are shown in note 21.

J E Hawkins
Acting Chairman of the Remuneration Committee
The Company is committed to high standards of corporate governance. The Board is accountable to the Company’s shareholders for good corporate governance. This statement describes how the principles of corporate governance are applied to the Company and the Company’s compliance with the Code provisions set out in section 1 of the Combined Code prepared by the Committee on Corporate Governance chaired by Sir Ronald Hampel and the recommendations contained in the Turnbull Report.

Statement by the Directors on Compliance with the Provisions of the Combined Code
The directors consider that throughout the whole of the financial year the Company has fully complied with all the relevant provisions set out in Section 1 of the Combined Code.

The Workings of the Board and its Committees
The Board is responsible to shareholders for the proper management of the Group and currently comprises an independent non-executive Chairman, the Chief Executive, the Group Finance Director and two other independent non-executive directors. Biographies of the directors appear on page 14. The Board considers that these demonstrate a range of experience and sufficient calibre to bring independent judgement to bear on issues of strategy, performance, resource and standards of conduct which are vital to the success of the Group. A statement of the directors’ responsibilities in respect of the accounts and a statement on going concern are given on page 22. The Board meets at least every second month with a schedule of matters reserved for it to decide including setting and monitoring Group strategy, reviewing trading performance, ensuring adequate funding, examining major acquisition possibilities, formulating policy on key issues and reporting to shareholders.

All directors have access to the advice and services of the Company Secretary, John Vickers, or to independent professional advice as required. In addition, the Company ensures that the directors receive appropriate training as and when necessary. To ensure the Board is able to discharge its duties, all directors receive appropriate and timely information, with Board packs being issued to all directors in advance of Board meetings. The Company Secretary ensures that Board procedures are followed and that all applicable rules and regulations are complied with.

The following committees deal with the specific aspects of the Group’s affairs:

- The Audit Committee, comprising John Hawkins (Chairman), John Beckett and Edwin White, is formally constituted with a written basis of reference, meets at least twice a year and has particular consideration of the cost effectiveness, independence and objectivity of the external auditors. Meetings are attended by the Group Finance Director and minutes are circulated to all directors.

- The Remuneration Committee, comprising John Hawkins (Acting Chairman), John Beckett and Edwin White meets as required to review the performance of the executive directors, to recommend their remuneration and other benefit packages, including performance related bonus schemes, pension rights and compensation payments, and, in accordance with the Articles of Association, the Board sets the remuneration of the non-executives. The Report on Directors’ Remuneration is shown on pages 18 to 19 and provides further details of the Company’s policies on remuneration and service contracts.

- The Nomination Committee comprising John Beckett (Chairman), Richard Wood and John Hawkins is responsible for proposing candidates for appointment to the Board, having regard to the balance and structure of the Board. In appropriate cases, recruitment consultants are used to assist the process.

All directors are subject to re-election every three years in accordance with the Articles of Association.

The Board takes the opportunity at the Annual General Meeting to meet with and communicate to private and institutional investors and welcomes their involvement. The Chairman’s Statement on pages 2 and 3 and the Chief Executive’s Review on pages 5 to 9 provide a detailed review of the Group’s performance and future developments. John Hawkins will answer questions as chairman of the Audit Committee and on behalf of the Remuneration Committee at the Annual General Meeting on 12 August 2004.

Internal Control
The Board has overall responsibility for the Group’s systems of internal control and for reviewing their effectiveness. However, such a system is designed to manage rather than eliminate the risks of failure to achieve business objectives, and provides only reasonable and not
absolute assurance against material misstatement or loss. The Board established procedures necessary to implement the guidance 'Internal Control – Guidance for Directors on the Combined Code', (the Turnbull Report) in the period to 31 March 2001 and confirms that key elements of the process have been in place during the year under review and up to the date of this report.

The Board considers risk assessment and control to be fundamental to achieving its corporate objectives within an acceptable risk/reward profile, and confirms that there is an ongoing process for identifying and evaluating the significant risks faced by the Group and the effectiveness of related controls. The process is regularly reviewed by the Board and accords with the Turnbull guidance on internal control. The key elements of this process are:

Identification of business risks
The Board is responsible for identifying the major business risks faced by the Group. The Group Finance Director is responsible for monitoring and reporting areas of significant business risk to the Board and for co-ordinating the management of such risks within each division. Divisional heads are responsible for identification and monitoring of risks within their divisions.

Management structure
Authority to operate the various subsidiary companies is delegated to local management within limits set by the Board. The appointment of executives to the most senior positions within the Group requires the approval of the Board. Functional, operating and financial reporting standards are established by the Group Finance Director for application across the whole Group. The corporate procedures manual sets out delegation of authority and authorisation levels, and other control procedures together with Group accounting policies. These procedures are supplemented by operating standards set by the local management, as required for the type of business and the geographical location of each subsidiary.

Divisional operating boards, comprising the Chief Executive as Chairman, the Group Finance Director, the divisional Chief Operating Officer and other executives meet on a regular basis to review the Division’s performance against its budget, long and short term strategies and other key business issues.

Information and financial reporting systems
The Group’s comprehensive planning and financial reporting procedures include detailed operational budgets for the year ahead, together with the preparation of three and five year strategic plans. The Board reviews and approves them. Performance is monitored and relevant action taken throughout the year through the monthly reporting of variances and key performance indicators, updated forecasts for the year, together with information on the key risk areas.

Quality and integrity of personnel
The integrity and competence of personnel is ensured through high recruitment standards and subsequent training courses. High quality personnel are seen as an essential part of the control environment and the ethical standards expected are communicated throughout the organisation.

Investment appraisal
Capital expenditure is regulated by a budgetary process and authorisation levels. For expenditure beyond specific levels, detailed written proposals have to be submitted to the Board. Due diligence work is carried out if a business is to be acquired and reviews are carried out after the acquisition is complete. Investigations are performed on any significant overspends and corrective action is taken where required.

Audit committee
The Audit Committee monitors the controls which are in force and considers and determines appropriate action in respect of any control issues raised by the external auditors.

The directors have reviewed the effectiveness of the Group’s system of internal control as it operated during the year.

John Beckett, Chairman
Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and Group and of the profit or loss of the Group for that period. In preparing those financial statements, the directors are required to:

● select suitable accounting policies and then apply them consistently;

● make judgements and estimates that are reasonable and prudent; and

● state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Going Concern
After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.
Independent Auditors’ Report

to the members of Genus plc

We have audited the Group’s financial statements for the year ended 31 March 2004 which comprise the Consolidated Profit and Loss Account, Consolidated Statement of Total Recognised Gains and Losses, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Cash Flows, Analysis of Changes in Net Debt and the related notes 1 to 32. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the Company’s members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors’ 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.

Respective responsibilities of directors and auditors

The directors’ responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the Statement of Directors’ Responsibilities in Relation to the Financial Statements.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors’ Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if the information specified by law regarding directors’ remuneration and transactions with the Group is not disclosed.

We read the other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises the Chairman’s Statement, Chief Executive’s Review, Finance Director’s Review, Directors’ Report, Report on Directors’ Remuneration, Corporate Governance statement and Notice of Annual General Meeting.

We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group’s circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2004 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP
Registered Auditor
Manchester
3 June 2004
Consolidated Profit and Loss Account
for the year ended 31 March 2004

Notes
Continuing Operations Before Exceptional Items
Discontinued Operations
Total
2004
£000
£000 £000 £000 £000

Turnover
Continuing operations 183,710 - - 183,710 169,749
Discontinued operations - - - - 3,041
2 183,710 - - 183,710 172,790

Underlying operating profit/(loss) 2,3 11,359 (503) (436) 10,420 10,182

Amortisation of goodwill 3 (1,674) - - (1,674) (1,805)

Operating profit/(loss) 2,3 9,685 (503) (436) 8,746 8,377

Of which:
Continuing operations 9,685 (503) - 9,182 9,594
Discontinued operations - - (436) (436) (1,594)

Continuing operations
Profit on disposal of properties - 711 - 711 1,205
Profit on disposal of investment - - - - 34

Discontinued operations
Loss on disposal of discontinued operations - - - - (3,179)
Interest receivable and similar income 4 5 - - 5 62
Interest payable and similar charges 5 (1,319) - - (1,319) (1,357)

Profit/(loss) on ordinary activities before taxation 8,371 208 (436) 8,143 5,142
Tax on profit on ordinary activities 6 (3,135) 189 150 (2,796) (2,325)

Profit on ordinary activities after taxation 5,236 397 (286) 5,347 2,817

Minority interests - equity (74) - - (74) (63)

Profit for the financial year 5,162 397 (286) 5,273 2,754
Dividends on equity shares 7 (2,306) - - (1,846)
Retained profit for the year 22 2,967 908

Earnings per share
- underlying 8 19.5p 22.2p
- basic 8 15.5p 8.3p
- diluted 8 15.3p 8.1p
Dividend per share 7 6.5p 5.5p

Consolidated Statement of Total Recognised Gains and Losses

<table>
<thead>
<tr>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>£000</td>
<td>£000</td>
</tr>
<tr>
<td>Profit for the financial year</td>
<td>5,273</td>
</tr>
<tr>
<td>Exchange difference on the re-translation of net assets of subsidiary undertakings</td>
<td>(4,772)</td>
</tr>
<tr>
<td>Exchange difference on borrowings</td>
<td>607</td>
</tr>
<tr>
<td>Tax on exchange differences</td>
<td>-</td>
</tr>
<tr>
<td>Total recognised gains and losses relating to the year</td>
<td>1,108</td>
</tr>
</tbody>
</table>
## Consolidated Balance Sheet

at 31 March 2004

<table>
<thead>
<tr>
<th>Notes</th>
<th>2004 £000</th>
<th>2003 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fixed assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intangible assets</td>
<td>10</td>
<td>25,875</td>
</tr>
<tr>
<td>Tangible assets</td>
<td>11</td>
<td>15,876</td>
</tr>
<tr>
<td>Investments</td>
<td>12</td>
<td>241</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>41,992</strong></td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stocks</td>
<td>13</td>
<td>16,233</td>
</tr>
<tr>
<td>Debtors</td>
<td>14</td>
<td>32,456</td>
</tr>
<tr>
<td>Cash at bank and in hand</td>
<td></td>
<td>4,330</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>53,019</strong></td>
</tr>
<tr>
<td><strong>Creditors: amounts falling due within one year</strong></td>
<td>15</td>
<td>44,990</td>
</tr>
<tr>
<td><strong>Total assets less current liabilities</strong></td>
<td></td>
<td><strong>50,021</strong></td>
</tr>
<tr>
<td><strong>Creditors: amounts falling after more than one year</strong></td>
<td>16</td>
<td>605</td>
</tr>
<tr>
<td><strong>Provisions for liabilities and charges</strong></td>
<td>19</td>
<td>681</td>
</tr>
<tr>
<td><strong>Accruals and deferred income</strong></td>
<td>20</td>
<td>30</td>
</tr>
<tr>
<td><strong>Equity minority interests</strong></td>
<td></td>
<td>-</td>
</tr>
<tr>
<td><strong>Net assets</strong></td>
<td></td>
<td><strong>48,705</strong></td>
</tr>
</tbody>
</table>

**Capital and reserves**

<table>
<thead>
<tr>
<th>Notes</th>
<th>2004 £000</th>
<th>2003 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Called up share capital</td>
<td>21</td>
<td>3,536</td>
</tr>
<tr>
<td>Share premium account</td>
<td>22</td>
<td>36,975</td>
</tr>
<tr>
<td>Profit and loss account</td>
<td>22</td>
<td>8,194</td>
</tr>
<tr>
<td><strong>Equity shareholders’ funds</strong></td>
<td>23</td>
<td><strong>48,705</strong></td>
</tr>
</tbody>
</table>

Approved by the Board on 3 June 2004
and signed on their behalf

R K Wood CHIEF EXECUTIVE

J H Beckett CHAIRMAN
## Company Balance Sheet

at 31 March 2004

<table>
<thead>
<tr>
<th>Notes</th>
<th>2004 £000</th>
<th>2003 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fixed assets</strong></td>
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<td></td>
</tr>
<tr>
<td>Investments</td>
<td>12</td>
<td>46,769</td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debtors</td>
<td>14</td>
<td>25,542</td>
</tr>
<tr>
<td>Creditors: amounts falling due within one year</td>
<td>15</td>
<td>29,555</td>
</tr>
<tr>
<td><strong>Net current (liabilities)/assets</strong></td>
<td></td>
<td>(4,013)</td>
</tr>
<tr>
<td><strong>Total assets less current liabilities</strong></td>
<td></td>
<td>42,756</td>
</tr>
<tr>
<td>Creditors: amounts falling due after more than one year</td>
<td>16</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net assets</strong></td>
<td></td>
<td>42,756</td>
</tr>
<tr>
<td><strong>Capital and reserves</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Called up share capital</td>
<td>21</td>
<td>3,536</td>
</tr>
<tr>
<td>Share premium account</td>
<td>22</td>
<td>36,975</td>
</tr>
<tr>
<td>Profit and loss account</td>
<td>22</td>
<td>2,245</td>
</tr>
<tr>
<td><strong>Equity shareholders’ funds</strong></td>
<td></td>
<td>42,756</td>
</tr>
</tbody>
</table>

Approved by the Board on 3 June 2004

and signed on their behalf

R K Wood CHIEF EXECUTIVE

J H Beckett CHAIRMAN
## Consolidated Statement of Cash Flows
for the year ended 31 March 2004

<table>
<thead>
<tr>
<th>Note</th>
<th>2004 £000</th>
<th>2003 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net cash inflow from operating activities</strong></td>
<td>24</td>
<td>14,393</td>
</tr>
<tr>
<td><strong>Returns on investments and servicing of finance</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest received and similar income</td>
<td>5</td>
<td>62</td>
</tr>
<tr>
<td>Interest paid and similar charges</td>
<td>(1,028)</td>
<td>(1,180)</td>
</tr>
<tr>
<td>Interest element of finance lease and hire purchase rental payments</td>
<td>(291)</td>
<td>(177)</td>
</tr>
<tr>
<td><strong>Net cash outflow from returns on investments and servicing of finance</strong></td>
<td>(1,314)</td>
<td>(1,295)</td>
</tr>
<tr>
<td><strong>Taxation</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporation tax paid</td>
<td>(1,374)</td>
<td>(991)</td>
</tr>
<tr>
<td>Overseas tax paid</td>
<td>(1,168)</td>
<td>(646)</td>
</tr>
<tr>
<td><strong>Net taxation</strong></td>
<td>(2,542)</td>
<td>(1,637)</td>
</tr>
<tr>
<td><strong>Capital expenditure and financial investment</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payments to acquire tangible fixed assets</td>
<td>(3,986)</td>
<td>(6,005)</td>
</tr>
<tr>
<td>Payments to acquire investments</td>
<td>(158)</td>
<td>-</td>
</tr>
<tr>
<td>Receipts from sales of tangible fixed assets</td>
<td>1,625</td>
<td>4,693</td>
</tr>
<tr>
<td>Receipts from sales of investments</td>
<td>-</td>
<td>34</td>
</tr>
<tr>
<td><strong>Net cash outflow on capital expenditure</strong></td>
<td>(2,519)</td>
<td>(1,278)</td>
</tr>
<tr>
<td><strong>Acquisitions and disposals</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase of subsidiaries and businesses</td>
<td>(1,234)</td>
<td>(4,838)</td>
</tr>
<tr>
<td>Net cash acquired</td>
<td>-</td>
<td>42</td>
</tr>
<tr>
<td><strong>Equity dividends paid</strong></td>
<td>(1,853)</td>
<td>(1,576)</td>
</tr>
<tr>
<td><strong>Net cash inflow before management of liquid resources and financing</strong></td>
<td>4,931</td>
<td>2,872</td>
</tr>
</tbody>
</table>
### Consolidated Statement of Cash Flows (continued)
for the year ended 31 March 2004

<table>
<thead>
<tr>
<th>Note</th>
<th>2004 £000</th>
<th>2003 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net cash inflow before management of liquid resources and financing</strong></td>
<td>4,931</td>
<td>2,872</td>
</tr>
<tr>
<td><strong>Financing</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Repayment of loan notes</td>
<td>(979)</td>
<td>(835)</td>
</tr>
<tr>
<td>New bank loans</td>
<td>378</td>
<td>-</td>
</tr>
<tr>
<td>Repayment of bank loans</td>
<td>(6,133)</td>
<td>(3,541)</td>
</tr>
<tr>
<td>Finance leases</td>
<td>160</td>
<td>2,382</td>
</tr>
<tr>
<td>Repayments of capital element of finance leases and hire purchase rental payments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issue of ordinary share capital</td>
<td>2,446</td>
<td>602</td>
</tr>
<tr>
<td><strong>Net cash outflow from financing</strong></td>
<td>(5,125)</td>
<td>(2,312)</td>
</tr>
<tr>
<td><strong>(Decrease)/increase in cash</strong></td>
<td>25</td>
<td>(194)</td>
</tr>
</tbody>
</table>

#### Analysis of changes in net debt during the year

Reconciliation of net cash flow to movement in net debt:

<table>
<thead>
<tr>
<th>Note</th>
<th>2004 £000</th>
<th>2003 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Decrease)/increase in cash in year</td>
<td>(194)</td>
<td>560</td>
</tr>
<tr>
<td>Repayment of loan notes</td>
<td>979</td>
<td>835</td>
</tr>
<tr>
<td>New long term loans</td>
<td>(378)</td>
<td>-</td>
</tr>
<tr>
<td>Repayment of bank loans</td>
<td>6,133</td>
<td>3,541</td>
</tr>
<tr>
<td>New finance leases</td>
<td>(160)</td>
<td>(2,382)</td>
</tr>
<tr>
<td>Repayment of capital element of finance lease contracts</td>
<td>997</td>
<td>920</td>
</tr>
<tr>
<td>Change in net debt resulting from cash flows</td>
<td>7,377</td>
<td>3,474</td>
</tr>
<tr>
<td>Exchange differences</td>
<td>(2,639)</td>
<td>(24)</td>
</tr>
<tr>
<td>Other</td>
<td>-</td>
<td>(219)</td>
</tr>
<tr>
<td>Movement in net debt</td>
<td>4,738</td>
<td>3,231</td>
</tr>
<tr>
<td>Net debt at 1 April</td>
<td>(12,196)</td>
<td>(15,427)</td>
</tr>
<tr>
<td>Net debt at 31 March</td>
<td>25</td>
<td>(7,458)</td>
</tr>
</tbody>
</table>
I. Accounting Policies

Basis of preparation
The financial statements are prepared under the historical cost convention in accordance with applicable accounting standards.

Goodwill
For acquisitions made on or after 1 April 1998 positive goodwill is capitalised as an intangible fixed asset and amortised through the profit and loss account over its useful economic life to a maximum of 20 years. It is reviewed for impairment at the end of its first full financial year following acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable. Goodwill arising on acquisitions prior to 1 April 1998 has been eliminated against reserves and has not been re-instated on implementation of FRS 10.

If a subsidiary or business is subsequently sold or closed, any goodwill arising on acquisition that was written off directly to reserves or that has not been amortised through the profit and loss account is taken into account in determining the profit or loss on sale or closure.

Basis of consolidation
The Group’s financial statements consolidate the financial statements of Genus plc and its subsidiary companies made up to 31 March. No profit and loss account is presented for the holding company as permitted by Section 230 of the Companies Act 1985.

The results of new subsidiaries are consolidated from the date of acquisition and have been included in the Group accounts using the acquisition method of accounting.

Fixed assets, depreciation and amortisation
Fixed assets, with the exception of the MOET herd, are stated at cost less depreciation. Depreciation and amortisation is calculated to write off the assets over their estimated lives on a straight line basis. Milk quota is amortised on a straight line basis over 10 years. The rates of annual depreciation on tangible fixed assets are as follows:

- Freehold land: Nil
- Freehold buildings: 2% - 10%
- Equipment: 5% - 33⅓%
- Motor vehicles: 20% - 30%
- Livestock: 14% - 50%

The MOET herd is initially stated at cost less any provision for impairment in accordance with FRS 11, which is revised annually. An annual charge for depreciation is not recorded in respect of the MOET herd as the estimated residual value is not materially different from the carrying value.

The carrying value of fixed assets is reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

Government grants
EC and UK Government grants received for the purchase of fixed assets are included in deferred income and subsequently released to the profit and loss account over the useful lives of the assets.
I. Accounting Policies (continued)

Leased assets
Assets acquired under finance leases are capitalised in the balance sheet and depreciated over their estimated useful lives. The capital elements of future lease obligations are included as liabilities on the balance sheet. The related finance charges are charged in the profit and loss account over the periods of the leases and represent a constant proportion of the balance of capital repayments outstanding. Rentals under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

Stocks
Stocks are stated at the lower of cost incurred in bringing each product to its present location and condition, and net realisable value. Cost represents purchase price or production costs including labour and attributable overheads, based on normal levels of activity.

The Group holds stock on consignment from third party suppliers which is not recognised in the accounts. Title to such stock only passes to the Group when it is sold on to a third party and no payment is due until title passes. The Group has no obligation to purchase the stock and is able to return it to the supplier at no cost.

Contract revenues and profit recognition
Contracts are reviewed individually on a consistent basis to assess costs to completion and enable the assessment of the outcome of the contract. Profit is recognised on a percentage of completion basis when the contract’s outcome can be foreseen with reasonable certainty. Provision is made for the full amount of any foreseeable losses on contracts.

Pensions
The Group operates a defined benefit scheme for some of its employees. Pension costs are recognised on a systematic basis to match the costs of providing retirement benefits evenly over the service lives of the employees concerned. Any excess or deficiency of the actuarial value of assets over the actuarial value of liabilities is allocated over the average remaining service lives of current employees.

A number of employees are members of defined contribution pension schemes. Contributions are charged to profit and loss as they become payable in accordance with the rules of the scheme. The assets of these schemes are held separately from those of the Group.

Deferred taxation
Deferred taxation is recognised 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. This is subject to deferred taxation assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted. Timing differences are differences arising between the Group’s taxable profits and its results as stated in the financial statements, which are capable of reversal in one or more subsequent periods.

Deferred taxation is recognised in respect of the future remittance of retained earnings of overseas subsidiaries and associates only to the extent that, at the balance sheet date, dividends have been accrued as receivable.

Deferred taxation is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.
I. Accounting Policies (continued)

Foreign currencies
Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or at the contracted rate if the transaction is covered by a forward foreign currency contract. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rate of exchange ruling at the balance sheet date or if appropriate at the forward contract rate. All differences are taken to the profit and loss account.

The accounts of overseas subsidiary undertakings are translated at the rate of exchange ruling at the balance sheet date. The exchange difference arising on the re-translation of opening net assets is taken directly to reserves. All other translation differences are taken to the profit and loss account, with the exception of differences on foreign currency borrowings to the extent that they are used to finance or provide a hedge against investments in overseas subsidiaries. These are taken directly to reserves together with the exchange difference on the net investment in the subsidiaries. Tax charges and credits attributed to exchange differences on those borrowings are also taken to reserves.

Research and development
The Group’s policy is to write-off expenditure on research and development as incurred.

Derivative instruments
The Group uses forward foreign currency contracts to reduce exposure to foreign exchange rates. The Group also uses interest rate swaps to adjust interest rate exposures.

The Group considers its derivative instruments qualify for hedge accounting when certain criteria are met.

Forward foreign currency contracts
The criteria for forward currency contracts are:

- the instrument must hedge an identified and probable foreign currency asset or liability;
- it must involve the same currency as the hedged item; and
- it must reduce the risk of foreign currency exchange movements on the Group’s operations.

The contract rates are used to record the hedged items. As a result the gains and losses on the hedging instruments are offset against those on the related financial assets and liabilities. Where the investment is used to hedge a committed or probable future transaction, the gains or losses on the hedging instrument are not recognised until the transaction occurs.

Interest rate swaps
The Group’s criteria for interest rate swaps are:

- the instrument must hedge an identified asset or liability; and
- it must change the character of the interest rate by converting a variable rate to a fixed rate or vice versa.

Interest differentials are recognised by accruing the net interest payable. Interest rate swaps are not revalued to fair value or shown on the Group balance sheet at the year end. If they are terminated early, the gain/loss is spread over the remaining maturity of the original instrument.
Notes to the Accounts
at 31 March 2004

2. Turnover and Segmental Analysis

Turnover, which is stated net of value added tax and overseas sales taxes, represents amounts invoiced to third parties.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Bovine Genetics</td>
<td>80,650</td>
<td>79,002</td>
<td>10,064</td>
<td>11,198</td>
<td>42,648</td>
<td>38,000</td>
</tr>
<tr>
<td>Consultancy</td>
<td>22,657</td>
<td>23,930</td>
<td>328</td>
<td>(442)</td>
<td>127</td>
<td>6,554</td>
</tr>
<tr>
<td>Animal Health</td>
<td>80,438</td>
<td>69,955</td>
<td>1,624</td>
<td>962</td>
<td>17,770</td>
<td>18,329</td>
</tr>
<tr>
<td></td>
<td>183,745</td>
<td>172,887</td>
<td>12,016</td>
<td>11,718</td>
<td>60,545</td>
<td>62,883</td>
</tr>
</tbody>
</table>

Inter-segmental sales
(43) (97) - - - -

Unallocated
8 - (1,596) (1,536) (1,840) (1,542)

183,710 172,790 10,420 10,182 48,705 47,457

*before amortisation of goodwill

The results of the discontinued businesses in the year, included above, are tabulated separately on page 33.

<table>
<thead>
<tr>
<th>Area of activity</th>
<th>Operating profit 2004</th>
<th>Operating profit 2003</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£000</td>
<td>£000</td>
</tr>
<tr>
<td>Bovine Genetics</td>
<td>9,145</td>
<td>10,317</td>
</tr>
<tr>
<td>Consultancy</td>
<td>297</td>
<td>(642)</td>
</tr>
<tr>
<td>Animal Health</td>
<td>900</td>
<td>238</td>
</tr>
<tr>
<td></td>
<td>10,342</td>
<td>9,913</td>
</tr>
</tbody>
</table>

Unallocated
(1,596) (1,536)

8,746 8,377

Non-operating exceptional items

<table>
<thead>
<tr>
<th>Area of activity</th>
<th>Non-operating exceptional items 2004</th>
<th>Non-operating exceptional items 2003</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£000</td>
<td>£000</td>
</tr>
<tr>
<td>Bovine Genetics</td>
<td>711</td>
<td>1,266</td>
</tr>
<tr>
<td>Consultancy</td>
<td>-</td>
<td>(3,179)</td>
</tr>
<tr>
<td>Animal Health</td>
<td>-</td>
<td>(61)</td>
</tr>
<tr>
<td>Unallocated</td>
<td>-</td>
<td>34</td>
</tr>
<tr>
<td>Net interest</td>
<td>(1,314)</td>
<td>(1,295)</td>
</tr>
</tbody>
</table>

Profit on ordinary activities before taxation
8,143 5,142
2. Turnover and Segmental Analysis (continued)

Geographical region of origin

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£000</td>
<td>£000</td>
<td>£000</td>
<td>£000</td>
<td>£000</td>
<td>£000</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>141,308</td>
<td>131,421</td>
<td>5,593</td>
<td>4,099</td>
<td>41,481</td>
<td>40,820</td>
</tr>
<tr>
<td>Europe</td>
<td>6,687</td>
<td>6,231</td>
<td>1,019</td>
<td>1,196</td>
<td>2,742</td>
<td>1,854</td>
</tr>
<tr>
<td>North America</td>
<td>34,749</td>
<td>37,128</td>
<td>3,126</td>
<td>3,947</td>
<td>13,408</td>
<td>15,793</td>
</tr>
<tr>
<td>Rest of the World</td>
<td>10,026</td>
<td>6,552</td>
<td>604</td>
<td>671</td>
<td>2,914</td>
<td>4,416</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>192,770</th>
<th>181,332</th>
<th>10,342</th>
<th>9,913</th>
<th>60,545</th>
<th>62,883</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inter-segmental sales</td>
<td>(9,060)</td>
<td>(8,542)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unallocated</td>
<td>-</td>
<td>-</td>
<td>(1,596)</td>
<td>(1,536)</td>
<td>(11,840)</td>
<td>(15,426)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>183,710</th>
<th>172,790</th>
<th>8,746</th>
<th>8,377</th>
<th>48,705</th>
<th>47,457</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-operating exceptional items</td>
<td>711</td>
<td>(1,940)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net interest</td>
<td>(1,314)</td>
<td>(1,295)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit on ordinary activities before taxation</td>
<td>8,143</td>
<td>5,142</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Geographical region of destination

<table>
<thead>
<tr>
<th>Region of Destination</th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£000</td>
<td>£000</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>116,473</td>
<td>107,217</td>
</tr>
<tr>
<td>Europe</td>
<td>19,953</td>
<td>17,077</td>
</tr>
<tr>
<td>North America</td>
<td>22,721</td>
<td>25,248</td>
</tr>
<tr>
<td>Rest of the World</td>
<td>24,563</td>
<td>23,248</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>183,710</th>
<th>172,790</th>
</tr>
</thead>
</table>

Unallocated costs within operating profit are common corporate costs.

Unallocated net liabilities comprise:

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£000</td>
<td>£000</td>
</tr>
<tr>
<td>Fixed assets and investments</td>
<td>241</td>
<td>533</td>
</tr>
<tr>
<td>Debtors</td>
<td>185</td>
<td>961</td>
</tr>
<tr>
<td>Creditors</td>
<td>(240)</td>
<td>(577)</td>
</tr>
<tr>
<td>Net Debt</td>
<td>(7,458)</td>
<td>(12,196)</td>
</tr>
<tr>
<td>Taxation</td>
<td>(2,269)</td>
<td>(2,079)</td>
</tr>
<tr>
<td>Proposed dividends</td>
<td>(2,299)</td>
<td>(1,846)</td>
</tr>
<tr>
<td>Minority interest</td>
<td>-</td>
<td>(222)</td>
</tr>
</tbody>
</table>

|                | (11,840) | (15,426) |

The segmental analysis includes the following results from discontinued activities:

<table>
<thead>
<tr>
<th>Geographical region of origin</th>
<th>Region of destination</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating profit</td>
<td>Turnover</td>
</tr>
<tr>
<td>Source (Target)</td>
<td>£000</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>-</td>
</tr>
<tr>
<td>Europe</td>
<td>-</td>
</tr>
<tr>
<td>North America</td>
<td>-</td>
</tr>
<tr>
<td>Rest of the World</td>
<td>-</td>
</tr>
</tbody>
</table>

|                      | 1,237 | 160 | 1,116 | 528 |

|                      | 3,041 | (436) | (1,594) | - |

|                      | 3,041 | (436) | (1,594) | - |
2. Turnover and Segmental Analysis (continued)

Operating loss for 2003 includes amortisation of goodwill of £169,000.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£000</td>
<td>£000</td>
<td>£000</td>
<td>£000</td>
</tr>
<tr>
<td>Consultancy</td>
<td></td>
<td>3,041 (436)</td>
<td></td>
<td>(1,594)</td>
</tr>
</tbody>
</table>

No significant turnover or profits arose from the business acquired in Chile on 24 March 2004. Net assets acquired in the acquisition are outlined in note 12.

3. Operating Profit

Operating costs comprise:

<table>
<thead>
<tr>
<th>Continuing operations 2004</th>
<th>Discontinued operations 2004</th>
<th>Total 2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of sales</td>
<td>113,755</td>
<td>113,755</td>
</tr>
<tr>
<td>Distribution costs</td>
<td>37,466</td>
<td>37,466</td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>23,307</td>
<td>23,743</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Continuing operations 2003</th>
<th>Discontinued operations 2003</th>
<th>Total 2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of sales</td>
<td>101,702</td>
<td>105,699</td>
</tr>
<tr>
<td>Distribution costs</td>
<td>32,198</td>
<td>32,198</td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>25,878</td>
<td>26,516</td>
</tr>
</tbody>
</table>

This is stated after charging/(crediting):

<table>
<thead>
<tr>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>£000</td>
<td>£000</td>
</tr>
<tr>
<td>Auditors’ remuneration</td>
<td></td>
</tr>
<tr>
<td>- audit services</td>
<td>264</td>
</tr>
<tr>
<td>- non-audit services</td>
<td>59</td>
</tr>
<tr>
<td>Depreciation of owned fixed assets</td>
<td>2,786</td>
</tr>
<tr>
<td>Depreciation of assets held under finance leases and hire purchase contracts</td>
<td>850</td>
</tr>
<tr>
<td>Amortisation of milk quota</td>
<td>8</td>
</tr>
<tr>
<td>Amortisation of goodwill</td>
<td>1,674</td>
</tr>
<tr>
<td>Operating lease rentals</td>
<td></td>
</tr>
<tr>
<td>- plant and machinery</td>
<td>530</td>
</tr>
<tr>
<td>- land and buildings</td>
<td>824</td>
</tr>
<tr>
<td>Research and development costs</td>
<td>8,955</td>
</tr>
<tr>
<td>Government grants released</td>
<td>(2)</td>
</tr>
<tr>
<td>Loss/(profit) on sale of fixed assets</td>
<td>183</td>
</tr>
</tbody>
</table>

£48,000 (2003: £47,700) of auditors’ remuneration for audit services relates to the Company.

Exceptional costs compromise:

<table>
<thead>
<tr>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>£000</td>
<td>£000</td>
</tr>
<tr>
<td>Abortive acquisition costs</td>
<td>147</td>
</tr>
<tr>
<td>Settlement of Employment case in USA and related costs</td>
<td>356</td>
</tr>
<tr>
<td>Relocation of Head Office</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>503</td>
</tr>
</tbody>
</table>
4. Interest Receivable and Similar Income

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£000</td>
<td>£000</td>
</tr>
<tr>
<td>Bank interest receivable</td>
<td>5</td>
<td>61</td>
</tr>
<tr>
<td>Other similar income</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>5</td>
<td>62</td>
</tr>
</tbody>
</table>

5. Interest Payable and Similar Charges

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£000</td>
<td>£000</td>
</tr>
<tr>
<td>Bank loans and overdrafts</td>
<td>1,036</td>
<td>995</td>
</tr>
<tr>
<td>Loan notes</td>
<td>75</td>
<td>111</td>
</tr>
<tr>
<td>Finance charges payable under finance lease and hire purchase contracts</td>
<td>124</td>
<td>177</td>
</tr>
<tr>
<td>Amortisation of issue costs</td>
<td>72</td>
<td>72</td>
</tr>
<tr>
<td>Other similar charges</td>
<td>12</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>1,319</td>
<td>1,357</td>
</tr>
</tbody>
</table>

6. Taxation

(a) Tax on profit on ordinary activities

The taxation charge for the year is made up as follows:

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£000</td>
<td>£000</td>
</tr>
<tr>
<td>UK corporation tax</td>
<td>1,220</td>
<td>876</td>
</tr>
<tr>
<td>Adjustment in respect of previous periods – UK corporation tax</td>
<td>(34)</td>
<td>89</td>
</tr>
<tr>
<td>Total UK tax</td>
<td>1,186</td>
<td>965</td>
</tr>
<tr>
<td>Overseas tax</td>
<td>1,491</td>
<td>1,114</td>
</tr>
<tr>
<td>Adjustment in respect of previous periods – Overseas tax</td>
<td>77</td>
<td>-</td>
</tr>
<tr>
<td>Total Overseas tax</td>
<td>1,568</td>
<td>1,114</td>
</tr>
<tr>
<td>Total current tax (note 6(c))</td>
<td>2,754</td>
<td>2,079</td>
</tr>
<tr>
<td>Deferred tax - origination and reversal of timing differences</td>
<td>137</td>
<td>345</td>
</tr>
<tr>
<td>- adjustment in respect of previous periods</td>
<td>(95)</td>
<td>(99)</td>
</tr>
<tr>
<td>Group deferred tax (note 19)</td>
<td>42</td>
<td>246</td>
</tr>
<tr>
<td>Tax on profit on ordinary activities</td>
<td>2,796</td>
<td>2,325</td>
</tr>
</tbody>
</table>

The tax effect of the disposal of properties, investments and businesses amounted to £nil (2003: (£120,000)).

(b) Tax included in Consolidated Statement of Total Recognised Gains and Losses

The tax (credit)/charge is made up as follows:

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£000</td>
<td>£000</td>
</tr>
<tr>
<td>UK corporation tax</td>
<td>-</td>
<td>53</td>
</tr>
<tr>
<td>Total current tax</td>
<td>-</td>
<td>53</td>
</tr>
<tr>
<td>Deferred tax - origination and reversal of timing differences</td>
<td>-</td>
<td>(320)</td>
</tr>
<tr>
<td>- adjustment in respect of previous periods</td>
<td>-</td>
<td>13</td>
</tr>
<tr>
<td>Total deferred tax (note 19)</td>
<td>-</td>
<td>(307)</td>
</tr>
<tr>
<td></td>
<td>-</td>
<td>(254)</td>
</tr>
</tbody>
</table>
6. Taxation (continued)

(c) Factors affecting the tax charge for the year
The tax charged for the year is higher than the standard rate of corporation tax in the UK of 30%.
The differences are explained below:

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit on ordinary activities before tax</td>
<td>8,143</td>
<td>5,142</td>
</tr>
<tr>
<td>Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%</td>
<td>2,443</td>
<td>1,542</td>
</tr>
<tr>
<td><strong>Effects of:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expenses not deductible for tax purposes (including goodwill amortisation)</td>
<td>140</td>
<td>556</td>
</tr>
<tr>
<td>Tax effect of timing differences arising in the accounts</td>
<td>(154)</td>
<td>(499)</td>
</tr>
<tr>
<td>Adjustments to tax charge in respect of previous periods</td>
<td>43</td>
<td>89</td>
</tr>
<tr>
<td>Overseas tax rate higher than in UK</td>
<td>378</td>
<td>342</td>
</tr>
<tr>
<td>Utilisation of tax losses</td>
<td>(96)</td>
<td>(106)</td>
</tr>
<tr>
<td>Losses arising in the year not relieved against current tax</td>
<td>-</td>
<td>155</td>
</tr>
<tr>
<td><strong>Total current tax (note 6(a))</strong></td>
<td>2,754</td>
<td>2,079</td>
</tr>
</tbody>
</table>

(d) Factors that may affect the future tax charge
A deferred tax asset has not been recognised in respect of timing differences relating to capital allowances, short term timing differences and losses as there is insufficient evidence that the asset will be recovered. The amount of the asset not recognised is £876,000. The asset would be recovered if future relevant profits arose when the reversal of timing differences could be used against them.

7. Dividend

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prior year dividend on shares issued after year end</td>
<td>7</td>
<td>-</td>
</tr>
<tr>
<td>Proposed dividend</td>
<td>6.5p</td>
<td>5.5p</td>
</tr>
<tr>
<td></td>
<td>2,299</td>
<td>1,846</td>
</tr>
<tr>
<td></td>
<td>2,306</td>
<td>1,846</td>
</tr>
</tbody>
</table>

8. Earnings Per Share
The basic earnings per share of 15.5p (2003: 8.3p) is based on the profit for the financial year of £5,273,000 (2003: £2,754,000) and the weighted average number of ordinary shares in issue of 34,051,042 (2003: 33,322,000).
The underlying earnings per share of 19.5p (2003: 22.2p) is based on the earnings of continuing operations before amortisation of goodwill and exceptional items as set out below:

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit for the financial year</td>
<td>5,273</td>
<td>2,754</td>
</tr>
<tr>
<td>Add: Amortisation of goodwill</td>
<td>1,674</td>
<td>1,805</td>
</tr>
<tr>
<td>Exceptional operating items</td>
<td>503</td>
<td>247</td>
</tr>
<tr>
<td>Profit on disposal of investment</td>
<td>-</td>
<td>(34)</td>
</tr>
<tr>
<td>(Profit)/loss on disposal of properties and businesses</td>
<td>(711)</td>
<td>1,974</td>
</tr>
<tr>
<td>Loss on discontinued operations</td>
<td>436</td>
<td>1,425</td>
</tr>
<tr>
<td></td>
<td>7,175</td>
<td>8,171</td>
</tr>
<tr>
<td>Less: Associated taxation on adjustments</td>
<td>(539)</td>
<td>(775)</td>
</tr>
<tr>
<td><strong>Underlying earnings</strong></td>
<td>6,636</td>
<td>7,396</td>
</tr>
</tbody>
</table>
8. Earning per Share (continued)

The directors consider that underlying earnings per share as calculated is an appropriate and consistent measure of the Group’s performance.

The diluted earnings per share of 15.3p (2003: 8.1p) is based on profit for the financial year of £5,273,000 (2003: £2,754,000) and on 34,488,843 (2003: 34,175,000) diluted ordinary shares as set out below:

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£000</td>
<td>£000</td>
</tr>
<tr>
<td>Basic weighted average number of shares</td>
<td>34,051</td>
<td>33,322</td>
</tr>
<tr>
<td>Dilutive potential ordinary shares:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee share options</td>
<td>438</td>
<td>853</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>34,489</td>
<td>34,175</td>
</tr>
</tbody>
</table>

9. Employees

Staff costs during the year amounted to:

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£000</td>
<td>£000</td>
</tr>
<tr>
<td>Wages and salaries</td>
<td>26,981</td>
<td>28,358</td>
</tr>
<tr>
<td>Social security costs</td>
<td>3,928</td>
<td>5,405</td>
</tr>
<tr>
<td>Other pension costs</td>
<td>1,260</td>
<td>1,163</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>32,169</td>
<td>34,926</td>
</tr>
</tbody>
</table>

The average number of employees during the year was as follows:

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Production and service</td>
<td>670</td>
<td>581</td>
</tr>
<tr>
<td>Distribution</td>
<td>430</td>
<td>479</td>
</tr>
<tr>
<td>Administration</td>
<td>225</td>
<td>292</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,325</td>
<td>1,352</td>
</tr>
</tbody>
</table>

Details of directors’ emoluments, pensions and share options are included in the Report on Directors’ Remuneration on pages 18 to 19.

10. Intangible Fixed Assets

<table>
<thead>
<tr>
<th></th>
<th>Goodwill £000</th>
<th>Milk Quota £000</th>
<th>Total £000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 April 2003</td>
<td>37,489</td>
<td>126</td>
<td>37,615</td>
</tr>
<tr>
<td>Additions</td>
<td>998</td>
<td>-</td>
<td>998</td>
</tr>
<tr>
<td>Exchange rate adjustment</td>
<td>(2,008)</td>
<td>-</td>
<td>(2,008)</td>
</tr>
<tr>
<td>At 31 March 2004</td>
<td>36,479</td>
<td>126</td>
<td>36,605</td>
</tr>
<tr>
<td><strong>Amortisation:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 April 2003</td>
<td>9,365</td>
<td>103</td>
<td>9,468</td>
</tr>
<tr>
<td>Charge in the year</td>
<td>1,674</td>
<td>8</td>
<td>1,682</td>
</tr>
<tr>
<td>Exchange rate adjustment</td>
<td>(420)</td>
<td>-</td>
<td>(420)</td>
</tr>
<tr>
<td>At 31 March 2004</td>
<td>10,619</td>
<td>111</td>
<td>10,730</td>
</tr>
<tr>
<td><strong>Net book value:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 31 March 2004</td>
<td>25,860</td>
<td>15</td>
<td>25,875</td>
</tr>
<tr>
<td>At 1 April 2003</td>
<td>28,124</td>
<td>23</td>
<td>28,147</td>
</tr>
</tbody>
</table>
### 10. Intangible Fixed Assets (continued)

Goodwill arising on acquisitions is being amortised over the directors’ estimate of the useful life of 20 years.

Additions during the year can be summarised as follows:

<table>
<thead>
<tr>
<th></th>
<th>£000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisition of Agrotec SA</td>
<td>307</td>
</tr>
<tr>
<td>Buyout of minority in BOVEC SA</td>
<td>58</td>
</tr>
<tr>
<td>Investments in Australia</td>
<td>277</td>
</tr>
<tr>
<td>Investments in Brazil</td>
<td>356</td>
</tr>
<tr>
<td></td>
<td>998</td>
</tr>
</tbody>
</table>

The investments in Australia relate to payments made pursuant to the agreement to acquire the business of RAB during the prior year. The investment in Brazil represents an additional cost of investment in the business of ABS Pecplan Ltda.

### 11. Tangible Fixed Assets

<table>
<thead>
<tr>
<th>Group</th>
<th>Land and buildings</th>
<th>Motor vehicles and equipment</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Freehold</td>
<td>Owned</td>
</tr>
<tr>
<td></td>
<td>£000</td>
<td>£000</td>
</tr>
<tr>
<td>Cost:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 April 2003</td>
<td>8,846</td>
<td>12,957</td>
</tr>
<tr>
<td>Additions</td>
<td>194</td>
<td>2,030</td>
</tr>
<tr>
<td>Acquisitions</td>
<td>-</td>
<td>39</td>
</tr>
<tr>
<td>Disposals</td>
<td>(795)</td>
<td>(1,805)</td>
</tr>
<tr>
<td>Exchange rate difference</td>
<td>(113)</td>
<td>(292)</td>
</tr>
<tr>
<td>At 31 March 2004</td>
<td>8,132</td>
<td>12,929</td>
</tr>
</tbody>
</table>

| Depreciation:  |                   |                |                |           |       |
| At 1 April 2003 | 1,785             | 8,980          | 2,907          | 2,461     | 16,133|
| Charge in the year | 271               | 1,879          | 438            | 1,051     | 3,636 |
| Disposals       | (374)             | (1,742)        | (494)          | (719)     | (3,329)|
| Exchange rate difference | (7) | (241) | (7) | (77) | (332) |
| At 31 March 2004 | 1,675             | 8,876          | 2,841          | 2,716     | 16,108|

| Net book value: |                   |                |                |           |       |
| At 31 March 2004 | 6,457             | 4,053          | 2,303          | 3,063     | 15,876|
| At 1 April 2003  | 7,061             | 3,977          | 2,431          | 3,382     | 16,851|

As at 31 March 2004 and 31 March 2003, the MOET herd was included in the livestock balance at a cost of £1,817,000 and net book value of £509,000.
12. Investments

### Group

<table>
<thead>
<tr>
<th>Trade Investments</th>
<th>Unlisted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£000</td>
<td>£000</td>
</tr>
<tr>
<td>Cost:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 April 2003</td>
<td>83</td>
<td>83</td>
</tr>
<tr>
<td>Additions</td>
<td>158</td>
<td>158</td>
</tr>
<tr>
<td>At 31 March 2004</td>
<td>241</td>
<td>241</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Company</th>
<th>Loans to Subsidiary Undertakings</th>
<th>Subsidiary Undertakings</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£000</td>
<td>£000</td>
<td>£000</td>
</tr>
<tr>
<td>Cost:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 April 2003</td>
<td></td>
<td>45,095</td>
<td>45,095</td>
</tr>
<tr>
<td>Additions</td>
<td>5,424</td>
<td>392</td>
<td>5,816</td>
</tr>
<tr>
<td>At 31 March 2004</td>
<td>5,424</td>
<td>45,487</td>
<td>50,911</td>
</tr>
</tbody>
</table>

**Provision for impairment:**
- At 1 April 2003 and at 31 March 2004: 4,142
- Net book value:
  - At 31 March 2004: 5,424
  - At 1 April 2003: 40,953

### Analysis of acquisitions during the year

On 24 March 2004 the Group acquired the trade and certain assets of Agrotec ABS Ltda, a company incorporated in Chile, for a consideration of £543,000 inclusive of fees. An analysis of this acquisition is set out below.

<table>
<thead>
<tr>
<th>Net assets acquired:</th>
<th>Book Value £000</th>
<th>Fair Value Adjustments £000</th>
<th>Fair Value £000</th>
<th>Other Acquisitions £000</th>
<th>Total £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed assets</td>
<td>39</td>
<td>-</td>
<td>39</td>
<td>-</td>
<td>39</td>
</tr>
<tr>
<td>Stocks</td>
<td>325</td>
<td>(174)</td>
<td>151</td>
<td>-</td>
<td>151</td>
</tr>
<tr>
<td>Debtors</td>
<td>246</td>
<td>-</td>
<td>246</td>
<td>-</td>
<td>246</td>
</tr>
<tr>
<td>Creditors: amounts falling due within one year</td>
<td>(200)</td>
<td>-</td>
<td>(200)</td>
<td>-</td>
<td>(200)</td>
</tr>
<tr>
<td></td>
<td>410</td>
<td>(174)</td>
<td>236</td>
<td>-</td>
<td>236</td>
</tr>
<tr>
<td>Goodwill arising on acquisition</td>
<td>307</td>
<td>691</td>
<td>998</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>543</td>
<td>691</td>
<td>1,234</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Cash consideration inclusive of fees:**
- 543
- 691
- 1,234

Fair value adjustments comprise the revaluation of stocks to align with Group accounting policies.

No material trading results or cash flows accrued in the period between acquisition and the year end.

Other acquisitions relates to further payments made pursuant to the agreement to acquire the business of RAB during the prior year, an additional cost of investment in the business of ABS Pecplan Ltda and purchase of minority shareholdings in Bovec SA.
### 13. Stocks

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumable stores</td>
<td>8</td>
<td>15</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Goods for resale</td>
<td>15,635</td>
<td>16,851</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Livestock</td>
<td>590</td>
<td>774</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>16,233</strong></td>
<td><strong>17,640</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

In the directors’ opinion the replacement cost of stocks is not materially different from their balance sheet value.

### 14. Debtors

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade debtors</td>
<td>26,054</td>
<td>26,954</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amounts recoverable on contracts</td>
<td>4,220</td>
<td>2,862</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other debtors</td>
<td>1,172</td>
<td>1,417</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amounts owed by subsidiaries</td>
<td>-</td>
<td>-</td>
<td>24,950</td>
<td>33,774</td>
</tr>
<tr>
<td>Prepayments and accrued income</td>
<td>1,010</td>
<td>944</td>
<td></td>
<td>11</td>
</tr>
<tr>
<td>Prepaid corporation tax recoverable</td>
<td>-</td>
<td>-</td>
<td>250</td>
<td>642</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>32,456</strong></td>
<td><strong>32,177</strong></td>
<td><strong>25,542</strong></td>
<td><strong>34,427</strong></td>
</tr>
</tbody>
</table>

### 15. Creditors: amounts falling due within one year

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank loans</td>
<td>2,170</td>
<td>4,007</td>
<td>2,094</td>
<td>4,007</td>
</tr>
<tr>
<td>Bank overdrafts</td>
<td>6,240</td>
<td>5,908</td>
<td>16,950</td>
<td>9,533</td>
</tr>
<tr>
<td>Loan notes</td>
<td>1,637</td>
<td>2,616</td>
<td>1,637</td>
<td>2,616</td>
</tr>
<tr>
<td>Obligations under finance leases</td>
<td>1,136</td>
<td>962</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade creditors</td>
<td>16,255</td>
<td>19,364</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payments on account on contracts</td>
<td>3,825</td>
<td>1,007</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other creditors</td>
<td>842</td>
<td>346</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporation and overseas tax</td>
<td>1,670</td>
<td>1,456</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amounts owed to subsidiaries</td>
<td>-</td>
<td>-</td>
<td>6,282</td>
<td>12,493</td>
</tr>
<tr>
<td>Other taxes and social security</td>
<td>2,983</td>
<td>3,510</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accruals and deferred income</td>
<td>5,876</td>
<td>6,506</td>
<td>293</td>
<td>447</td>
</tr>
<tr>
<td>Proposed dividend</td>
<td>2,299</td>
<td>1,846</td>
<td>2,299</td>
<td>1,846</td>
</tr>
<tr>
<td>Deferred consideration</td>
<td>57</td>
<td>108</td>
<td></td>
<td>108</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>44,990</strong></td>
<td><strong>47,636</strong></td>
<td><strong>29,555</strong></td>
<td><strong>31,050</strong></td>
</tr>
</tbody>
</table>

The bank loans and overdrafts are secured by fixed and floating charges over certain of the Group’s assets. The loan notes are unsecured and are underwritten by bank guarantees. The loan notes are repayable on request on 30 September 2004.
16. Creditors: amounts falling due after more than one year

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£000</td>
<td>£000</td>
<td>£000</td>
<td>£000</td>
</tr>
<tr>
<td>Bank loans</td>
<td>233</td>
<td>4,151</td>
<td>-</td>
<td>4,151</td>
</tr>
<tr>
<td>Obligations under finance leases</td>
<td>372</td>
<td>1,383</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Deferred income</td>
<td>-</td>
<td>225</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>605</td>
<td>5,759</td>
<td>-</td>
<td>4,151</td>
</tr>
</tbody>
</table>

17. Loans

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£000</td>
<td>£000</td>
<td>£000</td>
<td>£000</td>
</tr>
<tr>
<td>Amounts falling due:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>In one year or less or on demand</td>
<td>2,596</td>
<td>6,695</td>
<td>2,520</td>
<td>6,695</td>
</tr>
<tr>
<td>In more than one year but not more than two years</td>
<td>1,396</td>
<td>3,217</td>
<td>1,320</td>
<td>3,217</td>
</tr>
<tr>
<td>In more than two years but not more than five years</td>
<td>157</td>
<td>1,044</td>
<td>-</td>
<td>1,044</td>
</tr>
<tr>
<td></td>
<td>4,149</td>
<td>10,956</td>
<td>3,840</td>
<td>10,956</td>
</tr>
<tr>
<td>Less: issue costs</td>
<td>(109)</td>
<td>(182)</td>
<td>(109)</td>
<td>(182)</td>
</tr>
<tr>
<td></td>
<td>4,040</td>
<td>10,774</td>
<td>3,731</td>
<td>10,774</td>
</tr>
<tr>
<td>Less: included in creditors - amounts falling due within one year</td>
<td>(3,807)</td>
<td>(6,623)</td>
<td>(3,731)</td>
<td>(6,623)</td>
</tr>
<tr>
<td></td>
<td>233</td>
<td>4,151</td>
<td>-</td>
<td>4,151</td>
</tr>
</tbody>
</table>

Loans comprise:

Bank loans - due within one year | 2,170 | 4,007 | 2,094 | 4,007 |
Bank loans - due after more than one year | 233 | 4,151 | - | 4,151 |
Loan notes | 1,637 | 2,616 | 1,637 | 2,616 |
|                          | 4,040      | 10,774     | 3,731        | 10,774       |

18. Obligations Under Finance Leases and Hire Purchase Contracts

The maturity of these is as follows:

<table>
<thead>
<tr>
<th></th>
<th>Group 2004</th>
<th>Group 2003</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£000</td>
<td>£000</td>
</tr>
<tr>
<td>Amounts payable:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>within one year</td>
<td>1,136</td>
<td>962</td>
</tr>
<tr>
<td>within two to five years</td>
<td>372</td>
<td>1,383</td>
</tr>
<tr>
<td></td>
<td>1,508</td>
<td>2,345</td>
</tr>
</tbody>
</table>
19. Provisions for Liabilities and Charges

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Provision for deferred taxation</td>
<td>599</td>
<td>623</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Pension costs</td>
<td>82</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td><strong>681</strong></td>
<td><strong>623</strong></td>
</tr>
</tbody>
</table>

The movements in deferred taxation are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Group</th>
<th>Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 1 April 2003</td>
<td>623</td>
<td>-</td>
</tr>
<tr>
<td>Deferred tax charge in profit and loss account (note 6(a))</td>
<td>42</td>
<td>-</td>
</tr>
<tr>
<td>Foreign exchange movement</td>
<td>(66)</td>
<td>-</td>
</tr>
<tr>
<td>At 31 March 2004</td>
<td>599</td>
<td>-</td>
</tr>
</tbody>
</table>

The amounts provided are as follows:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital allowances in excess of depreciation</td>
<td>301</td>
<td>243</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other timing differences</td>
<td>298</td>
<td>380</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td><strong>599</strong></td>
<td><strong>623</strong></td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

20. Accruals and Deferred Income

Deferred government grants:

<table>
<thead>
<tr>
<th></th>
<th>Group £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 1 April 2003</td>
<td>32</td>
</tr>
<tr>
<td>Released to profit and loss account</td>
<td>(2)</td>
</tr>
<tr>
<td>At 31 March 2004</td>
<td>30</td>
</tr>
</tbody>
</table>

21. Share Capital

<table>
<thead>
<tr>
<th></th>
<th>2004 No</th>
<th>2004 £000</th>
<th>2003 No</th>
<th>2003 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Authorised</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ordinary shares of 10p</td>
<td>43,070,000</td>
<td>4,307</td>
<td>43,070,000</td>
<td>4,307</td>
</tr>
<tr>
<td>Allotted and fully paid</td>
<td>35,363,284</td>
<td>3,536</td>
<td>33,566,004</td>
<td>3,357</td>
</tr>
</tbody>
</table>
21. Share Capital

The movements in share capital for the year are as follows:

<table>
<thead>
<tr>
<th>Notes</th>
<th>2004 Consideration</th>
<th>2003 Consideration</th>
</tr>
</thead>
<tbody>
<tr>
<td>No</td>
<td>£000</td>
<td>No</td>
</tr>
<tr>
<td>New shares issued</td>
<td>725,000</td>
<td>1,450</td>
</tr>
<tr>
<td>Issued under the following share option plans –</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Executive</td>
<td>(1) 108,138</td>
<td>193</td>
</tr>
<tr>
<td>Company Share Option Plan</td>
<td>(1) 354,887</td>
<td>236</td>
</tr>
<tr>
<td>Savings Related</td>
<td>609,255</td>
<td>567</td>
</tr>
<tr>
<td>Repurchased and cancelled</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td><strong>1,797,280</strong></td>
<td><strong>2,446</strong></td>
</tr>
</tbody>
</table>

(1) Shares issued directly under the share option plans in 2004 were issued at an option price as follows:

<table>
<thead>
<tr>
<th>Plan</th>
<th>No</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company</td>
<td>274,400</td>
<td>50p</td>
</tr>
<tr>
<td>Executive</td>
<td>80,487</td>
<td>123p</td>
</tr>
<tr>
<td></td>
<td>5,710</td>
<td>175p</td>
</tr>
<tr>
<td></td>
<td>11,111</td>
<td>90p</td>
</tr>
<tr>
<td></td>
<td>13,395</td>
<td>173p</td>
</tr>
<tr>
<td></td>
<td>77,922</td>
<td>192.5p</td>
</tr>
<tr>
<td>Savings Related</td>
<td>609,255</td>
<td>93p</td>
</tr>
</tbody>
</table>

(2) At 31 March 2004 the Qualifying Employee Share Ownership Trust (“Quest”) held 92,334 shares in the Company (31 March 2003: 92,334). The Quest has waived its rights to dividends from the Company. The market value of shares in the Quest as at 31 March 2004 was £174,000 (31 March 2003: £142,000)

Options outstanding to employees were as follows:

<table>
<thead>
<tr>
<th>Option scheme</th>
<th>Options granted</th>
<th>Number of shares</th>
<th>Option price per share</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Company Share Option Plan</td>
<td>29 August 1997</td>
<td>25,000</td>
<td>50p</td>
</tr>
<tr>
<td>(2) Executive Plan</td>
<td>21 March 1997</td>
<td>15,600</td>
<td>50p</td>
</tr>
<tr>
<td>(3) 1999 Executive Plan</td>
<td>4 November 1999</td>
<td>141,909</td>
<td>175p</td>
</tr>
<tr>
<td>(4) 1999 Executive Plan</td>
<td>6 March 2000</td>
<td>284,030</td>
<td>175p</td>
</tr>
<tr>
<td>(5) Savings Related Scheme</td>
<td>1 April 2001</td>
<td>61,489</td>
<td>93p</td>
</tr>
<tr>
<td>(6) 2000 Company Share Plan</td>
<td>28 November 2001</td>
<td>604,592</td>
<td>90p</td>
</tr>
<tr>
<td>(7) 2000 Company Share Plan</td>
<td>11 June 2002</td>
<td>344,571</td>
<td>173p</td>
</tr>
<tr>
<td>(8) 2000 Company Share Plan</td>
<td>19 December 2002</td>
<td>25,000</td>
<td>173p</td>
</tr>
<tr>
<td>(9) 2000 Company Share Plan</td>
<td>6 June 2003</td>
<td>343,883</td>
<td>192.5p</td>
</tr>
</tbody>
</table>
21. Share Capital (continued)

The options are exercisable between the following dates:

(1) 28 August 2000 and 29 August 2007
(2) 20 March 2000 and 21 March 2007
(3) 3 November 2002 and 4 November 2009
(4) 5 March 2003 and 6 March 2010
(5) 1 March 2004 and 1 September 2004
(6) 28 November 2004 and 29 November 2011
(7) 11 June 2005 and 12 June 2012
(8) 19 December 2005 and 20 December 2012
(9) 6 June 2006 and 7 June 2013

The options under (1), (2), (3) and (4) are now exercisable. Shares from (5) have been exercised in the year when members of the scheme have been made redundant and as the scheme has matured. The options under (3), (4), (6), (7), (8) and (9) can only be exercised if over a three year period the average annual percentage growth in EPS exceeds either 6% or a minimum of 3% above RPI for the same period, unless provisions for “good leavers” have been met when members retire or are made redundant. The Company has taken advantage of the exemption of UITF 17 as revised in not applying UITF 17 to its SAYE scheme.

22. Reserves

<table>
<thead>
<tr>
<th></th>
<th>Share premium account £000</th>
<th>Profit and loss account £000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Group</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 April 2003</td>
<td>34,708</td>
<td>9,392</td>
</tr>
<tr>
<td>Retained profit for the year</td>
<td>-</td>
<td>2,967</td>
</tr>
<tr>
<td>Premium on shares issued</td>
<td>2,267</td>
<td>-</td>
</tr>
<tr>
<td>Exchange difference on re-translation of net assets</td>
<td>- (4,165)</td>
<td></td>
</tr>
<tr>
<td>At 31 March 2004</td>
<td>36,975</td>
<td>8,194</td>
</tr>
</tbody>
</table>

| **Company**          |                            |                            |
| At 1 April 2003      | 34,708                     | 2,114                      |
| Retained profit for the year | -                          | 1,883                      |
| Premium on shares issued | 2,267                     | -                          |
| Exchange difference on re-translation of loans | - (1,752) |                            |
| At 31 March 2004     | 36,975                     | 2,245                      |

The profit attributable to members of the parent company was £4,189,000 (2003: loss £2,216,000).
The cumulative amount of goodwill written off to reserves at 31 March 2004 is £1,368,000 (2003: £1,368,000).
23. Reconciliation of Shareholders’ Funds

<table>
<thead>
<tr>
<th></th>
<th>2004 £000</th>
<th>2003 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Group</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shareholders’ funds at 1 April</td>
<td>47,457</td>
<td>48,332</td>
</tr>
<tr>
<td>Retained profit for the year</td>
<td>2,967</td>
<td>908</td>
</tr>
<tr>
<td>New share capital subscribed</td>
<td>2,446</td>
<td>602</td>
</tr>
<tr>
<td>Exchange rate difference on translation of net assets from overseas subsidiaries</td>
<td>(4,165)</td>
<td>(2,522)</td>
</tr>
<tr>
<td>Tax on exchange rate difference</td>
<td>-</td>
<td>254</td>
</tr>
<tr>
<td>Repurchase of shares</td>
<td>-</td>
<td>(117)</td>
</tr>
<tr>
<td>Shareholders’ funds at 31 March</td>
<td>48,705</td>
<td>47,457</td>
</tr>
</tbody>
</table>

24. Reconciliation of Operating Profit to Net Cash Flow from Operating Activities

<table>
<thead>
<tr>
<th></th>
<th>2004 £000</th>
<th>2003 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating profit</strong></td>
<td>8,746</td>
<td>8,377</td>
</tr>
<tr>
<td>Depreciation</td>
<td>3,636</td>
<td>3,435</td>
</tr>
<tr>
<td>Amortisation of milk quota</td>
<td>8</td>
<td>7</td>
</tr>
<tr>
<td>Amortisation of goodwill</td>
<td>1,674</td>
<td>1,805</td>
</tr>
<tr>
<td>Loss/(profit) on disposal of fixed assets</td>
<td>183</td>
<td>(304)</td>
</tr>
<tr>
<td>Deferred government grants</td>
<td>(2)</td>
<td>(1)</td>
</tr>
<tr>
<td>Decrease/(increase) in stocks</td>
<td>1,558</td>
<td>(2,850)</td>
</tr>
<tr>
<td>Decrease in debtors</td>
<td>(33)</td>
<td>(2,555)</td>
</tr>
<tr>
<td>(Decrease)/increase in creditors</td>
<td>(1,377)</td>
<td>5,540</td>
</tr>
<tr>
<td><strong>Net cash inflow from operating activities</strong></td>
<td>14,393</td>
<td>13,454</td>
</tr>
</tbody>
</table>

Cash flows relating to acquisition of the Chilean business are shown in note 12.

Cash flows relating to operating exceptional items in 2004 includes cash outflows of £147,000 in respect of expenditure on aborted acquisitions and £356,000 in respect of settlement of an employment case in the United States (2003: £247,000 in respect of office relocation).

25. Analysis of Changes in Net Debt During the Year

<table>
<thead>
<tr>
<th></th>
<th>At 1 April £000</th>
<th>Cash flows £000</th>
<th>Foreign Exchange £000</th>
<th>At 31 March £000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash at bank and in hand</strong></td>
<td>6,831</td>
<td>(1,542)</td>
<td>(959)</td>
<td>4,330</td>
</tr>
<tr>
<td><strong>Bank overdrafts</strong></td>
<td>(5,908)</td>
<td>1,348</td>
<td>(1,680)</td>
<td>(6,240)</td>
</tr>
<tr>
<td><strong>Cash</strong></td>
<td>923</td>
<td>(194)</td>
<td>(2,639)</td>
<td>(1,910)</td>
</tr>
<tr>
<td><strong>Bank loans</strong></td>
<td>(8,158)</td>
<td>5,755</td>
<td>-</td>
<td>(2,403)</td>
</tr>
<tr>
<td><strong>Loan notes</strong></td>
<td>(2,616)</td>
<td>979</td>
<td>-</td>
<td>(1,637)</td>
</tr>
<tr>
<td><strong>Obligations under finance leases and hire purchase contracts</strong></td>
<td>(2,345)</td>
<td>837</td>
<td>-</td>
<td>(1,508)</td>
</tr>
<tr>
<td></td>
<td>(12,196)</td>
<td>7,377</td>
<td>(2,639)</td>
<td>(7,458)</td>
</tr>
</tbody>
</table>
26. **Capital Commitments**
   At 31 March 2004 capital expenditure amounting to £53,000 (2003: £nil) had been contracted for.

27. **Contingent Liabilities**
   At 31 March 2004 Barclays Bank plc had issued performance bonds and guarantees totalling £3,995,000 (31 March 2003: £3,295,000) to the customers of the Development Consulting business as surety for completion of the projects undertaken. All bonds and guarantees were issued with full recourse.

28. **Operating Lease Rentals**
   Annual commitments under non-cancellable operating leases as follows.
   
<table>
<thead>
<tr>
<th>Group</th>
<th>2004</th>
<th>2003</th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£000</td>
<td>£000</td>
<td>£000</td>
<td>£000</td>
</tr>
<tr>
<td>Operating leases which expire:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>within one year</td>
<td>65</td>
<td>53</td>
<td>65</td>
<td>48</td>
</tr>
<tr>
<td>within two to five years</td>
<td>452</td>
<td>229</td>
<td>376</td>
<td>318</td>
</tr>
<tr>
<td>after five years</td>
<td>320</td>
<td>449</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>837</td>
<td>731</td>
<td>441</td>
<td>366</td>
</tr>
</tbody>
</table>

29. **Pensions**
   Some permanent staff of Genus plc are eligible for membership of The Milk Pension Fund, which is a defined benefit scheme administered by Milk Pension Fund Trustees Limited which includes three Genus Trustee directors, T P Acton, S J Amies and T Gatley. The scheme was closed to new members during the previous year.

   The funded scheme is that previously operated by the Milk Marketing Board, and is also open to membership of staff working for Milk Marque Ltd (the principal employer), National Milk Records plc, First Milk Ltd, Dairy Farmers of Britain Ltd, Milk Link Ltd, the Milk Development Council and hauliers associated to First Milk, Dairy Farmers of Britain and Milk Link.

   Milk Marque Ltd has given notice of its intention to withdraw from the Milk Pension Fund. The Trustees of the Fund are currently negotiating with Milk Marque Ltd the terms of their withdrawal.

   The net pension cost charged for the year was £1,260,000 (2003: £1,163,000), split between £952,000 into defined benefit schemes (2003: £929,000) and £308,000 into defined contribution schemes (2003: £234,000), which is after deduction of an offset of £nil (2003: £282,000) in respect of the amortisation of past service surpluses over the average remaining service lives of employees. The term of the amortisation is eleven years from 2001. This cost is determined on the basis of the actuarial valuation of the Fund which was made by an independent qualified actuary as at 31 March 2001 using the projected unit method. The principal actuarial assumptions adopted for the valuation, with each being expressed as the excess over the assumption for the annual rate of price inflation, were as follows. For the annual rate of return on the investments for discounting liabilities pre-retirement: four per cent, and for discounting liabilities post-retirement: two per cent. For the annual increase in the present and future pensions in payment: nil, for the annual rate of increase in pensionable pay for past service liabilities: one and a half per cent and for the annual rate of increase in pensionable pay for future service liabilities: nil for the first three years, then one per cent. As at the date of valuation the market value of the Fund’s assets amounted to £292 million. The actuarial value of the assets was sufficient to cover 104 per cent of the value of the members’ accrued benefits.

   A new funding valuation for the Fund was carried out as at 31 March 2003. In addition, with effect from 1 April 2004, the Company amended the benefit and member contribution structure for future service, which will have the effect of reducing Company contributions in respect of future service accrual, though this is not reflected in the current valuation of the FRS 17 liability. As a result of these two factors, the contribution rate of the Company in respect of pension payments from 1 April 2004 has been agreed with the Milk Pension Fund at 10.7%. The contribution rate of the Company in respect of pension payments until 31 March 2004 was agreed.
29. **Pensions** (continued)

with the Milk Pension Fund at 9.9%. This new rate includes a contribution of 1.7% or £144,000 per annum to the past service deficit of £2,676,000 as at 31 March 2003.

The Group operates a closed defined benefit scheme for a small number of former employees of VDC plc. The total market value of scheme assets at 31 March 2004 under the provisions of FRS 17 was £880,000. No contributions were made into the scheme during the year and the scheme is in the process of being wound-up.

For closed schemes and those in which the age profile of the active membership is rising significantly, under the projected unit method the current service cost will increase as the members of the scheme approach retirement.

The Group also operates defined contribution pension schemes in respect of some employees. The assets of the schemes are held separately from those of the companies to which they relate in an independently administered fund.

**Pension Arrangements**

Under the transitional arrangements of Financial Reporting Standard No 17 (FRS 17), “Retirement Benefits”, the Company is required to disclose the following information about the pension schemes and the figures that would have been shown under FRS 17 in the current balance sheets as at 31 March 2004 and 31 March 2003 and in the profit and loss account and statement of total recognised gains and losses for the period ended 31 March 2004.

The actuarial valuation was updated by the actuary to 31 March 2004 using the following assumptions:

<table>
<thead>
<tr>
<th></th>
<th>At 31 March 2004</th>
<th>At 31 March 2003</th>
<th>At 31 March 2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rate of increase in salaries</td>
<td>4.3%</td>
<td>3.9%</td>
<td>4.2%</td>
</tr>
<tr>
<td>Rate of increase in pensions in payment and different pensions</td>
<td>2.8%</td>
<td>2.4%</td>
<td>2.7%</td>
</tr>
<tr>
<td>Discount rate</td>
<td>5.5%</td>
<td>5.5%</td>
<td>6.1%</td>
</tr>
<tr>
<td>Inflation</td>
<td>2.8%</td>
<td>2.4%</td>
<td>2.7%</td>
</tr>
</tbody>
</table>

The share of the overall Milk Pension Fund’s assets and liabilities notionally allocated to Genus, together with those in the VDC retirement plan, and the expected rates of return on their investments are as follows:

<table>
<thead>
<tr>
<th></th>
<th>At 31 March 2004</th>
<th>At 31 March 2003</th>
<th>At 31 March 2002</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Equities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expected Rate of Return (p.a.)</td>
<td>8.0%</td>
<td>8.0%</td>
<td>7.5%</td>
</tr>
<tr>
<td>Market Value (p.a.)</td>
<td>31,500</td>
<td>26,700</td>
<td>43,600</td>
</tr>
<tr>
<td><strong>Bonds</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expected Rate of Return (p.a.)</td>
<td>4.8%</td>
<td>4.5%</td>
<td>5.0%</td>
</tr>
<tr>
<td>Market Value (p.a.)</td>
<td>63,400</td>
<td>59,600</td>
<td>54,200</td>
</tr>
<tr>
<td><strong>Cash</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expected Rate of Return (p.a.)</td>
<td>4.0%</td>
<td>4.0%</td>
<td>4.0%</td>
</tr>
<tr>
<td>Market Value (p.a.)</td>
<td>800</td>
<td>800</td>
<td>400</td>
</tr>
<tr>
<td><strong>Total market value of scheme assets</strong></td>
<td>95,700</td>
<td>87,100</td>
<td>98,200</td>
</tr>
<tr>
<td><strong>Present value of scheme liabilities</strong></td>
<td>(103,200)</td>
<td>(95,200)</td>
<td>(86,600)</td>
</tr>
<tr>
<td>(Deficit)/Surplus in the scheme</td>
<td>(7,500)</td>
<td>(8,100)</td>
<td>11,600</td>
</tr>
<tr>
<td>Less deferred taxation</td>
<td>2,300</td>
<td>2,400</td>
<td>3,500</td>
</tr>
<tr>
<td><strong>Net pension (liability)/asset</strong></td>
<td>(5,200)</td>
<td>(5,700)</td>
<td>8,100</td>
</tr>
</tbody>
</table>
29. Pensions (continued)

An analysis of amounts that would have been charged in the profit and loss account or statement of total recognised gains and losses is as follows:

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Amounts charged to operating profit:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current service cost</td>
<td>1,400</td>
<td>1,500</td>
</tr>
<tr>
<td>Total operating charge</td>
<td>1,400</td>
<td>1,500</td>
</tr>
<tr>
<td><strong>Amounts charged/(credited) to finance income:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expected return on pension scheme assets</td>
<td>(4,600)</td>
<td>(5,700)</td>
</tr>
<tr>
<td>Interest on pension scheme liabilities</td>
<td>5,000</td>
<td>5,000</td>
</tr>
<tr>
<td>Net Return</td>
<td>400</td>
<td>(700)</td>
</tr>
<tr>
<td><strong>Amounts recognised in the statement of total recognised gains and losses (STRGL):</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Actual return less expected return on pension scheme assets</td>
<td>7,300</td>
<td>(13,600)</td>
</tr>
<tr>
<td>Experience gains and losses arising on the scheme liabilities</td>
<td>300</td>
<td>(900)</td>
</tr>
<tr>
<td>Changes in assumptions underlying the present value of the scheme liabilities</td>
<td>(6,000)</td>
<td>(5,300)</td>
</tr>
<tr>
<td>Actuarial gain/(loss) recognised in the STRGL</td>
<td>1,600</td>
<td>(19,800)</td>
</tr>
</tbody>
</table>

The experience gains and losses were as follows:

Difference between expected and actual return on scheme assets:

| Amount (£000) | 7,300 | (13,600) |
| Percentage of scheme assets | 7.6% | (15.6%) |

Experience gains and losses arising on the scheme liabilities:

| Amount (£000) | 300 | (900) |
| Percentage of present value of the scheme liabilities | 0.3% | (1.0%) |

Total amount recognised in the statement of total recognised gains and losses:

| Amount (£000) | 1,600 | (19,800) |
| Percentage of present value of the scheme liabilities | 1.6% | (20.8%) |

The movement in the surplus/(deficit) in the scheme is analysed as follows:

| (Deficit)/surplus in the scheme at 1 April | (8,100) | 11,600 |
| Current service cost                      | (1,400) | (1,500) |
| Contributions                              | 800    | 900    |
| Other finance (charges)/income             | (400)  | 700    |
| Actuarial gain/(loss)                      | 1,600  | (19,800) |
| Deficit in the scheme at 31 March          | (7,500)| (8,100) |

Had the above amounts been recognised in the financial statements, the Group’s net assets and profit and loss reserves at 31 March 2004 would be as follows:

| Net assets excluding pension asset         | 48,705 | 47,457 |
| Pension liability                         | (5,200) | (5,700) |
| Net assets including pension liability     | 43,505 | 41,757 |
| Profit and loss reserve excluding pension asset | 8,194 | 9,392 |
| Pension liability                         | (5,200) | (5,700) |
| Profit and loss reserve including pension liability | 2,994 | 3,692 |
30. Derivatives and Other Financial Instruments

An explanation of the Group’s objectives, policies and strategies for the role of derivatives and other financial instruments can be found in the Finance Director’s Review on pages 12 to 13. The accounting policy for derivative instruments is set out in note 1.

Short term debtors and creditors are excluded from the analyses below (except for the currency analyses) as permitted by FRS 13.

In the opinion of the directors the fair values of all financial instruments required to be reported are not materially different to their carrying values.

**Interest rate risk profile of financial assets and liabilities**

<table>
<thead>
<tr>
<th>Currency</th>
<th>Total financial liabilities £000</th>
<th>Fixed rate financial liabilities £000</th>
<th>Floating rate financial liabilities £000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2004</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sterling</td>
<td>8,844</td>
<td>1,263</td>
<td>7,581</td>
</tr>
<tr>
<td>US Dollar</td>
<td>84</td>
<td>84</td>
<td>-</td>
</tr>
<tr>
<td>Australian Dollar</td>
<td>2,860</td>
<td>161</td>
<td>2,699</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>11,788</td>
<td>1,508</td>
<td>10,280</td>
</tr>
<tr>
<td><strong>2003</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sterling</td>
<td>11,406</td>
<td>2,047</td>
<td>9,359</td>
</tr>
<tr>
<td>US Dollar</td>
<td>5,139</td>
<td>298</td>
<td>4,841</td>
</tr>
<tr>
<td>Australian Dollar</td>
<td>2,482</td>
<td>-</td>
<td>2,482</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>19,027</td>
<td>2,345</td>
<td>16,682</td>
</tr>
</tbody>
</table>

Financial assets consist of £2,584,000 (2003: £5,263,000) of cash on money market deposits at floating rates based on UK base rates, together with £1,987,000 (2003: £1,651,000) of no fixed maturity which earns no interest.

<table>
<thead>
<tr>
<th>Currency</th>
<th>Fixed rate financial liabilities weighted average interest period for which rate is fixed</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2004</strong></td>
<td></td>
</tr>
<tr>
<td>Sterling</td>
<td>5.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2.1</td>
</tr>
<tr>
<td><strong>2003</strong></td>
<td></td>
</tr>
<tr>
<td>Sterling</td>
<td>5.6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2.7</td>
</tr>
</tbody>
</table>

Fixed rate financial liabilities consist of finance leases.

Floating rate financial liabilities comprise:

- Sterling denominated bank loans, overdrafts and loan notes that bear interest at rates based on LIBOR; and
- Australian dollar borrowings under the multi-option facility at rates based on LIBOR.
30. Derivatives and Other Financial Instruments (continued)

Currency exposures

The table below shows the Group’s currency exposures that give rise to the net currency gains and losses recognised in the profit and loss account. Such exposures comprise the monetary assets and liabilities of the Group that are not denominated in the operating currency of the operating unit involved. The balances concerned are reviewed by the Group and hedged as necessary to avoid incurring currency losses.

<table>
<thead>
<tr>
<th>Functional currency of group operations</th>
<th>Net currency monetary assets/(liabilities)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>US Dollar</td>
</tr>
<tr>
<td>2004</td>
<td>£000</td>
</tr>
<tr>
<td>Sterling</td>
<td>(74)</td>
</tr>
<tr>
<td>US Dollar</td>
<td>-</td>
</tr>
<tr>
<td>Euro</td>
<td>(155)</td>
</tr>
<tr>
<td>Australian Dollar</td>
<td>(1,158)</td>
</tr>
<tr>
<td></td>
<td>(1,387)</td>
</tr>
<tr>
<td>2003</td>
<td></td>
</tr>
<tr>
<td>Sterling</td>
<td>139</td>
</tr>
<tr>
<td>US Dollar</td>
<td>-</td>
</tr>
<tr>
<td>Euro</td>
<td>(2,348)</td>
</tr>
<tr>
<td></td>
<td>(2,209)</td>
</tr>
</tbody>
</table>

Maturity of financial liabilities

The maturity profile of the Group’s financial liabilities at 31 March was as follows:

<table>
<thead>
<tr>
<th>Amounts falling due:</th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>In one year or less or on demand</td>
<td>11,183</td>
<td>13,493</td>
</tr>
<tr>
<td>In more than one year but not more than two years</td>
<td>233</td>
<td>4,049</td>
</tr>
<tr>
<td>In more than two years but not more than five years</td>
<td>372</td>
<td>1,485</td>
</tr>
<tr>
<td></td>
<td><strong>11,788</strong></td>
<td><strong>19,027</strong></td>
</tr>
</tbody>
</table>

Borrowing facilities

The Group has various borrowing facilities available to it. The undrawn committed facilities available at 31 March in respect of which all conditions precedent had been met at that date are as follows:

<table>
<thead>
<tr>
<th>Expiring in</th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>one year or less</td>
<td>9,466</td>
<td>5,050</td>
</tr>
<tr>
<td>Expiring in more than one year but not more than two years</td>
<td>12,131</td>
<td>-</td>
</tr>
<tr>
<td>Expiring in more than two years</td>
<td>-</td>
<td>2,653</td>
</tr>
<tr>
<td></td>
<td><strong>21,597</strong></td>
<td><strong>7,703</strong></td>
</tr>
</tbody>
</table>
30. Derivatives and Other Financial Instruments (continued)

**Hedges**

The Group's policy is to hedge a proportion of net transactional currency exposures and future contracted sales. The nominal value of forward contracts and options on foreign currency liabilities, entered into in the normal course of business, at 31 March 2004 amounted to £138,000 (2003: £8,081,000). The relative weakness of the US Dollar at the end of the year has resulted in the Group taking out fewer contracts than in the past.

The fair value of these contracts at 31 March 2004 amounted to an asset of £2,000 (2003: liability of £60,000), based on the estimated amount which the Group would expect to pay or receive on termination of the contracts taking into consideration current exchange rates.

The recognised gains on forward exchange contracts included in the profit and loss account that arose in previous years amounted to £60,000 (2003: £nil).

The unrecognised gain on the forward exchange contracts at 31 March 2004 amounted to £2,000 (2003: loss of £60,000) all of which is expected to be recognised in the next year.

31. Related Party Transactions

During the course of the year, the Group entered into transactions at commercial rates on an arm’s length basis with related parties as follows:

- T S K Yeo chartered the Group’s piston-engined aircraft for a return flight for £965;
- Belton Cheese Limited, a company controlled by J H Beckett, chartered the Group’s piston-engined aircraft for a return flight for £1,490;
- S Hawkins, a party related to J E Hawkins, chartered the Group’s piston-engined aircraft for a return flight for £1,911;
- J Beckett, a party related to J H Beckett, chartered the Group’s piston-engined aircraft for a return flight for £1,234.

There were no amounts outstanding for these transactions at 31 March 2004. During the year to 31 March 2003, the Group entered into transactions with related parties as follows:

- T P Acton purchased his car from the Group for £7,350; and
- Belton Cheese Limited, a company controlled by J H Beckett, chartered the Group’s piston-engined aircraft for a return flight for £1,050.

There were no amounts outstanding for these transactions at 31 March 2003.
### 32. Principal Subsidiary Undertakings

The principal subsidiaries of Genus plc and their main activities are set out below. Except where shown, all the companies are registered in England and Wales. The companies listed below include all those which principally affected the amount of the profit and assets of the Group. A full list of subsidiary and other related companies will be annexed to the next annual return of Genus plc to be filed with the Registrar of Companies.

<table>
<thead>
<tr>
<th>Subsidiary companies</th>
<th>Proportion of voting right and</th>
<th>Nature of business</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Proportion of</strong></td>
<td><strong>Holding</strong></td>
<td></td>
</tr>
<tr>
<td><strong>voting right and</strong></td>
<td><strong>shares held</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Nature of</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>of business</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ABS Global Inc</td>
<td>US$1 capital stock 100%</td>
<td>Supply of dairy and beef semen</td>
</tr>
<tr>
<td>(incorporated in United States)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ABS Italia Srl</td>
<td>€1 quota capital 100%</td>
<td>Supply of dairy and beef semen</td>
</tr>
<tr>
<td>(incorporated in Italy)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ABS Mexico SA de CV</td>
<td>US$1 common stock 100%</td>
<td>Supply of dairy and beef semen</td>
</tr>
<tr>
<td>(incorporated in Mexico)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ABS Pecplan Ltd</td>
<td>RS1 quota stock 100%</td>
<td>Supply of dairy and beef semen</td>
</tr>
<tr>
<td>(incorporated in Brazil)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>American Breeders Services of Canada Limited</td>
<td>CN$1 common shares 100%</td>
<td>Supply of dairy and beef semen</td>
</tr>
<tr>
<td>(incorporated in Canada)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Animalcare Limited</td>
<td>£1 ordinary shares 100%</td>
<td>Supply and distribution of veterinary and other products</td>
</tr>
<tr>
<td>BOVEC SA</td>
<td>€1 ordinary shares 100%</td>
<td>Supply of dairy and beef semen</td>
</tr>
<tr>
<td>(incorporated in France)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Genus Australia Pty Ltd</td>
<td>AU$1 ordinary shares 100%</td>
<td>Supply of dairy and beef semen</td>
</tr>
<tr>
<td>Genus Breeding Limited</td>
<td>£1 ordinary shares 100%</td>
<td>Supply of dairy and beef semen</td>
</tr>
<tr>
<td>Genus Management Services Limited</td>
<td>£1 ordinary shares 100%</td>
<td>Management services</td>
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<tr>
<td>Genusxpress Limited</td>
<td>£1 ordinary shares 100%</td>
<td>Supply and distribution of veterinary and other products</td>
</tr>
<tr>
<td>HTS Development Limited</td>
<td>£1 ordinary shares 100%</td>
<td>Consultancy and contract management</td>
</tr>
<tr>
<td>P-E International Consultants Limited</td>
<td>£1 ordinary shares 100%</td>
<td>Consultancy and contract management</td>
</tr>
<tr>
<td>Promar International Limited</td>
<td>£1 ordinary shares 100%</td>
<td>Market research and consultancy</td>
</tr>
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<td>Genus Chile Limitada</td>
<td>Peso 1 quota stock 100%</td>
<td>Supply of dairy and beef semen</td>
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1 Held by subsidiary undertaking
NOTICE IS HEREBY GIVEN that the 2004 Annual General Meeting of Genus plc (the “Company”) will be held at Buchanan Communications, 107 Cheapside, London EC2V 6DT on 12 August 2004 at 2.30 p.m. for the following purposes:

ORDINARY BUSINESS

1. To receive and approve the Directors’ report and audited accounts for the year ended 31 March 2004.

2. To declare a final dividend of 6.5 pence per ordinary share, payable to shareholders on the register of members at the close of business on 23 July 2004.

3. To re-elect as a director of the Company, David Timmins (whose appointment comes to an end in accordance with the Company’s Articles of Association) and who, being eligible, offers himself for re-election.

4. To re-appoint Ernst & Young LLP as auditors of the Company to hold office from the conclusion of the meeting until the conclusion of the next general meeting of the Company at which accounts are laid and to authorise the directors to fix their remuneration.

SPECIAL BUSINESS

To consider and, if thought fit, pass the following resolutions which will be proposed as to resolutions 5, 6.1, 6.2 and 6.3 as ordinary resolutions, and as to resolutions 7 and 8 as special resolutions:

ORDINARY RESOLUTIONS

5. THAT in substitution for and to the exclusion of the authorities granted to the Directors by the resolution passed on 21 August 2003 (save to the extent already utilised) to allot relevant securities of the Company, the Directors be and are hereby generally and unconditionally authorised in accordance with section 80 of the Companies Act 1985 (the “Act”) to exercise all powers of the Company to allot relevant securities (within the meaning of section 80 of the Act) up to an aggregate nominal amount of £770,671 being 7,706,716 ordinary shares of 10 pence each PROVIDED THAT this authority shall expire on the date of the next Annual General Meeting of the Company or, if earlier, fifteen months after the passing of this resolution or its renewal except that the Company may, before such expiry, make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

6.1 That the Genus plc 2004 Executive Share Option Plan, a summary of the principal provisions of which is set out in Appendix I to this Notice of Annual General Meeting, be and is hereby approved and adopted and that the Directors be and are hereby authorised to do all acts and things necessary to establish and carry it into effect.

The Directors be and are hereby authorised to establish a further plan or plan(s) containing such provisions as the Directors may decide subject to the following:

(a) such plan must operate within the limits on the number of new ordinary shares which may be made available from time to time, as summarised in the Appendix I to the Notice;

(b) such schemes must, except to the extent necessary or desirable to take account of overseas tax, securities and exchange control laws, contain limitations so as to ensure, so far as the Directors consider practicable, that the participants in such plans obtain no greater benefit than employees participating in the Genus plc 2004 Executive Share Option Plan; and

(c) once established, the provisions of such plans may not be amended without the prior approval of the Company in general meeting if such approval would be required to amend the comparable provisions in the Genus plc 2004 Executive Share Option Plan.

6.2 That the Genus plc 2004 Performance Share Plan, a summary of the principal provisions of which is set out in Appendix II to this Notice of Annual General Meeting, be and is hereby approved and adopted and that the Directors be and are hereby authorised to do all acts and things necessary to establish and carry it into effect.

The Directors be and are hereby authorised to establish a further plan or plan(s) containing such provisions as the Directors may decide subject to the following:

(a) such plan must operate within the limits on the number of new ordinary shares which may be made available from time to time, as summarised in the Appendix II to the Notice;

(b) such schemes must, except to the extent necessary or desirable to take account of overseas tax, securities and exchange control laws, contain limitations so as to ensure, so far as the Directors consider practicable, that the participants in such plans obtain no greater benefit than employees participating in the Genus plc 2004 Performance Share Plan; and

(c) once established, the provisions of such plans may not be amended without the prior approval of the Company in general meeting if such approval would be required to amend the comparable provisions in the Genus plc 2004 Performance Share Plan.

6.3 That the rules of the Genus plc Share Incentive Plan, a summary of the principal provisions of which is set out in Appendix III to the notice of this meeting, be and are hereby approved and adopted and the Directors of the Company be and are hereby authorised to do all acts and things as may be necessary or desirable to implement and give effect to the same including making such amendments as may be necessary to obtain Inland Revenue approval in accordance with Schedule 2 to the Income Tax (Earnings and Pensions) Act 2003.

The Directors be and are hereby authorised to establish a further plan or plan(s) containing such provisions as the Directors may decide subject to the following:
(a) such plan must operate within the limits on the number of new ordinary shares which may be made available from time to time, as summarised in the Appendix III to the Notice;

(b) such schemes must, except to the extent necessary or desirable to take account of overseas tax, securities and exchange control laws, contain limitations so as to ensure, so far as the Directors consider practicable, that the participants in such plans obtain no greater benefit than employees participating in the Genus plc Share Incentive Plan; and

(c) once established, the provisions of such plans may not be amended without the prior approval of the Company in general meeting if such approval would be required to amend the comparable provisions in the Genus Plc Share Incentive Plan.

SPECIAL RESOLUTIONS

7 THAT subject to the passing of resolution 5 set out above and in substitution for and to the exclusion of the authority conferred upon the Directors at the Annual General Meeting of the Company held on 21 August 2003 (save to the extent already utilised) the Directors be and are hereby empowered, pursuant to section 95 of the Act, to allot equity securities (within the meaning of section 94 of the Act) for cash, pursuant to the authority conferred by resolution 5 above, as if section 89(1) of the Act did not apply to any such allotment, PROVIDED THAT this power shall be limited to:

7.1 the allotment of equity securities in connection with a rights issue, open offer or any other pre-emptive issue in favour of ordinary shareholders where the equity securities respectively attributable to the interests of all ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them (subject, in either case, to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with fractional entitlements or legal or practical problems arising under the laws of, or the requirements of, any regulatory body or stock exchange in any territory or otherwise howsoever); and

7.2 the allotment (otherwise than pursuant to paragraphs 7.1 above) of equity securities up to an aggregate nominal value of £176,816 being 1,768,164 ordinary shares of 10 pence each representing not more than five per cent of the issued share capital of the Company as at 31 March 2004; and

7.3 the allotment (otherwise than pursuant to paragraphs 7.1 and 7.2 above) of equity securities up to an aggregate nominal value of £176,816 being 1,768,164 ordinary shares of 10 pence each representing not more than five per cent of the issued share capital of the Company as at 31 March 2004 for the purpose of allotting ordinary shares in the Company in place of ordinary shares which have been purchased by the Company by one or more market purchases (as defined in section 163 of the Act) on the Alternative Investment Market of the London Stock Exchange plc pursuant to the authority conferred by the terms of resolution 8 below, and in each case shall expire upon the earlier of the renewal of this power, the conclusion of the next Annual General Meeting of the Company, or fifteen months after the passing of this resolution, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

8. THAT in accordance with Part V of the Companies Act 1985 (“the Act”), the Company be and is hereby generally and unconditionally authorised (pursuant to section 166 of the Act) to make one or more market purchases (as defined in section 163 of the Act) on the Alternative Investment Market of London Stock Exchange plc of any of its own ordinary shares of 10 pence each in the capital of the Company (“Ordinary Shares”) on such terms and in such manner as the board of directors of the Company may from time to time determine provided that:

8.1 the maximum number of Ordinary Shares hereby authorised to be purchased is 3,536,328;

8.2 the maximum price which may be paid for an Ordinary Share is an amount equal to not more than 105 per cent of the average of the middle market quotations for an Ordinary Share on the Alternative Investment Market of the London Stock Exchange plc for the five business days before the day on which the purchase is made exclusive of attributable expenses payable by the Company;

8.3 the minimum price which may be paid for an Ordinary Share is 10 pence exclusive of attributable expenses payable by the Company; and

8.4 the authority conferred by this resolution shall expire on the conclusion of the next Annual General Meeting of the Company held after the passing of this resolution or 18 months after the date of its passing (whichever shall first occur), except that the Company may, before such expiry, enter into a contract for the purchase of Ordinary Shares which may be completed by or executed wholly or partly after the expiration of this authority.

16 July 2004

BY ORDER OF THE BOARD

C J Vickers

COMPANY SECRETARY
NOTES:

Any member entitled to attend and vote at this meeting may appoint one or more proxies to attend and on a poll, to vote instead of him. A proxy need not be a member of the Company. A form of proxy accompanies this notice of Annual General Meeting.

To be valid, a duly executed form of proxy for use at the 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 Lloyds TSB Registrars, The Causeway, Worthing, West Sussex, BN19 6DA at least 48 hours before the time appointed for holding the meeting or any adjournment thereof.

Completion and return of a form of proxy will not preclude shareholders from attending the meeting and voting in person if they wish to do so.

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 meeting is 2.30 p.m. on 10 August 2004 being 48 hours before the time fixed for the 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 at the meeting.
APPENDIX I

Summary of the main provisions of the Genus plc 2004 Executive Share Option Plan

The principal features of the Genus plc 2004 Executive Share Option Plan are outlined below.

Operation

The Plan will be administered by the remuneration committee of the Company (the “Committee”). The Plan is discretionary and will only operate in those years that the Committee determine.

The Plan constitutes two parts, an unapproved discretionary share option plan (the “Unapproved Part”) and an addendum containing an Inland Revenue approved discretionary share option plan (the “Approved Part”).

The Unapproved Part

Eligibility

Any employee of the Group, as well as any executive director who is required to devote substantially all of his time to the business of the Group will be eligible to participate in the Plan at the discretion of the Committee. It is however, currently intended to offer participation primarily to the middle and senior management groups.

Grant of options

Options may be granted within the six weeks following the date on which the Plan is adopted by the Company. Thereafter, options may normally only be granted in the six weeks following the announcement by the Company of its results for any period, or following a change in the legislation relating to share plans or where there are circumstances considered by the Board to be exceptional. No options may be granted later than ten years after the approval of the Plan by shareholders.

Options may be granted over newly issued shares or shares acquired in conjunction with the Company’s employee benefit trust.

The Committee may also satisfy options with an award of shares or cash, provided the participant receives the same economic value as would have been provided by an option over shares.

No payment will be required for the grant of an option.

Options are not pensionable benefits and are not transferable (other than on death) without the consent of the Directors.

Individual limits

No employee may be granted options under the Plan, and any other market value option plan adopted by the Company, in any financial year over shares worth more than 100% of his annual remuneration, unless the Committee determines that exceptional circumstances exist which justify exceeding this limit. In practice the level of grant will be lower than this limit in most cases. In applying this limit no account shall be taken of any shares which may have been put under option to ensure that a participant is not financially disadvantaged if he agrees to satisfy his employer’s National Insurance liability in relation to an option.

Option exercise price

The price per share payable on the exercise of an option will not be less than the closing middle market quotation (as derived from the Daily Official List for AIM) for the immediately preceding dealing day, or if the Committee determines, the average of the closing middle market quotations over the three preceding dealing days.

Limits on the issue of shares

Shares for use in the Plan may be acquired on market or issued to an employee benefit trust for delivery to Participants.

The Plan is subject to the following overall limits on the number of new ordinary shares, which may be subscribed:

- in any ten year period not more than 15% of the issued ordinary share capital of the Company from time to time may be issued or issuable pursuant to rights acquired under the Plan and any other employees’ share plan adopted by the Company; and

- in any ten year period not more than 10% of the issued ordinary share capital of the Company from time to time may be issued or issuable pursuant to rights acquired under the Plan and under any discretionary share plan adopted by the Company.

For the purposes of these limits, options or other rights to acquire shares which lapse or have been released do not count. However, shares subscribed by the trustees of an employee benefit trust to satisfy rights granted under any employees’ share plans adopted by the Company, as well as treasury shares (if relevant), do count towards these limits.

Exercise of options

Subject to the participant discharging any relevant tax liability, an option will normally be exercisable between three and ten years following its grant provided that any specified performance condition has been satisfied.

Performance conditions

The exercise of options will generally be subject to performance conditions.

It is intended that the initial grant of options under the Plan will have performance conditions which relate to growth in earnings per share or specific business unit measures over a three year period. The Committee will set the level and type of performance condition depending on the role and seniority of the participants concerned. The Committee will regularly review the performance conditions for future option grants to ensure they are appropriate for the Company. The conditions may be varied in certain circumstances following the grant of an option so as to achieve their original purpose but not to make their achievement any more or less difficult to satisfy.

Cessation of Employment

If a participant leaves employment with the Company the treatment of any outstanding options will be at the discretion of the Committee, having regard, as appropriate, to the time which has elapsed between the grant of that option and the cessation of employment and the extent to which any applicable performance conditions have been satisfied.
Change of Control
In the event of a takeover, reconstruction or winding up of the Company a proportion of an option will be capable of exercise having regard to the time which has elapsed between the grant of that option and the relevant event. The extent to which any further proportion of the option may be exercised will be at the discretion of the Remuneration Committee, having regard to the extent to which any applicable performance condition has been satisfied up to the date of the relevant event. Alternatively, options may be exchanged for new equivalent options where appropriate. In this case any performance conditions are disregarded unless the Committee determines otherwise.

The Committee may also if it thinks it appropriate, allow all or part of the options to be exercised, if there is some other exceptional corporate event which affects the value of options.

Rights attaching to shares
Shares allotted or transferred under the Plan will rank equally with all other ordinary shares of the Company for the time being in issue (except for rights attaching to such shares by reference to a record date prior to the exercise of the option). The Company must ensure any new shares allotted under the Plan are listed.

Variation of Capital
In the event of any variation of share capital, demerger or other corporate event the Directors may make such adjustments as they consider appropriate to any exercise conditions, the number of shares subject to options and the price payable on the exercise of options.

Alterations to the Plan
The Plan may at any time be altered by the Directors in any respect. However, any alterations to the advantage of participants to the rules governing eligibility, limits on participation, rights attaching to awards and shares, the number of new shares available under the Plan and adjustment of awards must be approved in advance by shareholders in general meeting unless the alteration or addition is minor in nature and made to benefit the administration of the Plan, to comply with the provisions of any existing or proposed legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or Group companies.

Overseas Employees
The Committee may grant options to overseas employees on different terms so as to take account of relevant overseas tax, securities or exchange control laws provided that the options are not overall more favourable than the terms of options granted to other employees.

The Approved Part
The Approved Part of the Plan will operate on a similar basis to the Unapproved Part except where required otherwise by the Revenue. In summary, the key differences between the Approved Part and the Unapproved Part are as follows:

Eligibility
Options cannot be granted to or exercised by any employee who also has a material interest in the Company i.e., he, either by himself or with associates controls more than 25% of the ordinary share capital of the Company.

Options are personal to a participant and cannot be transferred except to personal representatives on a participant’s death.

Individual Limits
Participants may hold options granted under the Approved Part over shares up to a maximum market value (calculated at the relevant date of grant of the option) of £30,000, at any one time.

Cessation of Employment
Where a participant leaves employment as a result of his death, his options may be exercised within a year of death notwithstanding that any performance conditions have not been satisfied.

Where a participant leaves as a result of injury or disability, redundancy or retirement, he may exercise a proportion of his Option calculated by reference to the proportion of the Option Period that has elapsed to the date of cessation notwithstanding that any performance conditions have not been satisfied. The extent to which any applicable performance condition has been satisfied.

Where a participant leaves as a result of injury or disability, redundancy or retirement, he may exercise a proportion of his Option calculated by reference to the proportion of the Option Period that has elapsed to the date of cessation notwithstanding that any performance conditions have not been satisfied. He has six months from the date of cessation to exercise this proportion of his option unless the Committee determines that the Option may be exercised within a period not exceeding 42 months from the date of grant.

Where a participant leaves as a result of his employing company ceasing to be a Group Member, the transfer or sale of the undertaking in which he is employed to a person who is not a group member or for any other reason determined at the discretion of the grantor, the treatment of any outstanding Options shall be at the discretion of the Committee.

Revenue Approval
The prior approval of the Revenue is required where any amendment is to be made to a key feature of the Approved Part, or where an adjustment of Options is proposed following a variation of capital or where replacement options are offered on a change of control or other reorganisation.

APPENDIX II
Summary of the main provisions of the Genus plc 2004 Performance Share Plan
Operation
The Plan will be administered by the remuneration committee of the Company (the “Committee”). The Plan is discretionary and will only operate in those years that the Committee determine.

Eligibility
Any employee of the Group, as well as any executive director who is required to devote substantially all of his time to the business of the Group will be eligible to participate in the Plan at the discretion of the Committee. It is however, currently intended to offer participation only to senior executives.
Awards

Under the terms of the Plan, awards of ordinary shares in the Company (“Shares”) or options with a nil exercise price over the Shares may be made to selected eligible employees at the discretion of the Committee.

Awards may be granted within the six weeks following the date on which the Plan is adopted by the Company. Thereafter, awards may normally only be granted in the six weeks following the announcement by the Company of its results for any period, or following a change in the legislation relating to share plans or where there are circumstances considered by the Directors to be exceptional. No awards may be made later than ten years after the approval of the Plan by shareholders.

No payment will be required for the grant of an award. Awards are not pensionable benefits and are not transferable (other than on death) without the consent of the Directors.

Individual limits

No employee may be awarded shares under the Plan, and any other performance share plan adopted by the Company, in any financial year over shares worth more than 125% of his annual remuneration, unless the Committee determines that exceptional circumstances exist which justify exceeding this limit. It is intended that apart from the possibility of the initial awards, annual awards will not exceed 100% of annual remuneration. In applying this limit no account shall be taken of any shares awarded to ensure that a participant is not financially disadvantaged if he agrees to satisfy his employer’s National Insurance liability in relation to an Award.

Limits on the issue of shares

The Plan is subject to the following overall limits on the number of new ordinary shares, which may be subscribed:

- in any ten year period not more than 15% of the issued ordinary share capital of the Company from time to time may be issued or issuable pursuant to rights acquired under the Plan and any other employees’ share plan adopted by the Company; and
- in any ten year period not more than 10% of the issued ordinary share capital of the Company from time to time may be issued or issuable pursuant to rights acquired under the Plan and under any discretionary share plan adopted by the Company.

For the purposes of these limits, options or other rights to acquire shares which lapse or have been released do not count. However, shares subscribed by the trustees of an employee benefit trust to satisfy rights granted under any employees’ share plans adopted by the Company, as well as treasury shares (if relevant), do count towards these limits.

Exercise of nil cost options/vesting of awards

Subject to the participant discharging any relevant tax liability, an award will normally vest unconditionally after three years following its grant provided that any specified performance condition has been satisfied. Where the awards take the form of nil cost options the participants will be able to exercise their options at any time after vesting until the tenth anniversary of the grant of the award.

Performance conditions

The retention of shares comprised in an award and the ability to exercise nil cost options will generally be subject to performance conditions.

It is intended that the initial awards under the Plan will have performance conditions which relate to growth in earnings per share over a three year period and which trigger vesting on an incremental basis. The Committee will regularly review the performance criteria for future awards to ensure they remain challenging and appropriate for the Company. The conditions may be varied in certain circumstances following the making of an award so as to achieve their original purpose but not so as to make their achievement any more or less difficult to satisfy.

Cessation of Employment

If a participant leaves employment with the Company the treatment of any outstanding options/unvested awards will be at the discretion of the Committee, having regard, as appropriate, to the extent that the Performance Period has elapsed and the extent to which any applicable performance conditions have been satisfied.

Change of Control

In the event of a takeover, reconstruction or winding up of the Company a proportion of an award will vest or be capable of exercise having regard to the time which has elapsed between the grant of the options or award of shares and the date of the relevant event. The extent to which any further proportion of the award will vest or become capable of exercise will be at the discretion of the Remuneration Committee having regard to the extent to which any applicable performance condition has been satisfied. Alternatively, awards may be exchanged for new equivalent awards where appropriate. In this case any performance conditions are disregarded unless the Committee determines otherwise.

The Committee may also if it thinks it appropriate, allow all or part of the award to vest, if there is some other exceptional corporate event which affects the value of awards.

Rights attaching to shares

Where the awards comprise of conditional shares, shares will be held by an employee benefit trust established by the Company until such time as the awards vest. Participants will agree to waive any dividend or voting rights until such time as the shares vest unconditionally. Where awards comprise of nil cost options, no dividend or voting rights will arise until such time as the options are exercised.

Subject to the above, shares allotted or transferred under the Plan will rank equally with all other ordinary shares of the Company for the time being in issue (except for rights attaching to such shares by reference to a record date prior to the exercise of the option). The Company must ensure any new shares allotted under the Plan are listed.
Variation of Capital

In the event of any variation of share capital, demerger or other corporate event the Directors may make such adjustments as they consider appropriate to any exercise conditions, the number of shares subject to options and the price payable on the exercise of options.

Alterations to the Plan

The Plan may at any time be altered by the Directors in any respect. However, any alterations to the advantage of participants to the rules governing eligibility, limits on participation, rights attaching to awards and shares, the number of new shares available under the Plan and adjustment of awards must be approved in advance by shareholders in general meeting unless the alteration or addition is minor in nature and made to benefit the administration of the Plan, to comply with the provisions of any existing or proposed legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or Group companies.

Overseas Employees

The Committee may grant options to overseas employees on different terms so as to take account of relevant overseas tax, securities or exchange control laws provided that the options are not overall more favourable than the terms of options granted to other employees.

APPENDIX III

Summary of the main provisions of the Genus Plc Share Incentive Plan

The principal features of the Genus plc Share Incentive Plan are outlined below:

General

It is proposed that the Plan will be approved by the Inland Revenue under Schedule 2 to the Income Tax (Earnings and Pensions) Act 2003. The Plan will be constituted by a trust deed. The trustee has not yet been selected but it is currently proposed that it will be a professional trustee independent of the Company. Save to the extent required by the terms of the trust deed, the Plan will be administered by the board of directors of the Company or a duly authorised committee of it (the “Directors”).

Operation of the Plan

On any occasion on which the Directors decide to operate the Plan, it may be operated on one or more of the bases allowed by the legislation. These are as follows:

- as a Free Plan;
- as a Partnership Plan; and
- as a Matching Plan.

At the current time, it is intended to operate the Plan as a Partnership Plan only.

Free Plan

If, in the future, the Directors decide to operate the Plan as a Free Plan, group companies will provide the trustees with funds to enable them to subscribe for or purchase ordinary shares in the Company (“Shares”). These Shares will then be allocated to the eligible employees. The maximum individual allocation of Shares under the Free Plan (“Free Shares”) in any tax year is £3,000 (calculated by reference to the market value of the Shares at the date of allocation).

Any allocation of Free Shares must be made on similar terms. However, the allocation can be linked to such individual, team, divisional or corporate performance as the Directors may decide and communicate to the eligible employees before the start of the performance period. The performance targets set for each unit must be broadly comparable and must not contain any features which have the effect of concentrating the awards on directors or higher-paid employees.

Free Shares must be held by the trustees for a period determined by the Directors, being between three and five years. If a participant ceases to be employed within the Group before the end of this period, his Free Shares will, in the absence of forfeiture, be transferred to him from the trust. Where the shares are withdrawn from the trust within five years of the award (except in certain specified circumstances such as redundancy or disability), the participant will incur an income tax liability.

If the participant ceases to be employed within three years of the award (or within such shorter period as the Directors may decide) otherwise than in certain specified circumstances such as redundancy or disability, the Free Plan may provide that his Free Shares will be forfeited.

Partnership Plan

Under the Partnership Plan, an eligible employee may enter into an agreement with the Company to allocate up to the lower of 10% of his gross salary and £1,500 per annum to purchase Shares (“Partnership Shares”). It is currently intended that the agreement will provide for the Partnership Shares to be bought within 30 days of the day on which the deduction from gross salary is made. The Directors do however have the flexibility to offer an agreement which provides for the deductions to be accumulated for a period (not exceeding 12 months) and for the Partnership Shares to be bought within 30 days of the end of that period.

A participant may withdraw his Partnership Shares at any time but, if he does so before the Partnership Shares have been held in the trust for five years (except in certain specified circumstances such as redundancy or disability) he will incur an income tax liability.
Matching Plan

If the Directors decide to operate the Partnership Plan in any period, they may also decide to operate the Matching Plan in the same period (although it is not their current intention to do so). Under the Matching Plan, the Company would provide the trustees with funds to enable them to purchase Shares ("Matching Shares") which will then be allocated to participants up to a maximum ratio of two Matching Shares for every Partnership Share. Participation in the Matching Plan must be open to all eligible employees on the same basis.

Matching Shares must be held by the trustees for a period determined by the Directors being between three and five years. If a participant ceases to be employed within the Group before the end of this period, his Matching Shares will, in the absence of forfeiture, be transferred to him from the trust. Where the shares are withdrawn from the trust within five years of the award (except in certain specified circumstances such as redundancy or disability), the participant will incur an income tax liability.

If the participant ceases to be employed within three years of the award (or within such shorter period as the Directors may decide and except in specified circumstances such as redundancy or disability) or withdraws his Partnership Shares from the trust before the end of the minimum three year period, the Matching Plan may provide that his Matching Shares will be forfeited.

Eligibility

All UK resident employees of the Company and its participating subsidiaries who have not less than eighteen months’ continuous service (or such shorter period as the Directors may decide) must be eligible to participate in the Plan. Other employees may be eligible to participate in the Plan at the Directors discretion.

Dividends

The Plan provides that any dividends paid on the Free, Partnership or Matching Shares may either be paid to the participants or re-invested in the purchase of additional Shares to be held in the Plan for a period of three years.

Voting rights

The Plan will provide that the voting rights attributable to the Shares of a participant may not be exercised whilst the Shares are held in the trust.

Change of control, reorganisations etc

If a general offer is made to the shareholders or a rights, capitalisation or scrip issue, participants will be able to direct the trustees how to act on their behalf.

Amendments

The Directors may make such amendments to the Plan as are either necessary or desirable to obtain or retain the approval of the Board of the Inland Revenue or to take account of changes to applicable legislation. The Directors may also make such amendments to the Plan as may be necessary or desirable to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or for any company in the Group.

Except as described above or for amendments designed to ease the administration of the Plan, no amendment which is materially to the advantage of employees or participants may be made without the prior approval of the Company in general meeting.

No amendments may be made which adversely affect the subsisting rights of participants without the consent of those affected.

Amendments to key features of the Plan must be approved by the Inland Revenue for the Plan to remain approved.

Limits on the issue of shares

In any ten year period not more than 15% of the issued ordinary share capital of the Company from time to time may be issued or issuable pursuant to rights acquired under the Plan and any other employees’ share plans adopted by the Company.