



GENUS PLC / ANNUAL REPORT 2021

# INSPIRING INNOVATION

OUR PURPOSE

# SUSTAINABILITY THROUGH TECHNOLOGY

DELIVERING MORE EFFICIENT  
BREEDING ANIMALS TO FARMERS, TO NOURISH  
THE WORLD MORE SUSTAINABLY

## INVESTMENT CASE

Genus is a world-leading animal genetic improvement company, with leadership positions in pork, beef and dairy genetics.

### LEADING INTERNATIONAL MARKET POSITIONS

We supply elite breeding animals, semen and embryos to over 50,000 customers in over 80 countries, including the majority of the world's Top 100 pig and dairy farmers. Our international breadth and multi-species presence reduces our reliance on individual markets or segments. In contrast, many of our competitors are regional single-species cooperatives.

READ MORE ON

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### FOCUSED, MULTI-SPECIES, TECHNOLOGY-DRIVEN BUSINESS MODEL

Genus is exclusively focused on pioneering animal genetic improvement, to increase the efficiency and sustainability of animal protein production. We employ advanced genomics to selectively breed elite animals in our proprietary herds. We are also pioneering the application of proprietary sexing technology, advanced reproductive techniques and gene editing in our product development programmes. Our technology and know-how can be applied across multiple species, leveraging our strength and R&D investment.

**READ MORE ON**

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### POSITIVE LONG-TERM MARKET FUNDAMENTALS

Our business benefits from positive long-term trends, including growing global demand for milk and meat, and the need to produce food more sustainably, to meet changing consumer expectations. Genus's genetic improvement technologies help farmers to do more with less, reducing their resource utilisation and emissions, and maximising their profits.

**READ MORE ON**

**p.14**

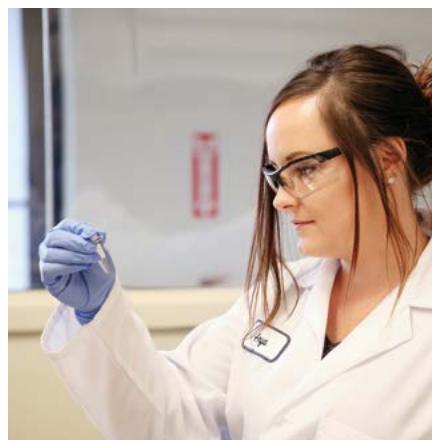


### PEOPLE AND RELATIONSHIPS

Our ability to serve our customers is underpinned by over 3,400 employees, including over 100 PhDs. We also have close relationships with leading research institutions and strategic partners, giving us access to cutting-edge technologies that can benefit our customers and further extend our leadership positions.

**READ MORE ON**

**p.34**



### SCALE AND FINANCIAL STRENGTH

Genus is the largest, and the only listed, animal genetics company globally operating in pork, beef and dairy. We are profitable, cash-generative and growing, with a strong financial position and access to strategic capital, meaning we can invest in transformational technologies to further our genetic lead.

**READ MORE ON**

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## 2021 HIGHLIGHTS

### GROUP REVENUE

**£574.3m**

2021	574.3
2020	551.4
2019	488.5
2018	470.3
2017	459.1

### ADJUSTED BASIC EARNINGS PER SHARE<sup>1,3</sup>

**100.9p**

2021	100.9
2020	77.3
2019	63.8
2018	72.3
2017	69.4

### REVENUE GROWTH OF 4% IN ACTUAL CURRENCY AND 10% IN CONSTANT CURRENCY<sup>2</sup>

- > Strong revenue growth of 11%<sup>2</sup> in PIC, our porcine genetics business; royalty revenue up 11%, with royalty revenue in China more than doubling and good growth in Latin America and Europe
- > Continued royalty growth and high breeding stock sales in China contributed to PIC volume growth of 11% (up 5% excluding China)
- > Excellent revenue growth of 13%<sup>2</sup> in ABS, our bovine genetics business, particularly in Brazil, Russia, India and China; continued success with Sexcel® (sexed genetics) and NuEra® (beef genetics)
- > Record ABS volume growth of 15%, with sexed volumes up 29% and beef up 22%

### VERY STRONG ADJUSTED PROFIT BEFORE TAX ('PBT')<sup>1</sup> GROWTH, UP 38% IN CONSTANT CURRENCY<sup>2</sup>; STATUTORY PBT AT £55.8M

- > Adjusted operating profit including joint ventures and excluding gene editing cost<sup>1</sup> up 37%<sup>2</sup>
- > Double-digit adjusted operating profit growth<sup>1</sup> in PIC (up 16%)<sup>2</sup> and ABS (up 21%<sup>2</sup>); R&D investment increased 2%<sup>2</sup>
- > Statutory PBT increased 21% to £55.8m, adversely impacted by a reduced net IAS 41 non-cash fair value biological asset valuation, offset by lower exceptional costs
- > Foreign currency translation adverse impact on adjusted PBT of £6.3m, primarily reflecting weakness in LATAM currencies

1 Adjusted results are the Alternative Performance Measures ('APMs') used by the Board to monitor underlying performance at a Group and operating segment level, which are applied consistently throughout. These APMs should be considered in addition to, and not as a substitute for or as superior to statutory measures. For more information on APMs, see the APM Glossary.

2 Constant currency percentage movements are calculated by restating the results for the year ended 30 June 2021 at the average exchange rates applied to adjusted operating profit for the year ended 30 June 2020.

3 The Group has changed its accounting policy related to the capitalisation of certain software assets following the IFRIC Interpretation Committee's agenda decision published in April 2021. This change in accounting policy led to an increase in operating expenses of £2.7m in the current year and £5.2m for FY20. All FY20 results are restated and for details of the full impact see Note 2 Basis of Preparation. Profit before tax excluding SaaS impact is presented only this year to demonstrate the impact of our change in accounting policy, and will not be presented in future periods.

4 The primary intensity ratio is a measure of the Group's Scope 1 and 2 emissions per tonne of animal weight.

**STATUTORY PROFIT BEFORE TAX<sup>3</sup>**

**£55.8m**

2021	55.8
2020	46.3
2019	40
2018	5.6
2017	40.7

**ADJUSTED PROFIT BEFORE TAX<sup>1,3</sup>**

**£84.8m**

2021	84.8
2020	65.8
2019	55.1
2018	56.3
2017	56.4

**FREE CASH FLOW<sup>1</sup>**

**£37.5m**

2021	37.5
2020	35.2
2019	10.0
2018	24.3
2017	25.4

**DIVIDEND PER SHARE**

**32.0p**

2021	32.0
2020	29.1
2019	27.7
2018	26.0
2017	23.6

**STRONG CASH GENERATION, EARNINGS MOMENTUM AND INCREASED DIVIDEND**

- > Strong free cash flow<sup>1</sup> of £37.5m, net debt<sup>1</sup> of £105.6m, net debt to EBITDA<sup>1</sup> ratio remains strong at 0.9x
- > Adjusted earnings per share<sup>1</sup> up 40% in constant currency<sup>2</sup>
- > Recommended final dividend up 10% with 3.2x adjusted earnings cover<sup>1</sup>

**SIGNIFICANT STRATEGIC PROGRESS**

- > Continued to win new customers globally, due to our leading porcine and bovine genetics; genetic improvements contributing to the reduction in use of energy, water and land in animal protein production
- > PIC China continues to win customers; five new key accounts in FY21; serving over one third of top Chinese producers
- > Continued shift in ABS's product mix; 23% of global sales volume comprising sexed genetics and embryos reflecting Sexcel's® continued success and 29% beef genetics reflecting the growing use of NuEra beef genetics in dairy herds
- > Acquisition in Spain of Sergal (total consideration £7.7m) expands supply chain and sireline market share in the world's fourth largest pig market

- > GenusOne enterprise system successful roll-out continues, with North America completed and Spain now live
- > Significant capex investment underway, to support expansion of best -in -industry facilities for PIC and ABS
- > Good progress with carbon reduction with the primary intensity ratio<sup>4</sup> reduced by 11% cumulative compared with FY19 baseline

**BUILDING R&D CAPABILITIES AND OPPORTUNITY PIPELINE**

- > Good progress with the Porcine Reproductive Respiratory Syndrome virus ('PRRSv') resistance development programme, with two successful disease trials and a defined path to regulatory approval
- > Next generation of IntelliGen, Gen2 ('Gen2') sexing technology launched; more compact, effective and efficient than the previous generation technology
- > Rapidly built world class reproductive biology team and secured strategic partnerships with leading external collaborators
- > Strategic minority investment in Xelect (£2.4m), a genetic improvement consultancy in the fast-growing aqua genetics market

## GENUS AT A GLANCE

# INNOVATION

## PRODUCING MORE SUSTAINABLE BREEDING ANIMALS FOR FARMERS

### WHAT WE DO

Genus is a world-leading animal genetics company.

We partner with farmers to nourish the world more efficiently and sustainably.

We do this by breeding better pigs and cattle, so farmers can produce high-quality meat and milk more efficiently and sustainably. We accurately select animals with desirable characteristics and use them to breed subsequent generations.

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

### HOW WE DO IT

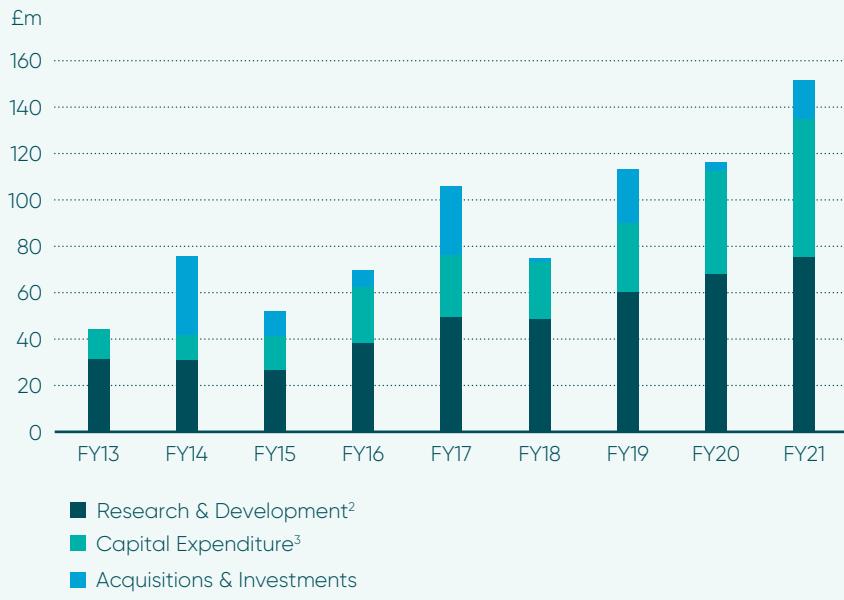
We analyse animals' DNA and look for markers that we know are linked to desirable characteristics, which help farmers to raise healthier and more sustainable animals.

We then select animals with the strongest genetic profile from our proprietary and partner herds and breed them to produce even better offspring, in a continuous cycle. We distribute these genetically superior animals to our customers in the form of breeding animals, semen or embryos.

We also own technology that enables us to screen and process semen for desirable traits, such as producing female offspring for the dairy market, and license-in technology to make precise gene edits to animals' DNA, which we are employing in our R&D programmes, for example to produce pigs which are resistant to fatal disease.

Our focus is on progressive farmers, who are best placed to realise the benefits of superior genetics and technologies.

### INVESTING TO STRENGTHEN OUR POSITION<sup>1</sup>



<sup>1</sup> Restated following an April 2021 IFRIC Interpretation Committee agenda decision that resulted in previously capitalised software assets being expensed.

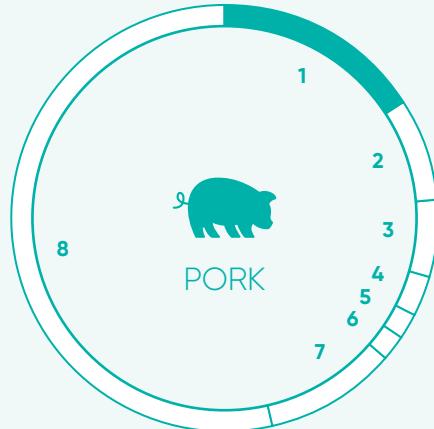
<sup>2</sup> Includes net investments in biological assets.

<sup>3</sup> Includes finance lease payments.

## SERVING PORK, DAIRY AND BEEF FARMERS GLOBALLY

Genus's leading porcine and bovine animal breeding divisions, PIC and ABS, deliver genetically elite breeding animals to thousands of farmers globally.

### MARKET SHARE<sup>1,2</sup>



### REVENUE<sup>3</sup>

£315.6m

£250.1m

### ADJUSTED OPERATING PROFIT<sup>3, 4</sup>

£135.9m

£36.4m

### CUSTOMERS GLOBALLY

2,000+

50,000+

1 Source: Government agencies, Eurostat, pork organisations, Genus estimates. Market shares represent the estimated share of pig production in top pig production markets.

2 Source: Government agencies, USDA, OECD, genetics and agriculture organisations, Genus estimates. Market shares represent the estimated share of combined dairy and beef volumes in ABS's Top 29 target markets for dairy and Top 8 target markets for beef.

3 Revenue and Adjusted Operating Profit Including Joint Ventures exclude R&D revenues and costs.

4 For more information on APMs see APM Glossary.

PIC, our global porcine genetics business, sells genetically superior breeding pigs and semen to farmers, so they can breed commercial pigs with desirable characteristics for pork production. We also provide technical services and advice to farmers, to maximise the performance of our breeding animals in their farms.

PIC owns over ten elite pure-bred pig lines, housed in strategically located biosecure facilities. These pigs are bred out into much larger breeding herds in over 500 predominantly sub-contracted 'multiplication' farms around the world, many of which are operated by customers themselves. PIC boars are also housed in over 400 boar studs globally, where semen is collected for distribution to customers and multiplication herds.

PIC genetics are sold under the PIC brand through direct sales channels and strategic partners.



PIC divisional review can be read on p.18 – p.21

ABS, our global bovine genetics business, sells dairy and beef bull semen and embryos from our superior cattle, which are sold to farmers to breed their cows through artificial insemination. The resulting calves will then exhibit desirable characteristics for milk and beef production. ABS's highest-quality semen is often sold in sexed form, which greatly increases the probability of a female calf. ABS also provides technical services to farmers, to maximise the performance of their animals bred with our genetics.

ABS breeds genetically elite bulls in the US, Europe, Latin America and India. The best bulls come to one of ABS's six stud locations, where their semen is collected for distribution as a frozen 'straw' of semen or used to create embryos for sale.

ABS genetics are sold through direct sales channels and strategic partners under the ABS brand. In the UK and France, they are sold under long-established Genus and Bovex brands.



ABS divisional review can be read on p.22 – p.25

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**CHAIRMAN'S STATEMENT**

# PROGRESS

## POSITIONING THE GROUP FOR FURTHER SUCCESS



The Group delivered a strong and balanced performance in 2021, with both PIC and ABS contributing to growth.

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**IAN FERGUSON**

I am delighted to be reporting to you for the first time as Chairman of Genus.

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I want to thank my predecessor, Bob Lawson, for his outstanding stewardship of the business during his ten years as Chairman and for handing over a business in excellent shape. Bob was a strong advocate for investment in science and the application of that science to our world. The success Genus is enjoying today is the result of that accumulated investment over many years.

**PERFORMANCE AND DIVIDEND**

The Group delivered a strong and balanced performance in 2021, with both PIC and ABS contributing to growth. Almost all regions were ahead of the previous year and trading was particularly good in China, Brazil, Russia and India. The Group's adjusted profit before tax was £84.8m, up by 38% in constant currency and 29% in actual currency. Statutory PBT was £55.8m (2020 restated: £46.3m).

We recognise the importance of balancing our investment for the future with ensuring an attractive return for shareholders. The Board is therefore recommending a final dividend of 21.7p per share, which will give a total dividend of 32.0p, including the interim dividend of 10.3p per share paid in April 2021. This will result in growth in the total dividend of 10%. The final dividend will be paid on 10 December 2021, to shareholders on the register at the close of business on 19 November 2021.

## STRATEGY

Genus is a long-cycle business and one of the Board's key jobs is to keep looking to the future. We continually scan the horizon, to ensure we identify developments in our industry and related sectors, understand our competition and have access to important new science and technology. This activity will underpin the Group's continuing success over the next five to ten years.

The Board held its annual strategy session during the year, which confirmed to us that the strategy remains appropriate. Our priorities are also unchanged. The Group will continue to invest, to protect and build on the strong positions of its bovine and porcine businesses, and we will seek opportunities to apply Genus's science base to other species where they can add value for shareholders.

Genus is purpose-led, with our vision clearly setting out our goal of using innovation to nourish the world. Our strategy is aligned to this purpose, as is our focus on sustainability, which I see as intrinsic to our licence to operate. Delivering improved outcomes for farmers, while reducing the amount of feed and other natural resources required, is a core part of our breeding programmes. We are also committed to improving our own environmental footprint.

## BOARD

I joined the Board as a Non-Executive Director on 1 July 2020 and succeeded Bob Lawson as Chairman on his retirement, following the AGM on 25 November 2020. There were two other changes to the Board during the year, with Professor Jason Chin being appointed as a Non-Executive Director from 1 April 2021 and Professor Ian Charles retiring from the Board on 31 May 2021.

Jason has deep scientific expertise, as Head of the Centre for Chemical and Synthetic Biology at the Medical Research Council Laboratory for Molecular Biology, in Cambridge. He is therefore ideally positioned to act as scientific adviser to the Genus Portfolio Steering Committee, a role Ian Charles filled with distinction for more than three years. We thank Ian for his significant contribution during his time on the Board, which included helping us to understand the biome and the importance of reproductive biology.

## PEOPLE

Genus employs over 3,400 talented and dedicated people around the world. They have shown real commitment and flexibility this year, helping us to successfully deliver for our customers and keep our research programmes on track during COVID-19. The pandemic has really underscored the strength of the working relationships across the Group, as well as our people's ability to take on new challenges and adapt to new technology. While the situation in countries such as the UK and US has eased in recent months, we have significant businesses in India, Brazil and other countries that have continued to be hard hit. Unfortunately, we have lost two colleagues to COVID-19 and our thoughts are with their families and friends.

## LOOKING FORWARD

Genus has the platform and resources to invest for the future and maintain our virtuous cycle. We will continue to select the best technology, science and partners, and work to deliver continuous genetic improvement. By taking this to our customers and sharing in the value we create for them, we will continue to reinvest in R&D, our people and world-class facilities to further grow our market leadership. This consistent investment is the driver of our long-term success and our commitment to it gives us confidence in Genus's future.

**Iain Ferguson CBE**  
Chairman of the Board  
8 September 2021

**CHIEF EXECUTIVE'S REVIEW**

# SUCCESS

## SIGNIFICANT PROGRESS

“

The Group's financial performance was excellent, with Genus achieving its fastest profit before tax growth rate in over ten years.

**STEPHEN WILSON**



This was a very successful year for Genus.

We delivered a very strong operational and financial performance, made further significant progress with our strategy and continued to drive our innovation agenda, as we strive to fulfil our vision of 'Pioneering animal genetic improvement to help nourish the world'. Advancing sustainability has always been fundamental to our business and vision, and we have made good progress with our ESG agenda in the year.

**GROUP PERFORMANCE**

The Group's financial performance was excellent, with Genus achieving its fastest profit before tax growth rate in over ten years despite the currency headwinds. Revenue rose by 4% and adjusted profit before tax of £84.8m was 29% higher, or 38% in constant currency.

Both businesses achieved growth in their key metrics. In constant currency, Genus PIC's revenue increased by 11% and the strategically important porcine royalty revenue was 11% higher. This contributed to adjusted operating profit including joint ventures being 16% up in constant currency. All regions contributed to this growth, with China a key driver as producers restocked as a result of African Swine Fever. Russia and Brazil were also particularly strong.

Genus ABS increased revenue and adjusted operating profit by 13% and 21% respectively, in constant currency. This was underpinned by a 15% increase in volumes. Sexed volumes grew by 29%, reflecting the ongoing success of Sexcel, and global beef volumes were 22% higher, supported by increased use of NuEra beef genetics in dairy herds. Again, growth was broadly spread geographically, with Brazil, Russia, India and China all performing well.

We continued to invest significantly in R&D, so we can bring the benefits of the latest and best science to our customers. Net R&D expenditure was £62.5m in the year (up 2% in constant currency), with primary research expenditure in addition to gene editing increasing 42% in constant currency to £13.3m. We have further strengthened our differentiated and proprietary offerings and invested in key strategic initiatives, including gene editing, the next generation of IntelliGen technology ('Gen2'), and reproductive biology, as well as further developing our R&D pipeline.

**STRATEGIC PROGRESS**

Our PRRSv-resistance programme is making pleasing progress, with the successful completion of two rounds of disease trials of our gene-edited pigs. We have a defined path to regulatory approval, including the timeline to complete our Food and Drug Administration ('FDA') submissions and the steps we need to take to achieve this.

## OUR VALUES

### CUSTOMER CENTRIC

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

 Read more on p.2 – p.33

### RESULTS DRIVEN

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

 Read more on p.2 – p.33

### PIONEERING

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

 Read more on p.2 – p.33

### PEOPLE FOCUSED

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

 Read more on p.34 – p.37

### RESPONSIBLE

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

 Read more on p.38 – p.43

In China, we are collaborating successfully with our partner BCA, which is engaging positively with the Chinese regulatory authorities.

We continue to drive innovation across the Group, including delivering further improvements to our IntelliGen technology. We have now launched Gen2 of IntelliGen, which is more compact, effective and efficient than the previous generation technology. It has been introduced in our Dekorra, Wisconsin facility and we plan to introduce it shortly to our new facility at Leeds, Wisconsin, which started to receive bulls in the summer of 2021. In addition, we have launched a major new R&D programme in reproductive biology and have established a new world-class team in this area.

The implementation of GenusOne, our new enterprise system, is continuing. We completed the roll out in North America and in Spain during the year and are now working on the roll out to the remainder of the Group over the next two years. GenusOne will be a key enabler of leveraging our scale at a Group level and giving greater visibility of business data. As we roll out GenusOne, we are also introducing a new target operating model to standardise our procurement, and financial processes and reporting worldwide.

Investing in our digital capabilities in our interactions with customers is another important theme. Our ABS business in Latin America has had great success through digital sales during COVID-19 and we will introduce more digital customer engagement across ABS, to enhance the customer experience. To support our scientific programmes, we are also investing in data science, to help us extract new insights from the rapidly expanding sources of data being generated by farmers.

Spain is the world's fourth largest porcine market and we have expanded our supply chain and market share in the male side of the business, through the acquisition of Sergal, a leading Spanish boar stud operator. In addition, we have taken a minority stake in Xelect, an aqua genetic improvement consultancy based in Scotland. We are pleased to have started a partnership in this space and look forward to the opportunities this may open up to gain a presence in the fast-growing aqua genetics market.

Finally, we are investing at a record pace in new facilities to lay the foundations for continuing future growth, including new bull housing and IntelliGen production facilities, a major new porcine nucleus in Canada, a boar stud in Russia and new porcine capacity in China.

### ADVANCING ESG

Sustainability in particular, is at the core of our business. The ongoing genetic improvement we deliver helps farmers to produce more protein with fewer resources and a lower carbon footprint, whether that is through producing pigs which convert feed more efficiently into growth or enhancing the productivity of dairy cows. We have commitments to reduce our own carbon footprint by 25% by 2030 and have a roadmap and planned investments to achieve this. In the year our carbon emissions reduced by 6.8% and our primary intensity ratio reduced by 0.2%, with a cumulative primary intensity ratio reduction against the 2019 base year of 11.3% achieved towards the 2030 goal.

### PEOPLE

To achieve our vision of pioneering animal genetic improvement to help nourish the world, we need to attract, develop and retain outstanding people. The Genus Executive Leadership Team was unchanged during the year and we continued to add to our strength in depth, hiring talented leaders to head up data science, reproductive biology and genomics. Our AWAKE programme, which aims to empower women to succeed in Genus, is gathering momentum, reflecting the importance we place on diversity. We have rolled out improvements in learning and development, to help our people thrive. Employee engagement measured through surveys remains high.

While the Group has demonstrated its resilience in the face of COVID-19, we know that the pandemic has placed a significant strain on our people. We have consistently focused on protecting their health and well-being, and they in turn have risen to the challenge of serving our customers and keeping the business moving ahead. As a gesture of gratitude, I was pleased to announce a special additional payment of £500 to all employees around the world to thank them for their commitment and contribution this year.

### OUTLOOK

Looking ahead, the outlook for the Group remains positive and we are confident in our strategy and the many opportunities for Genus. Group performance in FY20 and FY21 was very strong, with good growth across both ABS and PIC, led in particular by strong growth in PIC China, where the opportunity remains large. However, recent volatility in the Chinese porcine market is expected to continue for some months, creating a short-term headwind in FY22, primarily for PIC China. As a result of this headwind, and despite expected strong performance in the other areas of the business, we expect Genus's growth to be lower than our medium-term goal in the current year before increasing again in FY23.

**Stephen Wilson**

Chief Executive  
8 September 2021

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**BUSINESS MODEL**

# DELIVERING

PRODUCING AND DELIVERING MORE  
SUSTAINABLE ANIMALS TO FARMERS



## PRODUCE GENETICALLY SUPERIOR BREEDING ANIMALS

### OUR STRENGTHS AND RESOURCES

#### GLOBAL POSITION

Genus is uniquely placed as a global player, with leading brands and market positions, which we strengthen through acquisitions and partnerships

#### ELITE ANIMALS

We own elite porcine and bovine herds, which produce animal protein more efficiently and have traits farmers value

#### PROPRIETARY TECHNOLOGY

We harness leading genetic and breeding technologies, which we develop in-house and through strategic partnerships

#### CUSTOMER RELATIONSHIPS

We serve over 50,000 customers globally, including most of both the Top 100 pig producers and dairies globally

#### EXPERT PEOPLE

We have over 3,400 employees, including over 100 PhD qualified employees, and relationships with leading research institutions

#### GLOBAL SUPPLY CHAIN

We have production facilities in key locations worldwide, coupled with sales forces and agents in over 80 countries

#### FINANCIAL STRENGTH AND SCALE

Our cash generative businesses and scale allow us to fund strategic investments and deliver improved returns

### SHARED PROPRIETARY TECHNOLOGY PLATFORM

#### GENOME SCIENCE AND BIOINFORMATICS

We understand the links between DNA and animals' observable characteristics, and how we can influence them

#### GENOMIC SELECTION

We breed successive generations of animals by using DNA analysis to select superior parents in our breeding herds

#### BIOSYSTEMS ENGINEERING

We use technology to interrogate and select cells, such as in our semen sexing technology

#### GENE EDITING

We are developing more sustainable, disease-resistant breeding animals by making precise changes to their genes

#### REPRODUCTIVE BIOLOGY

We have active R&D workstreams in multiple advanced reproductive technologies, such as IVF, which enable us to select both female and male parents for superior offspring

## LINK TO STRATEGY

-  Delivering a differentiated proprietary genetic offering
  -  Focusing on large and progressive protein producers globally
  -  Sharing in the value delivered
-  Read more on p.16 – p.17



## DELIVER MORE SUSTAINABLE BREEDING ANIMALS AND SERVICES TO FARMERS

We have a global supply chain that efficiently delivers genetics to customers while mitigating risk for us, for example through our use of third-party multipliers. Our technical teams then help our customers to get the best from our products on-farm, delivering a superior customer experience

### GENETICS PRIMARILY SOLD ON MULTI-YEAR ROYALTY AGREEMENTS

Superior pigs with traits farmers value



#### BOARS IN STUD

40,000+  
boars producing semen

#### EXPANSION HERDS

500+  
herds multiplying up our breeding animals

### GENETICS PRICED ACCORDING TO INDICES OF GENETIC MERIT



#### STUDS AND LABS

24m  
semen straws and embryos delivered or produced for customers

900+  
superior dairy and beef bulls with traits farmers value



## PRICE ACCORDING TO THE VALUE DELIVERED

### DELIVERING FOR OUR STAKEHOLDERS

#### CUSTOMERS

We breed healthier, more productive animals for customers, which produce meat and milk more efficiently and sustainably. We build trust with customers by linking pricing to on-farm performance, such as piglets produced from our sows, and by running validation trials

#### CONSUMERS

We make nutritious animal protein more affordable and sustainable, to help feed the world

#### COMMUNITIES AND ENVIRONMENT

We make farming more sustainable by reducing the use of feed and other resources required to produce the same amount of meat and milk, helping to reduce GHGs. We are also reducing the direct emissions from our operations<sup>1</sup>

#### PEOPLE

We employ over 3,400 people globally, who all help to deliver our vision of nourishing the world

#### INVESTORS

By sharing in the value we deliver to customers, we generate returns for our investors

1 GHGs relates to greenhouse gas emissions.

## STAKEHOLDER ENGAGEMENT

# ENGAGING WITH OUR STAKEHOLDERS

The Group actively engages with its stakeholders, to keep them updated and ensure we understand their priorities. The Board carries out some engagement directly, while other engagement occurs during the running of the business, with the Board being kept informed through reports from management. The table opposite describes our key stakeholders and examples of engagement during the year and actions which arose.



### CUSTOMERS & CONSUMERS

**Board representative:**  
All Directors

#### WHY WE ENGAGE

Our customers depend on our genetics to improve their businesses and their profitability. We look to understand their needs and to help them make the most of our products and services. We look to better understand end-consumer requirements and preferences.

#### HOW WE ENGAGE

- > The Board typically visits key customers when Board meetings are held outside the UK, although this year's visits were conducted virtually due to ongoing COVID-19 restrictions
- > Regular Board updates on targeted customers and customer wins
- > Regular customer visits as part of our service offering, enabling our teams to work closely with customers to better understand their needs
- > Board engagement with different levels of the supply chain (albeit limited by COVID-19), including meeting with meat packers and processors to understand what they look for in genetics to meet consumer demands
- > Keeping under review growth of alternative non-animal proteins, in light of consumer preference

#### KEY ISSUES IDENTIFIED

- > Need for improved customer digital experience

#### ACTIONS ARISING

- > Continued to roll out GenusOne for customers in North America and Spain
- > Migrated customer support for ordering and invoicing onto GenusOne, to make those processes more efficient for customers
- > ABS digital engagement initiative launched with new capabilities to be deployed in FY22



## EMPLOYEES

**Board representative:**  
Lesley Knox, Lykele van der Broek

**Our people play a crucial role in helping us pursue our strategic goals and uphold the core values that underpin our organisation. We engage, equip and support them to achieve their full potential while building our business.**

- > Direct engagement by Workforce Engagement Directors at virtual town hall meetings
- > Employee Your Voice survey
- > Chief Executive video updates, manager-led updates and updates via intranet following results announcements
- > Global town hall meetings
- > Leadership calls and quarterly manager briefings
- > Regular internal communications from management
- > Employee-led resource group (AWAKE – Advancing Women's Advocacy, Knowledge & Empowerment) to empower women to contribute to their full potential
- > Health and safety training programme and regular updates/briefings

- > Key points raised from town halls included:
  - Lessons learned from the COVID-19 pandemic
  - Positive feedback on the Company's increased focus on sustainability
  - The Strategic direction of the Group
  - The Company's values and culture
- > Improvement areas raised in the Your Voice survey:
  - Learning and development
  - Reward and recognition
- > Continuing to oversee how management deals with the impact of COVID-19 on employees

- > Board continued to monitor progress against key points raised in the Your Voice survey and in direct feedback from employees
- > Ensuring employees have the technology, tools and other support needed to do their jobs during the ongoing COVID-19 pandemic
- > Ensuring safe working environments, in line with local governmental advice across all facilities
- > Board adopted an employee engagement key performance indicator (see page 17)

## SHAREHOLDERS

**Board representative:**  
Iain Ferguson

**We maintain strong relationships with shareholders, ensuring they understand our strategy, progress and performance and that we understand how they view our business.**

- > Investor roadshows, led by the Chief Executive and Chief Financial Officer
- > Results announcements, presentations and live webcasts
- > AGM and trading update in November 2020
- > Annual Report
- > Regular news flow on key developments in the business
- > Engagement with investors regarding executive remuneration, sustainability issues and Board changes
- > Capital Markets Event in June 2021
- > Updated website including sustainability section

- > Continued shareholder interest in sustainability and environmental performance (see adjacent)

- > Continued focus on sustainability, including the development of clearer communications around the Company's sustainability strategy and performance

## COMMUNITIES & ENVIRONMENT

**Board representative:**  
Lysanne Gray

**We look to be a responsible citizen within our communities, offering local recruitment, responding to crises and supporting charities. We also look to minimise our impact on the environment.**

- > A range of placement and employment opportunities offered for students and apprentices
- > Support for charities close to local businesses
- > Providing educational support for agriculture and animal science programmes
- > Investing in activities designed to reduce greenhouse gas emissions, consistent with our Climate Change Policy

- > Potential impact of climate change on the business and our communities
- > Need to link environmental performance with management incentives and ensure sustainability issues receive focus and engagement at appropriate levels within the Company
- > Need to respond as required to local emergencies

- > The Board continued to scrutinise management's strategy, plans and actions to achieve climate change targets
- > The Board will continue to monitor implementation of the climate change plan and progress against targets
- > The Board reviewed and approved changes to the governance of sustainability in the Company from FY22 (see page 38)
- > The Board recommended the inclusion of specific environmental performance targets in executive pay arrangements (see page 82)
- > Supported local charities

## MARKET OVERVIEW

# FEEDING

THE WORLD MORE SUSTAINABLY

Each generation of farmers has adopted new techniques to raise animals more efficiently and sustainably. The continued adoption of selective breeding and new technologies will help farmers to meet the growing demand for protein.

## DEMAND DRIVERS FOR GENETIC IMPROVEMENT

### DEMAND FOR ANIMAL PROTEIN IS GROWING

The global population is expanding and urbanising, and seeking a more varied and nutritious diet. Pork, milk and beef consumption are forecast to grow by 1-2% p.a. in the next decade.

### FOOD PRODUCTION MUST BECOME MORE SUSTAINABLE

Competition for resources, such as land and water, and the need to reduce greenhouse gas emissions, puts pressure on farmers to become more efficient, through the use of genetically superior animals and other technologies.

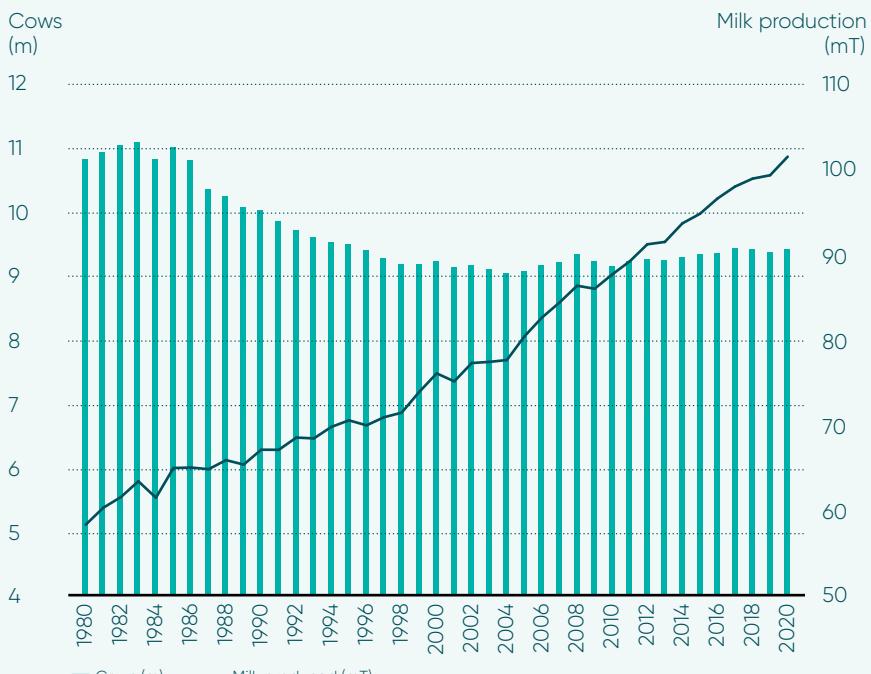
### CONSUMERS ARE DEMANDING BETTER PRODUCTS

Consumers are increasingly demanding healthier and more sustainable products, which are traceable and produced with fewer drugs. This increases farmers' demand for genetically superior breeding animals, which are naturally more efficient and resilient.

### FARMS ARE CONSOLIDATING AND TECHNIFYING

Progressive farmers, who are more open to new technologies and measure performance in more detail, are consolidating the sector. They understand the benefits of genetically superior animals and optimised breeding strategies, such as combining the use of sexed dairy and beef semen on dairy herds to maximise profit.

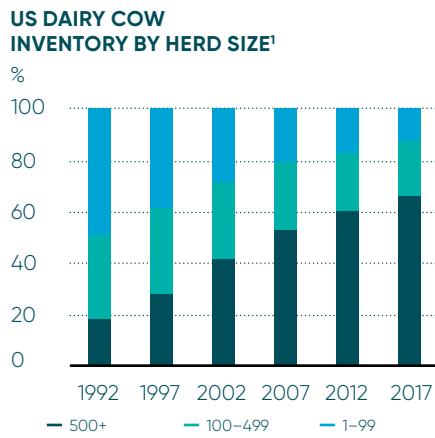
US MILK PRODUCTION VS. DAIRY HERD 1980–2020<sup>1</sup>



1 Source: USDA.



Dairy genetics herds have rapidly consolidated leading to better quality animals for dairy farmers.



1 Source: USDA.

## TRENDS IN OUR MARKET

### CONSOLIDATION OF ELITE BREEDING HERDS

Elite breeding bulls and pigs are bred from genetically elite breeding herds. The increasing use of costly technology and the scale required to keep pace with industry leaders is driving consolidation of these herds. As genetics consolidate, some breeders are forming strategic alliances with competitors, so they can offer their customers superior genetics.

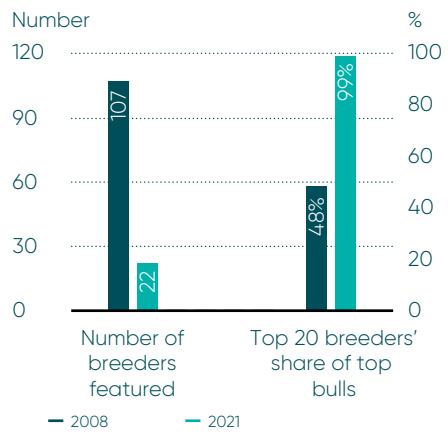
### ADOPTION OF SEXING TECHNOLOGY

Cows must be impregnated to produce milk so dairy farmers need to regularly breed their animals and refresh their milking herds. Using sexed semen yields approximately 90% female offspring, enabling dairy farmers to refresh their milking herd with fewer, higher quality breedings. This enables them to breed the rest of the herd with beef semen, which maximises the meat quality (and value) of the resulting calf.

### BREAKTHROUGH TECHNOLOGY AND DATA

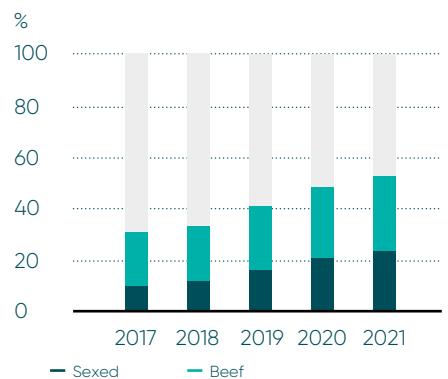
Genus is developing innovative solutions to combat disease and improve animal welfare, which also have the potential to dramatically increase protein sustainability. These include development of health-focused indices to select optimal breeding animals, as well as employing gene editing and advanced reproductive technologies. Progressive farmers are also increasingly leveraging digital technologies, which provide data and insight to support decision making.

### BREEDERS FEATURED IN TOP 200 HOLSTEIN BULL RANKINGS<sup>1</sup>



1 Source: Genus analysis; US Holstein breeders represented in the Top 200 NM\$ rankings by birth year; 2021 data based on Top 200 Holsteins active using August 2021 data from the Council on Dairy Cattle Breeding.

### ABS GLOBAL SALES VOLUMES<sup>1</sup>



1 Sexed includes embryos.

## STRATEGIC FRAMEWORK

### DELIVERING AND SHARING IN THE VALUE

We harness innovative technologies and know-how to breed genetically superior animals for progressive farmers, and link our pricing to the performance of our products on-farm.

#### STRATEGIC IMPLEMENTATION

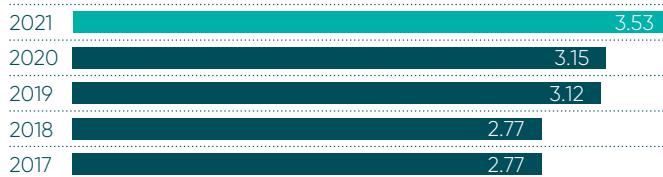
 Our overarching strategy, success drivers (which feed into the focus areas of our business model), and associated KPIs are determined at Group level. The strategy is then implemented at business unit level. Our strategic progress in FY21 and near-term objectives for FY22 can be found on pages 18 to 29.

 sustainability lies at the heart of our business. KPIs marked with the above icon are considered by the Board to be indicative of our progress in this area. For more information see page 38.

STRATEGIC PRIORITIES	WHAT DOES SUCCESS LOOK LIKE?
 <b>DELIVERING A DIFFERENTIATED PROPRIETARY GENETIC OFFERING</b>	<b>GENETIC GAIN</b> Creating better breeding animals for farmers, measured against indices comprising economic traits that help to drive farmers' productivity and sustainability.
 <b>SUCCESS DRIVERS</b> ELITE ANIMALS PROPRIETARY TECHNOLOGY EXPERT PEOPLE	<b>VOLUME GROWTH</b> Growing volumes, particularly with progressive livestock farmers.
 <b>SHARING IN THE VALUE DELIVERED</b>	<b>PROFITABILITY</b> Generating profit resulting from the performance of our products in customers' systems, and growing margin as we leverage scale and R&D investment across species.
 <b>SUSTAINABILITY AT THE HEART OF OUR BUSINESS</b>	Our strategy is underpinned by our approach to sustainable business and the strength of our people. The Board measures the performance of these key areas using the KPIs opposite.

## HOW DO WE MEASURE THAT SUCCESS IN OUR BUSINESSES?

### PORCINE GENETIC IMPROVEMENT INDEX (US\$)



**Measures the genetic improvement we achieve in our porcine nucleus herds, which ultimately filters down to our customers' farms.**

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

**PERFORMANCE:** Genus continues to deliver high rates of genetic improvement through expanding and maintaining a large nucleus population for high selection intensity, improving technical processes for genomic evaluation, implementing precision data collection from birth to consumer and continuing to add new traits and data streams.

### DAIRY AND BEEF VOLUME GROWTH (%)



**Tracks our global unit sales growth in dairy and beef.**

**DEFINITION:** The change in dairy, beef and sexed units of semen and embryos delivered or produced for customers in the year.

**PERFORMANCE:** Bovine volumes improved 15% to 24.3 million units, with particularly strong growth in Latin America and Asia. Sexed volumes were up 29%, reflecting strong growth in Sexel, which also influenced the use of beef-on-dairy genetics, supporting a 22% increase in global beef volumes.

### OPERATING PROFIT PER MARKET PIG EQUIVALENT (£)

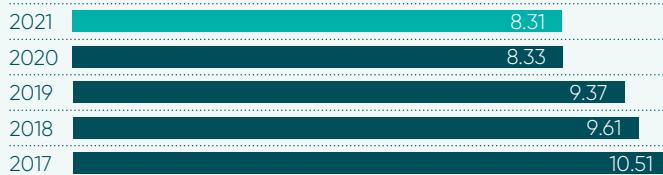


**Monitors porcine profitability per unit.**

**DEFINITION:** Net porcine adjusted operating profit globally, expressed per MPE. Results include our share of Agroceres PIC, our Brazilian joint venture.

**PERFORMANCE:** Operating profit per MPE was £0.65, up £0.04 (up £0.08 in constant currency). This was primarily due to strong breeding stock sales in China, global royalty contract growth and one-time investments in the prior period to expand global production.

### PRIMARY INTENSITY RATIO



**Measures the emissions intensity of the Group's operations, which are largely driven by animal weight.**

**DEFINITION:** The primary intensity ratio is a measure of the Group's Scope 1 and 2 emissions per tonne of animal weight.

**PERFORMANCE:** The primary intensity ratio decreased by 0.2% in FY21, driven down by a change in the age profile and balanced by an increase in the number of our animals, resulting from the inclusion of third-party sites within the scope of our FY21 emissions reporting.

### GENOMIC BULL NET MERIT RANKINGS



**Monitors how many of our bulls are highly ranked, based on economically relevant traits for farmers.**

**DEFINITION:** The number of our generally available Holstein bulls listed in the Top 100 Genomic Net Merit US\$ rankings for genetically tested sires.

**PERFORMANCE:** Genus continues to maintain its genetic leadership position with 31 of the Top 100 Holstein bulls using the Genomic Net Merit US\$ rankings and with a very strong pipeline. This is mainly driven by the large proportion of high-quality bulls sourced from our proprietary breeding programme, De Novo<sup>1</sup>.

<sup>1</sup> De Novo Genetics LLC is 51% owned by Genus.

### PORCINE VOLUME GROWTH (%)

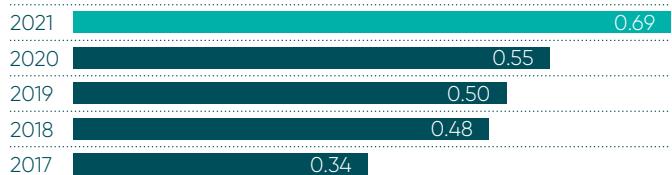


**Tracks the growth in the number of commercial pigs with PIC genetics globally.**

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

**PERFORMANCE:** Porcine volumes grew by 11% to 190 million MPEs. China's volumes were particularly strong due to the increase in customer breeding projects following the ASF outbreaks. Excluding China, volumes were up 5% with strong growth in Brazil, Russia and Spain. Volumes under royalty contracts grew by 13% with all regions contributing.

### BOVINE OPERATING PROFIT PER DOSE (£)

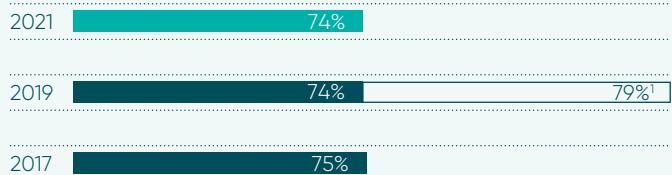


**Monitors bovine profitability per unit.**

**DEFINITION:** Bovine adjusted operating profit globally, expressed per dose of semen or embryo delivered or produced for customers.

**PERFORMANCE:** Operating profit per dose was £0.69, up £0.14 (up £0.20 in constant currency). This was due to the strong sales growth of our premium Sexel product and leveraging our world-class sales and product development platforms.

### ENGAGEMENT SURVEY RESULTS



**Measures levels of employee engagement over time.**

**DEFINITION:** The response to the statement "I would recommend a friend to work at Genus".

**PERFORMANCE:** Genus continues to demonstrate upper quartile levels of employee engagement, with 74% of employees surveyed in a pulse survey in FY21 responding that they would recommend a friend to work at Genus (FY19: 79%).

<sup>1</sup> The FY21 pulse survey was completed by nearly a quarter of employees. In FY19, 74% of those employees responded affirmatively.

## OPERATING REVIEW / GENUS PIC

# ACCELERATING

## MOMENTUM



**DR BILL CHRISTIANSON**  
CHIEF OPERATING OFFICER  
GENUS PIC

### BUSINESS PRIORITIES

#### SHORT TERM

Continue to strengthen our supply chain in China and expand the local team



#### MEDIUM TERM

Keep expanding our global network of elite farms, to accelerate dissemination of genetic improvement and enhance resilience



#### LONG TERM

Successfully bring PRRSv-resistant animals to market

Year ended 30 June	Actual currency			Constant currency change %
	2021 £m	2020 £m	Change %	
Revenue	<b>315.6</b>	298.8	6	11
Adjusted operating profit exc JV	<b>122.9</b>	113.3	8	14
Adjusted operating profit inc JV	<b>135.9</b>	124.3	9	16
Adjusted operating margin exc JV	<b>38.9%</b>	37.9%	1.0pts	1.0pts

#### MARKET

African Swine Fever ('ASF') remains the largest threat and opportunity for pig producers, both in terms of the impact of the spread of the disease, in particular in China, and the resulting volatility in supply and demand in global markets. Whilst ASF continues to cause challenges in Asia, the disease has continued to spread west across Europe with Eastern Germany recently announcing the first cases of ASF in its swine population. Complications from COVID-19 including labour shortages, meat packing capacity, retail food service demand and international logistics delays also continued to impact global pig production. Feed input costs rose due to weather patterns and robust demand, resulting in the highest grain prices in recent years. In the near-term, ASF, feed input costs and COVID-19 implications will continue to exert pressure on the global porcine industry.

China's pork sector is experiencing uncertainty affecting production and profitability due to market price volatility, stagnant demand and ongoing challenges with the ASF recovery. Soaring pork prices in 2020 suppressed demand, whilst domestic supply increased as production recovered, and foreign imports continued. Outbreaks of ASF during the winter months also resulted in a surge of slaughter of animals in 2021, further contributing to increased supply. Consequently, domestic pig prices have dropped approximately 50% since the beginning of 2021, which combined with high input costs, caused a collapse of producers' margins. Despite China's efforts to rebuild its herd, Rabobank estimates that inventory still remains below 2018 pre-ASF numbers due to ASF

outbreaks in 2020 and 2021. Prices are expected to remain volatile for some months reflecting producers' investments in production capacity coming on stream, seasonal demand trends and the release of inventories of frozen pork accumulated by importers.

In Europe, the outbreak of ASF in Eastern Germany, the COVID-19 pandemic and new regulations have collectively resulted in challenging market conditions for producers. However, pig prices recovered in early 2021 due to the inventory reductions from sow liquidations in several countries, as well as ongoing demand from China. European pork exports increased by 24% versus the prior year, with China being the key driver. New animal welfare and environmental management standards have also caused large concerns in parts of the European industry, especially in Germany and Netherlands. These standards will require additional investments and may well result in further sow inventory reductions. Recent cancellation of certain export licences granted by China, in reaction to the supply imbalance currently experienced in China, is expected to have an adverse impact on European producers due to the reduction of exports to China.

The US industry has experienced sustained high pig prices throughout 2021, due to strong domestic and international demand, with the latter exceeding expectations. Spot pig prices have increased more than \$75/cwt in the US since the start of the year. US pork exports were 1% higher than the prior year, totalling 3.83 billion lbs through June 2021. China was the largest buyer of US pork

## STRATEGIC PROGRESS IN 2020/21



### DELIVERING A DIFFERENTIATED PROPRIETARY GENETIC OFFERING

- > Delivered further increases in genetic merit across all targeted traits
- > Continued to expand our network of elite nucleus farms; started construction on a joint venture genetic nucleus in Brazil and a new owned elite nucleus in Canada
- > Increased global dissemination of elite genetics despite constraints created by COVID-19, flying 18,500 animals to 26 countries, including 13,000 pureline gilts to multiplication facilities in Russia and China



### FOCUSING ON LARGE AND PROGRESSIVE PROTEIN PRODUCERS GLOBALLY

- > Grew adjusted operating profits in Asia by 49%, driven particularly by increasing demand in China and underpinned by further expansion of our local supply chain
- > Delivered adjusted operating profit growth of 13% across Europe, aided by our focus on large producers and expansion of our distribution network to support smaller customers
- > Maintained previous performance levels in North America, despite the local impact of COVID-19, helped by sales of our PIC800 boar through new accounts with large producers
- > Increased adjusted operating profit in Latin America by 17%, with particularly strong performance from Brazil



### SHARING IN THE VALUE DELIVERED

- > Agreed further royalty contracts around the world, so that 78% of our business is now conducted on this basis (including 36% of our business in China)
- > Strengthened our relationship with a major integrated producer in Latin America, through a contract that will see royalty payments increase each year, consistent with the incremental and cumulative value PIC genetics bring to its business
- > Conducted a further 28 product trials, involving 87,056 pigs, to show producers the benefits of using PIC genetics in their systems



(23% of total exports), with Mexico close behind. According to USDA projections, total US pork exports for 2021 are expected to be flat to marginally lower year on year, while pig production is forecast to be largely unchanged from 2020.

Brazil's pork exports are the largest in the South American pork industry. Its share of global pork exports is forecast to be 11% in 2021, with the primary destination being China.

#### PERFORMANCE

Genus PIC's adjusted operating profits for the year were £135.9m, up 16% in constant currency. This performance was driven by very strong growth in many countries, in particular China, Russia and Brazil. Volumes were up 11%, with all regions contributing and the highest growth in Asia and Europe. Total revenue increased by 11% in constant currency and strategically important porcine royalty revenue was also up 11% in constant currency.

In North America, COVID-19 caused packing plant slowdowns in the first half of FY21. Market conditions improved in the second half, contributing to full year adjusted operating profit growth of 1% in constant currency. Volumes grew by 3% but royalty revenue declined 1%, due to reduced breeding activities by certain customers affected by the impact of plant slowdowns, and certain customers experiencing PRRSv outbreaks in the second half of FY21. However, key account wins on our damline products and strong sales growth on the PIC800 sire line, provides momentum going into FY22.

Latin America's adjusted operating profit grew by 17% in constant currency, with all the major countries contributing. Volumes were up 7% and royalty revenues were up 9% in constant currency. In Brazil, strong export demand from China fuelled significant industry expansion and drove almost 40% operating profit growth in our joint venture with Agroceres. To continue to meet increasing demand, Agroceres

PIC has begun constructing a new genetic nucleus farm to house 3,600 elite animals and produce up to 110,000 breeding animals per year.

Although revenue in Europe was essentially unchanged, adjusted operating profit rose by 13% in constant currency. Breeding stock sales were lower due to large key account stockings in the prior year. However, royalty revenues were up 11% in constant currency, with nearly all countries achieving growth. Expansion projects in Russia continued to drive strong royalty growth and delivered profit growth of 24% in constant currency. In Spain, Genus PIC entered into a strategic relationship with Sergal, a leading porcine distributor, to acquire and integrate its semen supply chain. This will support continued long-term growth with pork producers in the important Spanish market.

Asia's adjusted operating profit grew by 49% in constant currency. The strength in pig prices for the majority of the year supported continued growth in customer breeding projects, and improved margins from by-product sales in Genus PIC's owned farms in China. China's royalty revenues grew strongly and were 121% higher. However, country-wide health challenges in the second half of the year, along with a sharp decline in market pig prices, resulted in some near-term sales volatility as well as impacting owned farm profit margins from the sale of by-product slaughter pigs. This volatility is expected to continue through FY22. In the Philippines, the industry has started to show signs of recovery following the impacts of COVID-19 and ASF. Despite a volume decline of 3%, operating profit increased by 48% in constant currency.

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**GENUS PIC CASE STUDY**

# SUSTAINABLE

## BUSINESS GROWTH



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**NEW FACILITY SUPPORTS  
OUR SUSTAINABLE BUSINESS  
GROWTH**

In August 2020 Genus PIC began construction of a 370,000 square-foot nucleus farm in Canada. This facility will house 2,000 elite females which will enhance our capacity and support growth in key markets, including Russia and South America.

We carefully selected the farm's location and layout to ensure the highest health standards. Canada is recognised as a 'high health' export market and the farm itself is isolated from other pig operations, yet close to export facilities. The farm's design will facilitate physical security, cleaning procedures and handling of biosecure feed and semen. The site's dedicated export facility and truck wash will ensure that high-health breeding pigs can be exported quickly and effectively in line with best practice.

We have designed the farm with sustainability and animal well-being in mind. Features include computerised ventilation, heating and cooling, using on-site composting to create fertiliser for feed crops and energy saving measures such as LED lighting. The farm will hold pigs from birth to maturity, so no animals will need to be transported during their growth phase, minimising stress for the pigs. Combined with a square footage per animal that exceeds regulations, this will help each animal to maximise its genetic expression, benefiting them and our customers.





Canada  
location

370,000  
sq. ft

2,000  
elite females

## OPERATING REVIEW / GENUS ABS

# PARTNERING

## CREATING AND SHARING IN VALUE



**DR NATE ZWALD**  
CHIEF OPERATING OFFICER  
GENUS ABS DAIRY



**JERRY THOMPSON**  
CHIEF OPERATING OFFICER  
GENUS ABS BEEF

### BUSINESS PRIORITIES

#### SHORT TERM

Enhance the digital customer experience



#### MEDIUM TERM

Move US production and lab work onto our new Leeds site in Wisconsin

Accelerate growth in target markets while continuing to strengthen product development



#### LONG TERM

Expand our range of exclusive relationships with producers around the world, based on performance-based contracts and pricing

Year ended 30 June	Actual currency			Constant currency change %
	2021 £m	2020 £m	Change %	
Revenue	<b>250.1</b>	237.6	5	13
Adjusted operating profit	<b>36.4</b>	32.5	12	21
Adjusted operating margin	<b>14.6%</b>	13.7%	0.9pts	1.0pts

#### MARKET

Strong global demand for dairy products and the easing of COVID-19 lockdowns helped drive up the Fonterra Whole Milk Powder auction price by 25% over the last 12 months. Increased demand in China and other Asian markets was important in supporting these prices. Markets such as Brazil saw record milk prices, underpinned by government initiatives to counter the COVID-19 pandemic and inflationary pressures.

This strong demand boosted EU dairy production in the first half of 2021, with prices up 9% over the prior year. However, unfavourable weather during planting resulted in higher feed costs, dampening profitability. The US dairy herd was 9.5 million cows by May 2021, its highest level in over 20 years. Along with higher yields, this is expected to increase milk production by 2.4% during 2021.

China dairy imports were also up through the year, particularly in Q1 2021 which saw milk and cream, whey and cheese imports rise more than 50% over the prior year, when COVID-19 hampered international trade. These imports were mainly fulfilled by New Zealand, Germany, the US and Australia.

Industry forecasts suggest 1% growth in 2021 for milk production in regions where supply exceeds domestic demand. This compares with 1.4% growth in 2020, with most coming from the US and EU. However, continued feed cost increases in these regions will put pressure on production margins and likely restrict short-term supply growth.



Overall demand for ABS's products remained resilient in FY21.

Worldwide beef demand was particularly strong throughout the year. ASF's impact on pork in China has increased import demand for beef and the post-COVID-19 reopening of US foodservice and retail over the last six months also contributed. This has significantly increased beef prices, particularly in Brazil (up 40%) and the US (up 10%). In Brazil, this has been exacerbated by lower supply levels due to poor pasture growth, COVID-19 disruptions and farmers holding onto cattle until they reached their desired weights.

However, Brazil still reached a new global record for beef exports in 2020, due to rising production, a weak domestic market, a much lower exchange rate and strong demand from China. Brazilian beef remains very price competitive given its large production capacity and heavily depressed economy and currency. USDA forecasts indicate that Brazilian beef exports could grow by 5% in 2021, further challenging Australia's market share.

## STRATEGIC PROGRESS IN 2020/21



### DELIVERING A DIFFERENTIATED PROPRIETARY GENETIC OFFERING

- > Continued to generate industry-leading dairy bulls and established our Elite Sire programme, offering customers early access to genomic sires of high genetic merit
- > Increased the number of NuEra beef bulls in our nucleus facilities and brought more of these high genetic merit animals into production for customers
- > Grew global sales volumes of sexed genetics (including Sexcel, our proprietary product) by 29%, NuEra Genetics by 53% and Beef InFocus (our global beef-on-dairy brand) by 15%



In the bovine genetics marketplace, the significant investment required to run competitive breeding programmes saw a number of trading partnerships develop during the year, particularly between European co-operatives. This trend is likely to continue, as a smaller number of growing dairy and beef producers want to partner with world-class genetics companies, to help them grow sustainable protein production.

### PERFORMANCE

The COVID-19 pandemic continued to challenge our customers, despite the pandemic easing in some countries. However, overall demand for ABS's products has remained resilient with the ABS salesforce focus on obtaining all of their customers' business. This has included good uptake on new partnership contracts which include an outcome based pricing model.

ABS's adjusted operating profit increased by 21%, with volumes up 15% and revenue up 13% in constant currency. Dairy customers continued to demand sexed and beef genetics, with sexed volumes up 29% and beef volumes being 22% higher. This is reflected in Sexcel's continued success, the growing use of NuEra beef genetics in dairy herds and customer growth in the traditional beef segment.

Europe grew both volumes and revenue by 7%, with adjusted operating profit 14% higher in constant currency. Sexed semen volumes rose by 43%, with the UK, Italy and the European distributor business growing fastest. In Russia, the business made strategic progress with key accounts and delivered strong operating profit growth of 117% in constant currency. We also achieved strong growth in other distributor markets, however COVID-19 lockdowns in January and February significantly reduced customer access, and with dairy producers limiting their herd growth, conditions in the UK and Europe were challenging during the second half of the year. Good progress was made on moving customers to partnership-based contracts and the ABS



### FOCUSING ON LARGE AND PROGRESSIVE PROTEIN PRODUCERS GLOBALLY

- > Continued to increase sales of Sexcel in new and existing markets, with particularly strong performance in China (up 151%) and Russia (up 154%)
- > Increased use of digital sales platforms in Latin America, contributing to volume growth of 20% (17% of which came from new customers), especially in Brazil (up 33%)
- > Strengthened our service to the largest herds in the US, by establishing a strategic account management team to support current and potential customers
- > Enhanced our BeefAdvantage index in the UK, by adding feed efficiency as a selection trait, using market-focused performance data

breeder tag system uptake has been very encouraging. A new third-party IntelliGen production facility that opened in Europe in the first half of the year was successfully validated and put into full operation.

North American revenue was unchanged and adjusted operating profit fell by 13% in constant currency. We increased investment in strategic key account management and marketing during the year, however COVID-19 travel restrictions continued to have a short-term impact on sales. Volumes declined by 2% due to reduced face-to-face customer interactions and uncertain market conditions causing dairy producers to rationalise their genetic inventory on-farm. Beef-on-dairy volumes rose 19%, supported by proprietary NuEra genetics selected for cross-bred beef-on-dairy performance and sexed volumes were 1% higher, however customers used less conventional product. There was also lower IntelliGen profit due to a planned technology transfer in the prior year.

In Latin America, revenue grew by 32% and adjusted operating profit increased by 67% in constant currency. Performance in Brazil was particularly good, reflecting the strength of the Brazilian beef market, the team's innovative digital sales campaigns and our robust pricing policies. Overall volumes in Latin America were 20% higher, with sexed volumes up 36% and beef volumes up 37%, utilising NuEra genetics selected for cross-bred performance of North American sires with tropical cows. Embryo volumes increased by 36%.

In Asia, adjusted operating profit was up 53% and volumes grew 36%. Trading grew in China, following a period of vertical integration among customers, as dairy processors acquired farms. After the end of a multi-year drought and bushfires in 2019/20, Australia's customer demand bounced back strongly. Sexed volumes in Asia rose 64%, with strong Sexcel sales in China. The year also saw strong performance in our India business and the signing of our fourth government sexed semen contract in India.



### SHARING IN THE VALUE DELIVERED

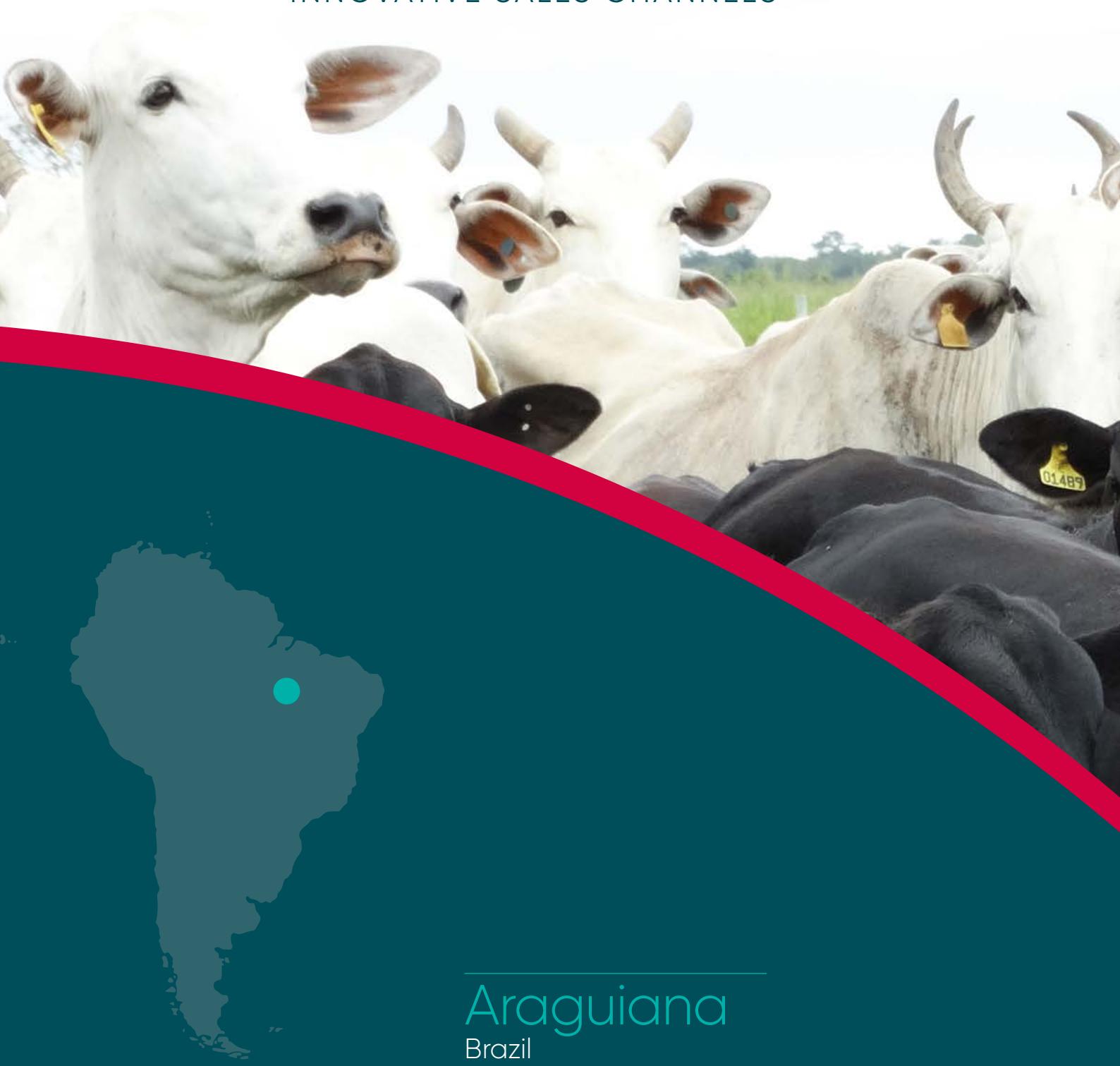
- > Enrolled over 125 large customers in our Key Account Partner Program, through which we become their exclusive genetic partner and provide a holistic service for a monthly fee
- > Conducted two beef validation trials with feeders and packers around the world, to demonstrate the superior performance of NuEra Genetics and increase demand through the supply chain

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GENUS ABS CASE STUDY

# ENGAGING

WITH PROGRESSIVE BEEF FARMERS THROUGH  
INNOVATIVE SALES CHANNELS



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Araguiana  
Brazil



## ENGAGING WITH PROGRESSIVE BEEF FARMERS THROUGH INNOVATIVE SALES CHANNELS

Marcos Albino is a Nelore cattle breeder at the 800 cow Maranata Ranch in Araguiana, Brazil, and has historically never used artificial insemination. In 2019 Marcos was invited by the ABS team to participate in ABS's 'Black Week' digital sales event, during which Marcos acquired 200 ABS embryos produced with ABS's leading Nelore genetics, sexed with our proprietary sexing technology. A high proportion of these breedings resulted in high-quality female calves, enabling Marcus to rapidly transform the performance and sustainability of his herd in a single breeding event.

As a result of Marcos's positive experience and support from ABS's technical services team, he has developed a strong working relationship with ABS and has since invested in additional embryos. The relationship has now progressed beyond the acquisition of genetics and Marcos has decided to employ ABS's IVB NEO service, which will enable him to create embryos from his best males and females to breed his next generations, thereby dramatically accelerating the genetic improvement in his herd.

## OPERATING REVIEW / GENUS R&amp;D

# PIONEERING

## TECHNOLOGY FOR PROTEIN PRODUCTION



**DR ELENA RICE**  
CHIEF SCIENTIFIC OFFICER  
AND HEAD OF R&D  
GENUS R&D

### BUSINESS PRIORITIES

#### SHORT TERM

Keep enhancing our proprietary sexing technology and increasing fertility



#### MEDIUM TERM

Gain regulatory acceptance of PRRS-resistant pigs in target markets and advance our reproductive technology to accelerate genetic gain



#### LONG TERM

Harness data analytics and genomic science to develop insights into new traits that will enhance the sustainability of animal agriculture

Year ended 30 June	Actual currency			Constant currency change %
	2021 £m	2020 £m	Change %	
Porcine product development	<b>21.9</b>	28.9	(24)	(20)
Bovine product development	<b>19.7</b>	20.9	(6)	1
Gene editing	<b>7.6</b>	5.2	46	54
Other research and development	<b>13.3</b>	10.2	30	42
<b>Net expenditure in R&amp;D<sup>1</sup></b>	<b>62.5</b>	65.2	(4)	2

1 Excluding profit attributable to non-controlling interest.

#### PERFORMANCE

During the year, Genus continued to strengthen its proprietary differentiated offerings and to invest in key strategic initiatives, including gene editing, IntelliGen production capacity and porcine elite farm nucleuses, as well as further developing its research and development pipeline. Net research and development investment increased by 2% in constant currency, with the prior year having included large investments to expand the porcine elite nucleus populations. External research collaboration spend was lower, due to delays in spending caused by COVID-19 constraints, and the Group also benefited from efficiencies in its gene editing programme, by internalising gene editing capabilities.

Porcine product development continues to deliver high rates of genetic improvement, driven by the combination of our expanded genetic production, implementation of best science and our capture of accurate and meaningful data. Ongoing improvement initiatives are focused on further refining our genomic evaluation, exploring precision measurement tools utilising new technologies such as video imaging, and continuing the integration of Møllevang genetics for maximum product differentiation. Rates of genetic gain and the results from product validation trials demonstrate that these investments are increasing our realised rates of improvement. The decrease in porcine product development expenditures are primarily related to one-time projects in



We've launched a new programme in reproductive biology and established a world-class team in this area.

FY20, which expanded capacity in Genus PIC's elite farms, along with favourable market conditions which reduced running costs.

Bovine product development continued to generate an industry leading Holstein dairy bull portfolio, which supported strong volume growth in ABS. The De Novo joint venture continued to produce more than 50% of these animals and the strong pipeline of young bulls will help sustain our leadership position. Global demand for NuEra genetics grew further and represented more than 30% of our total beef volumes. Recent validation trials in customer systems have demonstrated NuEra's significant superiority to competitor genetics. In addition, we have now validated and



## STRATEGIC PROGRESS IN 2020/21



### GENE EDITING

- > Conducted further trials on our gene-edited pigs, demonstrating complete resistance to two prevalent types of PRRSV, and made our second submission for regulatory approval in the US
- > With our partner BCA, increased interactions with MARA and progressed in-country lab and production facilities
- > Continued our collaboration with Kansas State University to evaluate opportunities for combating swine influenza and African Swine Fever



### REPRODUCTIVE BIOLOGY

- > Harnessed new techniques and technologies to improve our system for IVF, enhancing the quality and quantity of embryos produced internally and within licensed laboratories
- > Started exploring the benefits of working with embryonic stem cells to accelerate genetic gain, through collaborations with the University of California Davis and Missouri State University



### GENDER SKEW

- > Introduced a second generation of our industry-leading sexing technology to enhance ease of operation, improve efficiency and increase the gender skew rate of each unit produced
- > Increased production capacity to help ABS meet global demand for its sexed semen product, Sexcel
- > Continued to expand our network of IntelliGen Technologies laboratories, which now number 11 owned and licensed facilities across four continents



### DATA STRATEGY

- > Developed a data and analytics strategy and implemented initiatives on scalable hybrid computing, flexible storage and cataloguing of assets to strengthen data science capabilities and support innovation

launched our IntelliGen Gen2.0 ('Gen2') equipment at our Dekorra facility, which will provide further production efficiencies and further strengthen our product quality. We continue to invest in IntelliGen with the launch of Gen2, while amortising previously capitalised development costs. We expect to expand our production capacity further, to meet increasing demand for sexed semen.

Net gene editing expenditure rose by 54% in the year, mainly due to FY20 having included net income of £3.2m recognised for a milestone payment received from our Chinese partner, BCA. Excluding BCA income, gene editing expenditures were 5% lower. Our work with Caribou completed and we internalised our capability for producing gene edited animals, as intended. The PRRSV programme is progressing as planned, and we maintained our engagement with the FDA, with whom we have a constructive and positive relationship. We also initiated conversations, both directly and with local partners, on regulatory and market acceptance in key global markets, including China and Japan.

Other research and development expenditure increased by 42%. This included initiating work on reproductive biology and data science objectives, and continuing efforts in our bioinformatics platform and genome science. External collaborations in a variety of discovery areas also continued, though at a slower pace due to institutions prioritising COVID-19 research and vaccines.

**GENUS R&D CASE STUDY**

# DEVELOPING

## PIGS WITH RESISTANCE TO A DEVASTATING DISEASE



PRRSv is a devastating disease that causes significant animal suffering and billions of dollars in losses in global pig production annually. PRRSv cannot be effectively prevented or eliminated through traditional veterinary medicine or vaccination. Genus has pioneered the development of a gene editing solution that has proven to confer complete resistance to PRRSv in pigs, making animals healthier and our food supply safer and more sustainable.

During FY21, we made great progress and met our programme milestones. We completed live animal challenge trials, with our pigs demonstrating 100% resistance to both Type I (US and European) and Type II (US and Asia) PRRSv, confirming previous academic findings. To commercialise our PRRSv-resistant pigs, regulatory approval is key. We were therefore pleased to submit the first two product claim and method filings to the US Food and Drug Administration.

Our path to regulatory approval and commercial launch is clear, and this year's progress has moved us closer towards our goal of eradicating this devastating disease.





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**FINANCIAL REVIEW**

# STRONG

## PERFORMANCE FROM A RESILIENT BUSINESS



In the year ended 30 June 2021, the Group's overall performance was very strong.

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**ALISON HENRIKSEN**

**In the year ended 30 June 2021, the Group's overall performance was very strong despite some ongoing impacts from COVID-19. The resilience of our operations was reflected in revenue growth of 4% (10% in constant currency) and adjusted operating profit growth including joint ventures of 27% (36% in constant currency) on a restated basis (see below). This was after another year of significant investment in R&D of £62.5m (up 2% in constant currency, down 4% in actual currency). Excluding gene editing costs, adjusted operating profit including joint ventures increased by 37% in constant currency and adjusted profit before tax was up 38% (29% in actual currency).**

In line with the IFRIC Interpretation Committee's new agenda decision published in April 2021, the Group has changed its accounting policy related to the capitalisation of certain software assets. This change relates to the capitalisation of costs of configuring or customising application software under 'Software as a Service' (SaaS) arrangements. As a result, we are capitalising less of our GenusOne costs as the system is a Microsoft Dynamics 365 SaaS solution. This change in accounting policy led to an increase in operating expenses amounting to £2.7m in the current year and £5.2m for FY20. All FY20 results are restated. For full details of the impact see Note 2 Basis of Preparation.

On a statutory basis, profit before tax was £55.8m (2020 restated: £46.3m). The difference between statutory and adjusted profit before tax principally reflected the reduction in the non-cash fair value net IAS 41 biological assets, versus an increase last year, and lower exceptional items, principally due to the prior year reflecting £16.4m of litigation fees and damages. Basic earnings per share on a statutory basis were 72.6 pence (2020 restated: 54.4 pence).

Genus continues to report adjusted results as Alternative Performance Measures ('APMs'), which are used by the Board to monitor underlying performance at a Group and operating segment level and are applied consistently throughout. These APMs should be considered in addition to, and not as a substitute for or as superior to statutory measures. For more information on Genus's APMs, see the APM Glossary.

The effect of exchange rate movements on the translation of our overseas profits was to reduce the Group's adjusted profit before tax for the year by £6.3m compared with 2020, primarily due to weakness in Latin American currencies. All growth rates quoted are in constant currency unless otherwise stated. Constant currency percentage movements are calculated by restating the results for the year ended 30 June 2021 at the average exchange rates applied to adjusted operating profit for the year ended 30 June 2020.

## FINANCIAL REVIEW

Year ended 30 June	Adjusted results					Statutory results		
	Actual currency			Constant currency change %	Actual currency			
	2021 £m	restated <sup>1</sup> 2020 £m	Change %		2021 £m	restated <sup>1</sup> 2020 £m	Change %	
Revenue	<b>574.3</b>	551.4	4	10	<b>574.3</b>	551.4	4	
Operating profit exc JVs	<b>76.9</b>	60.1	28	34	<b>47.7</b>	42.4	13	
Operating profit inc JVs exc gene editing	<b>97.4</b>	76.0	28	37	n/a	n/a	n/a	
Profit before tax	<b>84.8</b>	65.8	29	38	<b>55.8</b>	46.3	21	
Profit before tax excluding SaaS impact <sup>1</sup>	<b>87.5</b>	71.0	23	32				
Free cash flow	<b>37.5</b>	35.2	7	n/m <sup>2</sup>				
Basic earnings per share (pence)	<b>100.9</b>	77.3	31	40	<b>72.6</b>	54.4	33	
Dividend per share (pence)					<b>32.0</b>	29.1	10	

1 As is set out in Note 2 Basis of Preparation, the Group has changed its accounting policy related to the capitalisation of certain software assets following the IFRIC Interpretation Committee's agenda decision published in April 2021. This change in accounting policy led to an increase in operating expenses of £2.7m in the current year and £5.2m for FY20. All FY20 results are restated and for details of the full impact see Note 2 Basis of Preparation. Profit before tax excluding SaaS impact<sup>1</sup> is presented only this year to demonstrate the impact of our change in accounting policy, and will not be presented in future in the years.

2 n/m = not meaningful.

## REVENUE

Revenue increased by 10% in constant currency and 4% in actual currency to £574.3m (2020: £551.4m). PIC's revenue growth of 11% in constant currency (up 6% in actual currency) continued to be underpinned by China, as the strong pig price for much of the year supported growth in royalty revenue and breeding stock sales, as customers expanded production. In ABS, revenue was up 13% in constant currency (5% in actual currency) reflecting continuing success of our sexed and beef genetics, particularly across Brazil, Russia, India and China.

## ADJUSTED OPERATING PROFIT INCLUDING JVS

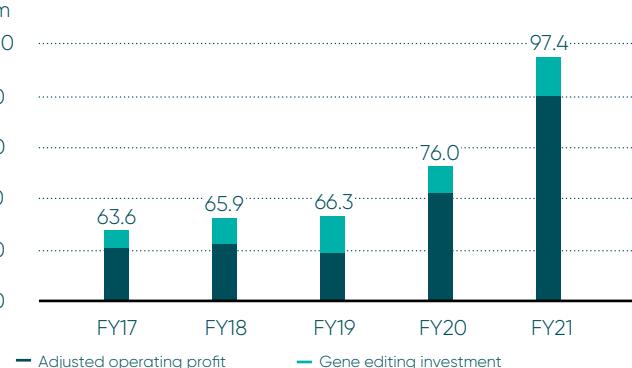
Year ended 30 June	Actual currency			Constant currency change %
	2021 £m	restated 2020 £m	Change %	
Adjusted Profit Before Tax <sup>1</sup>				%
Genus PIC	<b>135.9</b>	124.3	9	16
Genus ABS	<b>36.4</b>	32.5	12	21
R&D	(62.5)	(65.2)	4	(2)
Central costs	(20.0)	(20.8)	4	-
Adjusted operating profit inc JVs	<b>89.8</b>	70.8	27	36
Net finance costs	(5.0)	(5.0)	0	(2)
Adjusted profit before tax	<b>84.8</b>	65.8	29	38

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

	FY21 Average	FY20 Average	FY21 Closing	FY20 Closing
US Dollar/£	<b>1.35</b>	1.26	1.38	1.24
Euro/£	<b>1.14</b>	1.14	1.17	1.10
Brazilian Real/£	<b>7.15</b>	5.74	6.87	6.77
Mexican Peso/£	<b>28.14</b>	26.08	27.57	28.52
Chinese Yuan/£	<b>8.92</b>	8.89	8.93	8.75
Russian Rouble/£	<b>101.75</b>	85.17	101.10	88.19

Adjusted operating profit including joint ventures was £89.8m (2020 restated: £70.8m), reflecting a high growth rate of 36% in constant currency as mentioned above. Within this, Genus's share of adjusted joint venture operating profit was higher at £13.0m (2020: £11.3m), primarily due to strong results in the PIC Agroceres joint venture in Brazil and our joint venture in China. Amounts attributable to non-controlling interests were lower at £0.1m (2020: £0.6m) due to lower third party royalty income and a ramp up in dairy product development within our De Novo joint venture. Our gene editing investment, which is primarily focused on creating resistance in pigs against the devastating PRRSv disease, increased £2.4m to £7.6m, largely because FY20 included net income of £3.2m from BCA, our Chinese partner. Excluding this, gene editing expenditures reduced through efficiencies gained from internalising our capability to produce gene edited animals. Adjusted operating profit including joint ventures and excluding gene editing investment increased by 37% in constant currency to £97.4m (2020 restated: £76.0m), which far exceeded our medium-term objective to achieve growth of 10%. The impact to profit from COVID-19 effects on trading across the Group were largely offset by short-term travel savings of approximately £5m compared to the prior year.

## Adjusted Operating Profit including JVs excluding Gene Editing investment



PIC performed strongly, with adjusted operating profit including joint ventures up 16% in constant currency, particularly benefitting from continued strong demand in China. Volumes were up 11% (5% excluding China) with all regions contributing. Strategically important royalty revenues were up 11%, supported by strong growth in China of 121% and Europe of 11%. However North America declined 1%, due to some customers' breeding activities being impacted by COVID-19 related packing plant slowdowns in the first half of the year and PRRSv disease outbreaks in the second half of the year.

## FINANCIAL REVIEW CONTINUED

ABS had a particularly strong year, with adjusted operating profit increasing 21% and record volume growth of 15%. Sexel continued to demonstrate that it is the sexed product of choice for progressive dairy farmers, driving overall sexed volume growth of 29%. The growing use of NuEra beef genetics in dairy herds supported beef volume growth of 22%. The COVID-19 pandemic continued to cause challenges to our customers and adjusted operating profit growth was achieved in all regions except North America. Both Asia and Latin America achieved strong double-digit growth, with the latter continuing to benefit from innovative digital sales campaigns.

Central costs were stable in constant currency at £20.0m (2020 restated: £20.8m). This included a one-time £500 award to every employee for recognition of their effort through the COVID-19 pandemic, as well as investments to design and start implementing a new target operating model for our global finance and procurement functions. Our GenusOne enterprise system roll-out continues to make good progress. As reported above, under new IFRIC guidance, the continuing costs to configure and implement the GenusOne cloud environment during the year of £2.7m (FY20: £5.2m) are now being expensed rather than capitalised, with FY20 also being restated. As these costs are one-off in nature, we have determined to keep them in Central, with the reduction over the prior year due to less configuration work as the roll-out progresses.

### STATUTORY PROFIT BEFORE TAX

The table below reconciles adjusted profit before tax to statutory profit before tax:

	2021 £m	restated 2020 £m
<b>Adjusted Profit Before Tax</b>	<b>84.8</b>	65.8
Operating profit attributable to non-controlling interest	0.1	0.6
Net IAS 41 valuation movement on biological assets in JVs and associates	3.1	(0.1)
Tax on JVs and associates	(3.0)	(2.3)
Adjusting items:		
Net IAS 41 valuation movement on biological assets	(10.8)	15.8
Amortisation of acquired intangible assets	(7.4)	(8.5)
Share-based payment expense	(7.7)	(5.8)
Exceptional items	(3.3)	(19.2)
<b>Statutory Profit Before Tax</b>	<b>55.8</b>	46.3

Our statutory profit before tax was £55.8m (2020 restated: £46.3m), largely reflecting the increase in the underlying trading performance and the reduction in exceptional items, partially offset by the non-cash fair value net IAS 41 biological asset movement. Within this, there was a £6.4m uplift (2020: £13.2m uplift) in porcine biological assets and a £17.2m reduction (2020: £2.6m uplift) in bovine biological assets, due to certain fair value model estimate changes. Share-based payment expense was £7.7m (2020: £5.8m). These reconciling items are primarily non-cash, can be volatile and do not correlate to the underlying trading performance in the year.

### EXCEPTIONAL ITEMS

There was a £3.3m net exceptional expense in the year (2020: £19.2m expense), which included legal fees of £2.5m (2020: £5.6m) and with the prior year also being impacted by £10.8m of damages and costs in relation to Genus ABS's litigation with STGenetics. A non-cash Guaranteed Minimum Pension ('GMP') equalisation charge of £2.3m in respect of pension schemes has also been recognised due to a High Court ruling on 20 November 2020, which ruled individual transfer payments made by UK

pension schemes since 17 May 1990 need to be equalised for the effects of GMP. Also included is a credit of £2.0m in relation to a share forfeiture exercise.

### NET FINANCE COSTS

Net finance costs were unchanged at £5.0m (2020: £5.0m). Average facility borrowings were comparable year on year, with reductions in market interest rates being largely offset by increased bank margins in relation to the Group's new Facility Agreement, which was executed in August 2020, as well as higher commitment and utilisation fees.

Amortisation costs in the year included £0.2m written off in respect of the previous facility, at the commencement of the new Facility Agreement, and £0.3m from the higher monthly amortisation costs of the new facility which are being spread over a shorter three-year duration.

Other interest included £0.8m (2020: £1.0m) of IFRS 16 finance lease interest and £0.9m (2020: £0.9m) relating to the unwind of discount interest on the Group's pension liabilities and put options.

### TAXATION

The tax charge on the statutory profit in the year of £12.0m (2020: £12.9m) represented an effective tax rate ('ETR') of 20.4% (2020 restated: 26.5%) with the prior year from 24.0% as a consequence of the SaaS accounting restatement. This prior year increase was due to non-recognition of the related deferred tax asset, as the losses created were considered not to be utilisable on a timely basis.

The statutory tax charge reduced by 3.6% due to the revaluation (from 19% to 25%) of deferred tax assets expected to crystallise post April 2022 in the UK and further reduced by 2.0% for additional future utilisation of previously incurred losses, particularly in Germany which has an improved trading and profitability outlook. These credits were offset by movements in tax provisions of 1.2% and a charge for prior year tax expenses of 0.5%.

The tax charge on adjusted profits in the year was £19.1m (2020: £15.6m), which represented a tax rate of 22.5% (2020 restated: 23.7%). The adjusted tax rate is reduced by 3.3% by the revaluation of UK deferred tax assets previously mentioned, offset by a charge of 0.8% primarily resulting from the provision for State Aid on CFC Finance Companies. In March 2021, HMRC issued Genus with a charging notice for £1.2m in respect of its assessment of the state aid due to be recovered. During the year, Genus has provided a further £0.4m (2020: £1.0m) in respect of its exposure to the repayment of previously claimed tax benefits under this State Aid challenge but will continue to pursue various avenues of appeal against both the EU Commission's original decision and HMRC's interpretation of that decision, as calculated in the charging notice received.

The outlook for the Group ETR is in the range of 23%–25%, consistent with the current year, excluding the one-off change of rate benefit and provision increase.

### EARNINGS PER SHARE

Adjusted basic earnings per share increased by 31% (40% in constant currency) to 100.9 pence (2020 restated: 77.3 pence) as a result of the strong trading performance and lower tax rate. Basic earnings per share on a statutory basis were 72.6 pence (2020 restated: 54.4 pence), reflecting the strong trading performance and lower exceptional charges, partially offset by the non-cash fair value net IAS 41 biological asset movement.

### BIOLOGICAL ASSETS

A feature of the Group's net assets is its substantial investment in biological assets, which under IAS 41 are stated at fair value. At 30 June 2021, the carrying value of biological assets was £337.3m (2020: £370.2m), as set out in the table on the next page.

	2021 £m	2020 £m
Non-current assets	<b>279.9</b>	310.1
Current assets	<b>39.6</b>	39.8
Inventory	<b>17.8</b>	20.3
	<b>337.3</b>	370.2
Represented by:		
Porcine	<b>227.4</b>	242.7
Dairy and beef	<b>109.9</b>	127.5
	<b>337.3</b>	370.2

The movement in the overall balance sheet carrying value of biological assets of £32.9m includes the effect of exchange rate translation decreases of £35.3m. Excluding the translation effect there was:

- > a £9.1m increase in the carrying value of porcine biological assets, due principally to an increase in the number of animals held, as well as to the mix of animals held; and
- > a £6.7m reduction in the bovine biological assets carrying value, primarily due to current estimates, based on market data, of the semen sales price attributable to the biological asset value.

The historical cost of these assets, less depreciation, was £65.1m at 30 June 2021 (2020: £57.5m), which is the basis used for the adjusted results. The historical cost depreciation of these assets included in adjusted results was £10.0m (2020: £11.0m).

#### RETIREMENT BENEFIT OBLIGATIONS

The Group's retirement benefit obligations at 30 June 2021 were £11.1m (2020: £18.1m) before tax and £9.0m (2020: £14.6m) net of related deferred tax. The largest element of this liability now relates to some legacy unfunded pension commitments dating prior to the acquisition of PIC by Genus.

During the year, contributions payable in respect of the Group's defined benefit schemes amounted to £7.4m (2020: £8.4m). Contributions to the Milk Pension Fund ('MPF') are scheduled to finish in September 2021 which will reduce the amounts payable going forwards.

As the impact of COVID-19 on asset valuations reduced, robust investment strategies and higher bond yields during the year for our two main defined benefit obligation schemes have led to strengthened financial positions. Both the Dalgety Pension Fund and our share of the MPF reported IAS 19 surpluses, prior to any IFRIC 14 amendments, despite an additional GMP equalisation charge of £2.3m.

#### CASH FLOW

Cash generated by operations of £86.6m (2020 restated: £77.2m) represented cash conversion of 113% (2020 restated: 128%) of adjusted operating profit excluding joint ventures. The strong conversion of adjusted operating profit to cash is aligned to our medium-term objective to achieve conversion of at least 90%. The increase in cash generation was primarily due to the strong trading performance and a continued focus on working capital management.

Capital expenditure cash flows of £33.8m (2020 restated: £29.7m) included continued investment in the ABS supply chain, with state-of-the-art new bull housing in Wisconsin, increasing PIC's supply chain capacity, with a new genetic nucleus farm being constructed in Canada, and investment in software development. Cash inflows from joint ventures were higher at £3.7m (2020: £3.7m). After interest and tax paid, total free cash flow was £37.5m (2020: £35.2m).

The cash outflow from investments was £16.9m (2020: £0.1m). This included an upfront payment of £6.9m as part of the £7.7m consideration to acquire the trade and assets of Sergal, a leading Spanish porcine semen distributor, £2.4m to acquire a 39% minority shareholding in Xelect, an aquaculture genetics services company, and deferred consideration payments from previous acquisitions of £6.7m.

The net cash inflow after investments and dividends was £1.2m (2020: £16.9m), reflecting the additional investments and deferred consideration payments made during the year.

Cash flow (before debt repayments)	2021 £m	restated 2020 £m
Cash generated by operations	<b>86.6</b>	77.2
Interest and tax paid	<b>(19.1)</b>	(17.1)
Capital expenditure	<b>(33.8)</b>	(29.7)
Cash received from JVs	<b>3.7</b>	3.7
Other	<b>0.1</b>	1.1
<b>Free cash flow</b>	<b>37.5</b>	35.2
Acquisitions and investments	<b>(16.9)</b>	(0.1)
Dividends	<b>(19.5)</b>	(18.3)
Share issued	<b>0.1</b>	0.1
<b>Net cash inflow (before debt repayments)</b>	<b>1.2</b>	16.9

#### NET DEBT AND CREDIT FACILITIES

Net debt increased slightly to £105.6m at 30 June 2021 (2020: £102.6m) primarily due to new financing leases. At the end of June 2021 there was substantial headroom of £130m under the Group's renewed credit facilities of £240m. The new facility was originally for a three-year term to 24 August 2023, but the Group exercised the first of two available extension options, extending the maturity date to 24 August 2024. The facility also includes an uncommitted £100m accordion option, which can be requested on a maximum of three occasions over the lifetime of the facility to fund the Group's business development plans.

The Group's financial position and borrowing ratios remain very robust, with sufficient cash flows available to fund internal investments and sufficient debt finance available to pursue acquisition opportunities. At the end of June 2021, interest cover was at 45 times (2020: 35 times). EBITDA, as calculated under our financing facilities, includes cash received from joint ventures. Net debt as calculated under our financing facilities excludes IFRS 16 lease liabilities up to a cap of £30m but includes bank guarantees. The ratio of net debt to EBITDA on this basis at the year-end has remained stable at 0.9 times (2020 restated<sup>1</sup>: 0.8 times). This level of leverage is just below our medium-term objective of having a ratio of net debt to EBITDA of between 1.0 – 2.0 times.

#### RETURN ON ADJUSTED INVESTED CAPITAL

We measure the Group's return on adjusted invested capital using adjusted operating profit including joint ventures after tax, divided by the operating net assets of the business on the historical cost basis and excluding net debt and pension liabilities. This removes the impact of IAS 41 fair value accounting, the related deferred tax and goodwill. The post-tax return on adjusted invested capital was higher at 23.0% (2020 restated: 20.1%), reflecting the strong profit growth and lower tax rate. This was partially offset by an increased asset base from the capital investments in supply chain capacity and the increased values of our Brazilian joint venture, Agroceres, and our Caribou shareholding.

#### DIVIDEND

Recognising the importance of balancing our investment for the future with ensuring an attractive return for shareholders, the Board is recommending a final dividend of 21.7 pence per ordinary share, an increase of 10% over the prior year final dividend. When combined with the interim dividend increase of 10%, this will result in a total dividend for the year of 32.0 pence per ordinary share (2020: 29.1 pence per share), an increase of 10% for the year. Dividend cover from adjusted earnings remains strong at 3.2 times (2020 restated: 2.7 times), slightly above the medium-term target of an adjusted earnings cover range of 2.5 to 3.0 times.

**Alison Henriksen**  
Chief Financial Officer  
8 September 2021

<sup>1</sup> FY20 Net Debt to EBITDA has been restated to reflect the revised credit facility terms completed in August 2020.

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PEOPLE AND CULTURE

# ATTRACTING

## BY BEING A PEOPLE MAGNET



**ANGELLE ROSATA**  
GROUP HR DIRECTOR

“

We nurture an open, respectful and supportive working environment founded on the five Company values of **Customer Centric, Results Driven, Pioneering, People Focused, and Responsible.**

Genus employs over 3,400 colleagues in 24 countries.

We provide more information on our workforce in the Governance section.

### INCREASING INCLUSION

We aim to be a 'People Magnet' for current and prospective colleagues, whoever and wherever they are. We nurture an open, respectful and supportive working environment, founded on the five company values our people helped to shape.

We have established a range of global policies to help us, for example on Anti-Harassment and Diversity & Inclusion. We embed their provisions into our employee handbook and working practices, from recruitment assessments to onboarding activities, and from performance management to employee development.

Additional activities include the work of AWAKE to enhance gender inclusion (discussed on pages 36 to 37). This year, we also delivered 'unconscious bias' training to over 100 senior leaders, helping them ensure current and future employees, customers and other stakeholders feel valued and respected, regardless of differences. Our recruitment programmes have subsequently sourced and considered a more diverse range of applicants.

### ATTRACTING NEW TALENT

Internships and graduate programmes continued to bring new talent into Genus. For example, in the US, ABS brought in 28 interns (including 19 women) with three already progressing into full-time roles. In the UK, we recruited ten graduates, including four women.

We also developed a new online recruitment and onboarding portal, to help us reach a broader and more diverse pool of candidates. We are currently rolling this out.

### DEVELOPING OUR PEOPLE

We give *all* employees opportunities to grow and thrive. For instance, we continue

to evolve development programmes for people leaders at different levels, involving 212 participants from 14 countries (34% of whom were women, in line with our wider workforce profile). This year, steps included expanding training for first-time supervisors and piloting a new course for mid- to senior-level managers who have graduated from previous programmes and are keen to keep improving leadership skills.

We implemented a 'self nomination' option for many development programmes, to help mitigate unconscious biases in delegate selection processes. We also enhanced diversity in succession plans by ensuring women have sufficient opportunities to develop the capabilities needed for future roles. In PIC Latin America, for example, three women were promoted in FY21, compared to only one during FY20.

We also ensure that colleagues receive training on global policies. For example, every employee must complete annual training on our Anti-Bribery and Corruption Policy and achieve 100% in a post-training test. Employees also complete annual training on animal well-being, anti-harassment and cyber security. Colleagues working directly with animals receive role-specific safety training.

### ENHANCING ENGAGEMENT

We maintained our focus on engaging employees, despite constraints created by COVID-19. We regularly shared information on Company plans and progress, and enhanced leadership engagement through virtual global, regional and local town halls, plus CEO breakfasts with cross-sections of colleagues.

Our two Non-Executive Director 'employee representatives' – Lesley Knox and Lykele van der Broek – held a breakfast discussion with employees from PIC Europe, gaining workplace and cultural insights to bring back to the Board. They will be holding further discussions around the world as COVID-19 restrictions are relaxed.

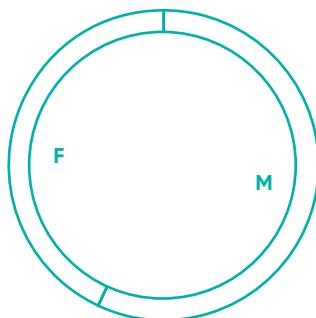
### RECORDABLE INJURY FREQUENCY RATES PER 200,000 HOURS WORKED

FY21	2.05
FY20	2.61

### BOARD GENDER BREAKDOWN

M = Male  
F = Female

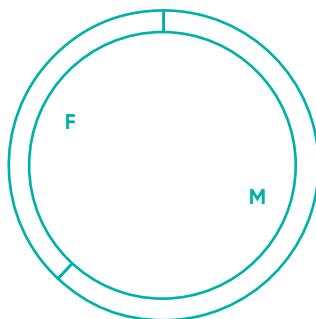
57%  
43%



### GELT GENDER BREAKDOWN

M = Male  
F = Female

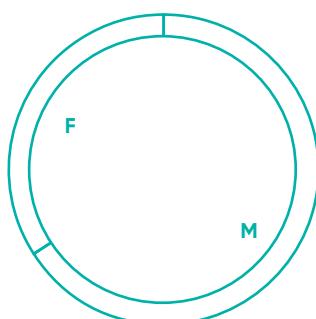
62%  
38%



### WORKFORCE GENDER BREAKDOWN

M = Male  
F = Female

66%  
34%



We run a global employee survey every two years and 'pulse' surveys with smaller groups in between. Our 'pulse' survey this year gained input from nearly a quarter of employees. 74% of those surveyed responded favourably to 'I would recommend a friend to work at Genus', maintaining our employee Net Promoter Score ('eNPS') despite the challenges created by COVID-19. 82% of respondents said they were proud of the way Genus handled its response to the pandemic.

### IMPROVING HEALTH AND SAFETY

Throughout the COVID-19 pandemic, our priority has been the safety of colleagues and their families. We introduced protective protocols for employees working at production facilities, in labs and with customers. We suspended overseas business travel and established rigorous guidelines, aligned with local public health authorities, for employees working in offices.

In addition, we introduced support for mental health and well-being, recognising the pandemic's impact on employees' work and home lives. This included a 'Well-being Week', involving 25 webinars from experts in different aspects of mental health. We also gave employees access to more than 60 local well-being guides.

Overall, we continued to improve health and safety performance, reducing the recordable injury frequency rate by 21.46% and vehicle incident rates by 16.9%.

### ACTING ON CONCERNS

There are many ways in which employees can raise issues, including an independent hotline that supports our Whistleblowing Policy and allows employees to anonymously report any concerns about unethical behaviour. Any such reports are immediately referred to the Group General Counsel and Company Secretary. They are investigated and discussed with the Group HR Director, Head of Risk Management and Internal Audit and the Company's Audit & Risk Committee. This process is regularly reviewed as part of our annual Audit & Risk Committee activity. Five issues were reported during the year. Following full investigation, steps taken ranged from further training on relevant policies to disciplinary action.

### HUMAN RIGHTS

Genus is committed to respecting the human rights of workers throughout our value chain and the local communities in which we operate. We aim to ensure that anyone who might be affected by Genus can enjoy the human rights described in the International Bill of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work.

We monitor this through the same process outlined above and there were no issues identified during the year.

### HOW WE'VE WORKED TOGETHER DURING THE COVID-19 PANDEMIC

**Throughout the pandemic, our people have demonstrated great commitment, collaboration and resilience to help each other, serve customers and support their local communities.**

This has been facilitated by our focus on health and safety, flexible and remote working, and use of digital technologies. As highlighted opposite, our priority has been (and remains) the well-being of employees, their families and our customers. We have monitored and followed local public health guidance in every country where we operate, while local teams have worked together on additional steps to strengthen protections such as staggering break times and using white boards to communicate handovers at shift-changes rather than face-to-face meetings.

Our investment in digital tools has enabled colleagues and teams to work together seamlessly, irrespective of location. For example, the team leading deployment of the new microfluidic chip for our IntelliGen technology replaced in-person visits to sites around the world with videos, online training and Microsoft Teams calls. Tools like Teams and Yammer have also helped colleagues remain connected and avoid isolation when working remotely.

We have also embraced digital tools and platforms to communicate with customers, e.g. through a programme of webinars and highly-successful digital sales drives in Latin America. These efforts have been underpinned by a tremendous global team spirit and commitment to colleagues, customers and animals. Examples include employees covering different roles when colleagues have been self-isolating and export teams finding creative ways of continuing shipments of animals to customers, despite the challenges and complexities created by COVID-19.

The effectiveness of our approach was recognised in a recent 'pulse' survey of more than 500 employees. 82% were proud of the way Genus had handled its response to the pandemic, 88% said they have the technology/tools needed to do their job and 87% knew who to talk to if they needed support.

PEOPLE AND CULTURE CASE STUDY

# ADVANCING

WOMEN'S ADVOCACY,  
KNOWLEDGE AND EMPOWERMENT



**WOMEN ACHIEVING PROMOTION****100**

AWAKE (Advancing Women's Advocacy, Knowledge and Empowerment) is an employee resource group working with executive sponsors, business leaders and colleagues across the Company to help us increase gender balance and develop more diverse teams more broadly.

AWAKE has established a global community through which women connect, collaborate and participate in development programmes. The group has a Company-wide leadership team, regional champions, 327 members and 141 male allies.

The group communicates with leaders regularly and engages employees through webinars, newsletters, Yammer discussions and a SharePoint resource hub. In May 2021, AWAKE piloted training focused on leadership for women.

AWAKE is one of the initiatives helping us increase representation of women in Genus. During the year, 100 women achieved promotion (44% of all promotions during the year) and 37 women made lateral moves to take on new roles and responsibilities (46% of all such moves during the year).

AWAKE has also established a firm foundation for further initiatives to increase diversity in all its forms across our Company.

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**SUSTAINABILITY REPORT**

# SUSTAINABILITY

## AT THE HEART OF OUR BUSINESS

Our genetic improvement work is directly focused on helping farmers to meet the challenge of producing meat and milk more efficiently and sustainably.

**Sustainability lies at the heart of our business. It informs our purpose of pioneering animal genetic improvement to help nourish the world and infuses the core values that shape our work, every day.**

We make a positive contribution to the world around us. According to the UN, the global population is almost 8 billion people today and is projected to reach 9.7 billion people by 2050. Our genetic improvement work is directly focused on helping farmers to meet the challenge of producing meat and milk more efficiently and sustainably, increasing the availability of high-quality, affordable animal protein around the world. This challenge is exacerbated by global climate change, and risks to food security which flow from it. As a result of bovine and porcine genetic improvement, our customers use far less land, water and other natural resources to produce more milk or meat than they did some decades ago. We are therefore helping to nourish the world whilst reducing the impact agriculture has on the environment and we continue to accelerate our genetic improvement programmes as we aim to lead the market in sustainable animal protein production.



In parallel, we continue to reduce the environmental impact of our own operations, guided by our Climate Change Policy. This policy, which is available on the Company's website, commits us to a 25% reduction in greenhouse gas ('GHG') emissions by 2030 and becoming a net-zero emissions business by 2050. We will use the primary intensity ratio to report emission reductions, and we have a range of practical activities already underway to help us achieve this.

We fulfil our commitment by challenging ourselves and those around us to think differently. From small improvements in working practices to innovations that address stakeholder needs, we constantly develop and explore new ideas for enhancing our contribution and delivering positive, sustainable change. During the year, we reviewed our governance to ensure that sustainability issues are receiving focus at the highest levels of our organisation. From FY22, the composition of our Sustainability Committee will be bolstered by the addition of the Chief Executive, Chief Financial Officer, Chief Scientific Officer and the Chief Operating Officers of our business divisions as members. The Committee will also be attended by Lysanne Gray, our Non-Executive sustainability champion, and the Committee's activities will be reported directly to the Board of Directors, ensuring that oversight of sustainability is a matter for the Board as a whole.

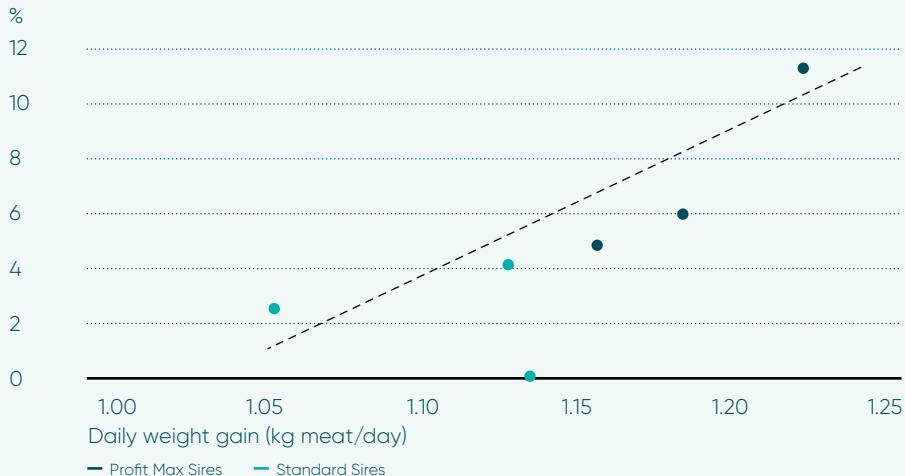
We translate our bold thinking into policies and practices that underpin our operations around the world. From core principles on protecting animal well-being to guidelines on supporting community causes, we articulate expectations, provide information and deliver training where needed to ingrain responsible business practices across our organisation and the people we work with.

We set and continually monitor progress using key performance indicators (see page 41). We also ensure employees have multiple routes to raise any concerns (including the independent whistleblowing hotline explained earlier). No material issues were reported during the year.

## ENHANCING OUR NUERA PROFIT INDEX IN THE UK

By adding feed efficiency as a selection trait, Genus ABS is using market-focused performance data to drive efficiency and sustainability for customers. The results of a recent UK trial involving 149 calves from six sires shows a strong correlation between genetic quality and GHGs, with reduction improvement of 11% for the highest genetic level per kilogram of meat.

## WE RAN A UK TRIAL INVOLVING 149 CALVES FROM SIX SIRES, WHICH DEMONSTRATED STRONG CORRELATION BETWEEN GENETIC QUALITY AND GHGS<sup>1</sup>



## ENERGY USE AT LEEDS: MOVING FROM 'BROWN TO GREEN'

As part of a long-term plan to expand its production capacity in North America, ABS is building new production facilities and laboratories at Leeds, Wisconsin. Due to its reliance on fossil fuels for energy generation, the state of Wisconsin has one of the highest electricity grid carbon intensity figures in the US, so to support Genus's ambitions for decarbonisation, the Company is installing photovoltaic panels at the site which will supply 377 kW of DC energy and remove pressure on the local power grid.

## DECARBONISING TRANSPORT – FLEET TRANSFORMATION PLAN

Travel in vehicles represents around 14% of our carbon footprint. As we prepare for governments to cease sales of petrol and diesel vehicles we are assessing the differences between standard diesel van and battery electric vehicles.

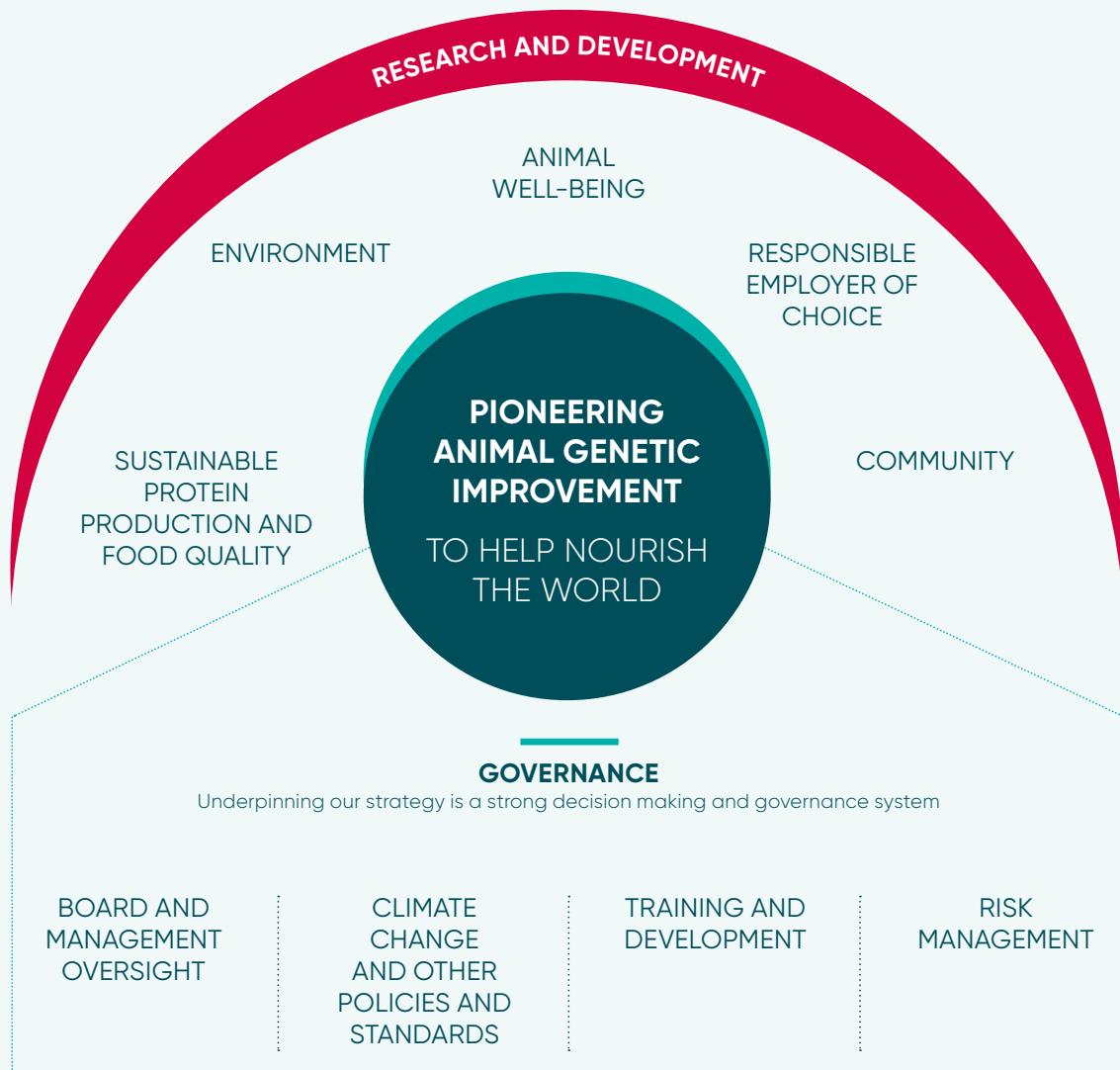
During the year Genus operated six fully electric vehicles in its UK fleet and has plans to increase to 15 in FY22 as part of a 'fleetwide' replacement programme. From FY22, the Company will cease to buy any petrol or diesel-only vehicles in the UK, and we are working with suppliers to solve issues for employees, such as access to charging points at home.



<sup>1</sup> Based on Genus UK trial with strategic customer; data represents average performance of 149 offspring of six Genus British Blue sires processed in 2019 and 2020; percentage improvement represents reduction in carbon dioxide equivalents (carbon dioxide, methane and nitrous oxide) per kilogram of carcass, relative to worst performing sire in trial.

## SUSTAINABILITY REPORT CONTINUED

### SUSTAINABILITY STRATEGY



OUR SUSTAINABILITY  
STRATEGY COMPRISSES  
FIVE PILLARS WHICH  
SUPPORT OUR PURPOSE

**PROGRESSING OUR SUSTAINABILITY STRATEGY**  
Our Sustainability Committee contains experts from around our global Company. The Committee sets our sustainability strategy, articulates annual objectives and monitors progress.

Our progress with our sustainability strategy, including key performance indicators where relevant, is summarised opposite.

For more information on our work, progress and Sustainability Committee, please visit our dedicated website: [www.genusplc.com/responsibility](http://www.genusplc.com/responsibility).

Sustainability objective (and related SDG)	Highlights in the year	FY22 goals
<b>SUSTAINABLE PROTEIN PRODUCTION AND FOOD QUALITY</b> Advancing animal genetic improvement to help our customers breed more productive and resilient animals which produce better milk and meat more efficiently and sustainably.	<ul style="list-style-type: none"> <li>&gt; Drove further genetic improvements in both porcine and bovine species</li> <li>&gt; Continued our work to combat PPRSV in pigs and completed controlled research trials as well as submission of regulatory information to the US Food and Drug Administration</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Continue driving porcine and bovine genetic improvement and rapidly disseminate the genetics to customers globally by:           <ul style="list-style-type: none"> <li>(i) increasing porcine genetic improvement index by one standard deviation per generation;</li> <li>(ii) increasing bovine genetic improvement index by one standard deviation per generation; and</li> <li>(iii) continuing to improve beef genetics based on feed efficiency, quality and reduce greenhouse gas emissions.</li> </ul> </li> <li>&gt; Continue responsible development of gene editing technology, to aid disease resistance and animal well-being</li> </ul>
<b>2 ZERO HUNGER</b>  <b>2.1</b> end hunger		
<b>2 ZERO HUNGER</b>  <b>2.3</b> productivity and incomes of small-scale food producers		
<b>13 CLIMATE ACTION</b>  <b>13.1/13.2</b> strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries		
<b>ENVIRONMENT</b> Reduce the environmental impact of our own operations	<ul style="list-style-type: none"> <li>&gt; Undertook environmental audits of four key office and production facilities in the US, with energy efficiency and maintenance actions identified</li> <li>&gt; Audited 89.5% of PIC-owned production sites</li> <li>&gt; Generated 315,627 kWh of energy from biogas</li> <li>&gt; Commenced implementation of additional solar schemes in the US, which will come online in FY22.</li> <li>&gt; Trialled electric vehicles in UK fleet</li> <li>&gt; Examined slurry management actions</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Launch environmental sustainability initiatives across the Company consistent with Climate Change Policy targets for GHG emission reductions</li> <li>&gt; Execute and explore opportunities for wider deployment of renewable energy solutions across ABS and PIC sites</li> <li>&gt; Work to address slurry and manure management challenges by exploring technological innovations</li> <li>&gt; Conduct environmental audits of material facilities</li> <li>&gt; Maintain scope and measures of PIC audits on owned production, including 80% of owned sites</li> </ul>
<b>7 AFFORDABLE AND CLEAN ENERGY</b>  <b>7.2/7.3</b> renewables and energy efficiency		
<b>13 CLIMATE ACTION</b>  <b>13.2</b> low carbon transition		
<b>ANIMAL WELL-BEING</b> Continuously improve animal well-being across our business worldwide	<ul style="list-style-type: none"> <li>&gt; 100% of employees with animal care responsibilities received training on Genus animal care standards</li> <li>&gt; Continued investment in PIC and ABS animal housing facilities</li> <li>&gt; Maintained animal care standards</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Ensure employees with animal care responsibilities are regularly trained on Genus animal care standards</li> <li>&gt; Continue investment in animal housing facilities</li> <li>&gt; Maintain and improve animal care standards and operating procedures, to ensure alignment with best practice</li> </ul>
<b>RESPONSIBLE EMPLOYER OF CHOICE</b> Be a people magnet with a dynamic, inclusive and safe working environment	<ul style="list-style-type: none"> <li>&gt; Reduced vehicle incidents by 16.9% to 183</li> <li>&gt; Reduced recordable injury frequency rate<sup>1</sup> by 21.46% to 2.05</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Maintain or improve employee engagement, making Genus an enjoyable and fulfilling place to work</li> <li>&gt; Achieve a rolling 5% year-on-year reduction in occupational road risk to 193 vehicle incidents or fewer</li> <li>&gt; Achieve a rolling 5% year-on-year reduction in recordable injury frequency rate to 2.36 or less</li> </ul>
<b>COMMUNITY</b> Proactively engage and make a positive contribution in communities of which we are a part	<ul style="list-style-type: none"> <li>&gt; Recruited 164 staff into PIC and ABS production sites</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Support measures to prevent and continue to respond to local community crises, recruit into local farms and encourage support for charities close to the local businesses and aligned with our mission</li> </ul>
<b>11 SUSTAINABLE CITIES AND COMMUNITIES</b>  <b>11.5</b> disaster deaths		
<b>15 LIFE ON LAND</b>  <b>15.6</b> equitable sharing of genetic resources		

<sup>1</sup> Recordable injury frequency rate is the number of work related incidents that result in injury or illness, work restriction, or require treatment other than first aid.

## SUSTAINABILITY REPORT CONTINUED

### CLIMATE CHANGE POLICY AND GREENHOUSE GAS ('GHG') REPORTING

Genus acknowledges the reality of climate change and recognises the lasting negative impact it will have on our business and our communities.

Genus has committed to take action on climate change in a number of ways, including:

- > driving porcine and bovine genetic improvements which support productivity gains and improve feed efficiency, enabling a reduction in the production of GHG emissions per unit of milk or meat produced;
- > reducing the carbon footprint of our own operations through developing a better understanding of how energy is used in our business. We are committed to the sustainable development of new facilities and are evaluating the use of renewable power solutions on a number of our farms; and
- > partner and advocate for policies that advance positive climate goals and identified United Nations Sustainable Development Goals ('SDGs').

#### OUR REPORTING APPROACH

In FY20 we refined our methods to measure GHG emissions and developed a Tier 2 FY19 emission baseline ('FY19 Baseline'). Subject to restatement due to collection of more accurate data, the FY19 Baseline is used to measure future improvements.

We are committed to reducing GHG emissions in our operations and will use the 'primary intensity ratio' to report emission reductions. We aim to reduce the primary intensity ratio by 25% by 2030 and to have net zero GHG emissions by 2050. This means that even as our business grows, we are seeking to ensure that our GHG emissions shrink.

We use operational control as our reporting approach. We have determined and reported the emissions we are responsible for within this boundary and believe there are no material omissions. As part of the review of Tier 2 methodology we include our share of joint venture emissions and omit some livestock held by third parties, due to our limited control over operating policies.

#### GHG EMISSIONS REPORTING OUTCOMES

Our GHG emissions are primarily methane produced by our animals, carbon dioxide from consuming fuel and other materials, and from transport.

Our total GHG emissions decreased by 6.8% and primary intensity ratio decreased by 0.2%, driven down by a change in the age profile and balanced by an increase in the number of our animals resulting from the inclusion of third-party sites within the scope of our FY21 emissions reporting.

In FY21 we have also applied more detailed assessments of our source data and reporting of emissions factors relating to animal feeds, and have restated our reported FY20 and FY19 numbers accordingly.

#### ASSESSMENT METHODOLOGY

World Resources Institute/World Business Council for Sustainable Development '*The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard*'

DEFRA '*Guidance on how to measure and report your greenhouse gas emissions*'

DEFRA '*Environmental Reporting Guidelines: Including mandatory greenhouse gas emissions reporting guidance*'

#### Emissions Factor Data Source

IPCC '*Guidelines for National Greenhouse Gas Inventories*'

DEFRA/DECC '*Conversion Factors for Company Reporting*'

#### Energy Efficiency

We use significant volumes of energy to power our vehicles, buildings and equipment. Where we are not able to access low carbon sources of power, we use 'high carbon' fuels, including coal to heat our buildings. We have started to replace these with lower carbon alternatives or renewables. At our Benxi and Chunhua sites in China, we will cease use of coal in FY22 as we implement energy efficient replacement heating systems.

At our Dekorra Campus in Wisconsin, we operate a solar PV energy system producing between 1.5–8.4 MwH energy per month and have invested in additional solar generation at our new site in Leeds, Wisconsin.

We have continued to invest in and support our facilities teams over FY21 and have completed targeted energy efficiency audits at five ABS sites. Our R&D team have implemented awareness and schemes which target laboratory energy efficiency and waste which has led to a reduction in downstream carbon emissions in hazardous waste disposal.

Whilst FY21 saw an overall reduction in 'Scope 3' related emissions from flying, we successfully implemented enterprise remote working and undertook essential travel in company cars. Overall, we have noted a 22% reduction in transport related emissions in FY21. Over this time, we have started to implement our fleet transformation plan. In FY21, we operated six electric and 35 hybrid vehicles in the UK and continued our focus on technology-based solutions and telematics to help our fleet drivers reduce their energy use and emissions.

#### Genus Energy Data

In line with the UK Government's energy and carbon reporting requirements, further information on our energy consumption for the last two years across Genus is set out opposite. This is sourced from data for the carbon data reported in this section and is tracked internally. All data is collected from metered data for electricity. Biogas combustion information is calculated using assumptions based on records in China and Brazil. Fuel use is reported based on financial records of fuel purchased. We have applied assumptions on standard calorific values to convert all liquid and gas fuel types to a common energy metric (kWh) and data is reported for the period 1 July 2020 to 30 June 2021.

Emissions from	FY21 Tonnes of CO <sub>2</sub> e		FY20 (restated) Tonnes of CO <sub>2</sub> e		FY19 (restated) Tonnes of CO <sub>2</sub> e		% change from FY19 Baseline
	UK and offshore	Global (excluding UK and offshore)	UK and offshore	Global (excluding UK and offshore)	UK and offshore	Global (excluding UK and offshore)	
Scope 1 – combustion of fuel, own transport and livestock emissions	2,626	72,314	2,630	77,673	3,178	78,773	-9%
Scope 2 – purchased electricity, steam, heat and cooling	130	6,695	168	6,850	171	7,268	-8%
<b>Total Scope 1 and 2</b>	<b>2,756</b>	<b>79,009</b>	<b>2,798</b>	<b>84,523</b>	<b>3,349</b>	<b>86,041</b>	<b>-9%</b>
Scope 3 – material usage and waste, third-party distribution and business travel	14,664		16,119		21,489		-32%
<b>Total emissions</b>	<b>96,429</b>		<b>103,440</b>		<b>110,879</b>		<b>-13%</b>
<b>Primary intensity measure – animal weight (tonne)</b>	9,839		10,488		9,543		3%
<b>Secondary intensity measure – turnover (£m)</b>	574.3		551.4		488.5		18%
<b>Primary intensity ratio – Scope 1 and 2 (tCO<sub>2</sub>e/tonne animal weight)</b>	8.31		8.33		9.37		-11%
<b>Secondary intensity ratio – Scope 1, 2 and 3 (tCO<sub>2</sub>e/turnover)</b>	167.9		187.6		226.9		-26%

Annual emissions figures have been calculated based on actual nine-month data for July to March for travel and distribution and ten-month data for July to April, with both extrapolated to full year.

Energy Type	Source	Units	FY21	FY20	FY19	% change from FY19 Baseline
Electricity	Electricity imported	kWh	15,309,577	20,156,010	17,599,380	-13%
	Electricity generated from renewable sources and used on site	kWh	384,012	334,670	303,800	26%
	Electricity generated from renewables sources and exported	kWh	0	0	0	-
Gas fuels	Gas imported from the grid	kWh	10,876,063	9,617,802	4,491,962	142%
Liquid fuels	Fuel used by plant (gas oil and diesel)	kWh	18,548,964	18,268,089	18,003,380	3%
Total	Total energy used (i.e. annual quantity of energy consumed from activities for which the Company is responsible, including combustion of fuel and operation of facilities)	kWh	45,118,616	48,376,571	40,398,522	12%
	Total energy imported (i.e. annual quantity of energy consumed resulting from the purchase of electricity and gas. No imports of heat, steam or cooling)	kWh	26,185,640	29,773,812	22,091,342	19%
	Proportion of energy use (UK)	kWh	1,081,538	1,156,200	965,524	
	Proportion of energy use (RoW)	kWh	44,037,078	47,220,371	39,432,996	

## NON-FINANCIAL INFORMATION STATEMENT

The table below, and the information it refers to, is intended to help stakeholders understand our position on key non-financial matters in line with the non-financial reporting requirements contained in Sections 414CA and 414CB of the Companies Act 2006.

Reporting requirement	Policies and standards which govern our approach	Risk management and additional information
<b>Environmental matters</b>	Sustainability Framework	See pages 38 to 41
<b>Employees</b>	Global Employee Handbook; Whistleblower Policy	See pages 34 to 37
<b>Human rights</b>	Global Employee Handbook; Whistleblower Policy	See page 35
<b>Social matters</b>	Charitable Donations Policy	See pages 38 to 41
<b>Anti-corruption and anti-bribery</b>	Anti-Bribery and Corruption Policy	See pages 34 to 35
<b>Policy embedding, due diligence and outcomes</b>	Global Employee Handbook	See Strategic Report on pages 1 to 49
<b>Description of principal risks and impact of business activity</b>	n/a	See Principal Risks and Uncertainties on pages 46 to 48
<b>Description of the business model</b>	n/a	See Business Model on pages 10 to 11
<b>Non-financial key performance indicators</b>	Sustainability Framework	See page 41

## SECTION 172 STATEMENT

Section 172(1) of the Companies Act 2006 imposes a general duty on every company director to act, in good faith, in the way they consider would be most likely to promote the success of the company for the benefit of its shareholders. In doing so, directors must take into account a list of factors that include:

- > the likely long-term consequences of board decisions;
- > how the company's actions and behaviours affect customers, employees, suppliers, the community and the environment;
- > the desirability of maintaining a reputation for high standards of business conduct; and
- > the need to act fairly between shareholders.

This statement explains how the Board complies with its obligations under section 172.

### LONG-TERM CONSEQUENCES OF BOARD DECISIONS

Genus has a business model and strategy that deliver results on a multi-year basis. For example, we target customers where we can build long-term and mutually beneficial relationships, rather than seeking one-off transactions. Our investment in R&D can also take several years to result in revenue generating products, meaning our success in the short-term depends on long-term decisions taken in previous years. As a consequence, long-term decision making is a natural part of the Board's approach.

Examples of decisions and their likely long-term impact are set out below.

### MANAGING OUR STAKEHOLDER RELATIONSHIPS

To effectively consider the impact of decisions on our stakeholders, we must have a good understanding of their needs and issues. We therefore actively listen to our stakeholders at all levels of the organisation, to ensure we take account of and respond to their interests. Information on how we engage with our stakeholders, including the Board's direct and indirect engagement with them, can be found on pages 12 to 13.

The agenda for each Board meeting indicates the relevant stakeholder groups against each item, ensuring the Directors are aware of the stakeholder interests they need to consider in their decisions.

### STANDARDS OF BUSINESS CONDUCT

The Board is aware of the need to maintain high standards of business conduct. The Group has a strong ethical culture, underpinned by our values and policies, which are endorsed by the Board. The Group also has specific policies and procedures to prevent bribery and corruption, as described on page 34 and as made available on our website [genusplc.com](http://genusplc.com).

Maintaining high standards of business conduct also relies on having the right culture within the Group. Page 61 describes how the Board maintains oversight of culture.

### ENVIRONMENTAL IMPACT

Information on the Group's environmental impact can be found on pages 38 to 41.

Lysanne Gray is the Board's Sustainability Sponsor. She receives regular updates from the Sustainability Committee, which monitors progress against the five pillars of the Group's sustainability framework including the actions identified in the Group's Climate Change Policy.

### TREATING SHAREHOLDERS FAIRLY

The Company's shares are owned by a wide range of institutional and individual shareholders, with no shareholder having a majority holding or significant influence over the Group. As a result, no situations arise in which any shareholders can be treated differently, ensuring fair treatment for all.

## KEY BOARD DECISIONS

Examples of key Board decisions during the year, including how the Board considered the interests of relevant stakeholders, are set out below.

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### DECISION 1

#### Background

During the year, the Board approved two investments to enhance ABS's facilities at Dekorra and Leeds in Wisconsin. This involved the construction of new bull housing at both locations and the building of an IntelliGen production facility at Leeds.

#### Relevant Stakeholders and Their Interests

The relevant stakeholders with interests in the proposal were:

- > customers, who were looking for ABS to have the capacity to support their needs, including the ability to meet their rapidly growing demand for sexed semen;
- > communities, in particular around our nearby DeForest site, where the growing town had begun to encroach on the facility; and
- > shareholders, given the investment was necessary to support our planned growth.

The proposal also supported the welfare of the bulls themselves, by providing them with state-of-the art housing.

#### Actions Taken

The first bull barn at Leeds, with capacity for 120 animals, was populated on 28 June 2021. A second barn at Leeds and the combined Sexcel and conventional laboratory will open in September 2021. Work on a further 40 spaces at Dekorra and a third barn and solar project at Leeds all started in July 2021.

#### Likely Long-Term Consequences

The Board's decisions to improve the two investments will support ABS's ability to meet customer needs over the coming years and to generate growth and returns for shareholders in the process.

---

### DECISION 2

#### Background

Bio-security is fundamental to our business and therefore we've been ahead of the curve in our response to COVID-19.

We were acutely aware of the potential impact and consequences of the pandemic and were therefore able to quickly respond, for example by restricting travel in and out of China ahead of advice from western governments.

We continued to operate in a COVID-secure way for all employees at all locations, and did not require any government support.

#### Relevant Stakeholders and Their Interests

Employees and customers.

#### Actions Taken

COVID-secure working arrangements were implemented across different sites, with offices moving to home working; production sites and laboratories operating with reduced staffing and staggered breaks; and changing advice for customer farm visits such as limiting face to face contact, maintaining social distancing and enhanced hygiene practices.

We leveraged recent investments that had been made in IT meaning that our staff have been able to easily work from home, limiting the need to visit offices, customer contact has shifted towards remote teleworking, and limited or no travel has been taking place.

There has been a global effort from the Health & Safety team to coordinate local health and safety advice, and the Company's response in each country has been in line with local government guidance.

During the year, a mental well-being week was rolled out, with 25 different webinars covering mental health awareness and self help and self care. The webinars, provided by expert advisers, were held across six countries ensuring local, culturally sympathetic perspectives were covered.

#### Likely Long-Term Consequences

The business has continued to operate throughout the pandemic in a COVID-secure way, with no material business disruption for customers, and without furloughing any employees. Employees have generally responded that they have felt supported and enabled to continue to do their jobs throughout the pandemic.

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**PRINCIPAL RISKS AND UNCERTAINTIES**

# ROBUST

## APPROACH TO RISK

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Genus is exposed to a wide range of risks and uncertainties as it fulfils its purpose of providing farmers with superior genetics, which in turn supports the fulfilment of its vision.

Some of these risks relate to the current business operations in our global agricultural markets, while others relate to future commercial exploitation of our leading-edge R&D programmes. We are also exposed to global economic and political risks such as trade restrictions.

As part of our risk management process we monitor emerging risks and consider when to include them in our main risk assessment process. This year we updated our evaluation of two of our emerging risks. The first is changing consumption patterns and the emergence of alternative proteins such as lab-based meat. The second is our ability to continue to support sustainable protein production, while reducing the environmental impact of our own operations. We determined that sustainability has become a principal risk due to the growing global focus on climate change and is explained further opposite. Additionally, due to the improved funding position of our pension plans, we no longer consider pension funding a principal risk.

In considering our risks during the year, we also performed detailed assessments of the impact of the global outbreak of COVID-19 and Brexit. The assessment covered the impact of these two risks on our people, our customers and our supply chain. We also assessed the short- and long-term risks associated with the expected global economic disruption affecting our industry and the markets where we operate. Whilst we continue to evaluate the impact of these two risks, our assessment is that they are not principal risks for Genus.

From our broad risk universe, we have identified ten principal risks, which we regularly evaluate based on an assessment of the likelihood of occurrence and the magnitude of potential impact, together with the effectiveness of our risk mitigation controls.

The Directors confirm that they have undertaken a robust assessment of the principal and emerging risks and uncertainties facing the Group. More information on our risk management framework can be found in the Corporate Governance Statement on page 56.

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**LINK TO STRATEGY**

 Read more on p.16 – p.17

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-  Delivering a differentiated proprietary genetic offering
-  Focusing on large and progressive protein producers globally
-  Sharing in the value delivered
-  Considered for Viability Assessment
-  Risk item focused on sustainability

Risk	Risk description	How we manage risk	Risk change in 2021
<b>Strategic Risks</b>			
<b>DEVELOPING PRODUCTS WITH COMPETITIVE ADVANTAGE</b>  STRATEGIC LINK 	<ul style="list-style-type: none"> <li>&gt; <b>Development programmes fail to produce best genetics for customers.</b></li> <li>&gt; <b>Increased competition to secure elite genetics.</b></li> </ul>	<p>Dedicated teams align our product development to customer requirements. We use large-scale data and advanced genomic analysis to ensure we meet our breeding goals. We frequently measure our performance against competitors in customers' systems, to ensure the value added by our genetics remains competitive.</p>	 No change.
<b>CONTINUING TO SUCCESSFULLY DEVELOP INTELLIGEN TECHNOLOGY</b>  STRATEGIC LINK 	<ul style="list-style-type: none"> <li>&gt; <b>Failure to manage the technical, production and financial risks associated with the rapid development of the IntelliGen business.</b></li> </ul>	<p>Our continued development of the technology and its deployment to new markets is supported by dedicated internal resources and agreements with suppliers. Further patent infringement proceedings initiated by ST in the US are being vigorously defended.</p>	 No change. We continue to improve our technology and to innovate, enhancing fertility outcomes and processing efficiency, with the next generation of IntelliGen, Gen2 recently launched. We also continue to increase IntelliGen's global deployment, securing new third-party customers.
<b>DEVELOPING AND COMMERCIALISING GENE EDITING AND OTHER NEW TECHNOLOGIES</b>  STRATEGIC LINK 	<ul style="list-style-type: none"> <li>&gt; <b>Failure to develop successfully and commercialise gene-editing technologies due to technical, intellectual property ('IP'), market, regulatory or financial barriers.</b></li> <li>&gt; <b>Competitors secure 'game-changing' new technology.</b></li> </ul>	<p>We stay aware of new technology opportunities through a wide network of academic and industry contacts. Our Genus Portfolio Steering Committee oversees our research, ensures we correctly prioritise our R&amp;D investments and assesses the adequacy of resources and the relevant IP landscapes. We have formal collaboration agreements with key partners, to ensure responsible exploration and development of technologies and the protection of IP. The Board is updated regularly on key development projects.</p>	 No change. Key initiatives continue to progress through the R&D lifecycle, and we maintain the high level of investment needed to bring the end products to market.
<b>CAPTURING VALUE THROUGH ACQUISITIONS</b>  STRATEGIC LINK 	<ul style="list-style-type: none"> <li>&gt; <b>Failure to identify appropriate investment opportunities or to perform sound due diligence.</b></li> <li>&gt; <b>Failure to successfully integrate an acquired business.</b></li> </ul>	<p>We have a rigorous acquisition analysis and due diligence process, with the Board reviewing and signing off all material projects. We also have a structured post-acquisition integration planning and execution process.</p>	 No change. We continue to work diligently to identify areas of opportunity consistent with our strategic plans and our aim to accelerate growth and create value for our shareholders. Our experiences with post-acquisition integration provide a platform for integrating newly acquired businesses.
<b>GROWING IN EMERGING MARKETS</b>  STRATEGIC LINK 	<ul style="list-style-type: none"> <li>&gt; <b>Failure to appropriately develop our business in China and other emerging markets.</b></li> </ul>	<p>Our organisation blends local and expatriate executives, supported by the global species teams, to allow us to grow our business in key markets, while managing risks and ensuring we comply with our global standards. We also establish local partnerships where appropriate, to increase market access.</p>	 Increased. This is due to market price volatility and uncertainty affecting production and profitability in the China pork market.
<b>SUSTAINABILITY</b>  STRATEGIC LINK 	<ul style="list-style-type: none"> <li>&gt; <b>Failure to lead the market in sustainable animal protein production and help our customers to meet the challenge of producing meat and milk efficiently and sustainably.</b></li> <li>&gt; <b>Failure to fulfil our commitment to reduce the environmental impact of our own operations and implement our Climate Change Policy.</b></li> </ul>	<p>We have a global sustainability strategy and climate change policy that are approved, and regularly reviewed, at Board level. Our Sustainability Committee oversees the implementation of the strategy and the annual objective setting process as well as monitors progress using key performance indicators. The Board is updated regularly on the progress of the key initiatives and our progress against the annual targets.</p>	New principal risk. There has been a substantial increase in consumer and investor focus on climate change during the year.

## PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

Risk	Risk description	How we manage risk	Risk change in 2021
<b>Operational Risks</b>			
<b>PROTECTING IP</b>  	> <b>Failure to protect our IP could mean Genus-developed genetic material, methods, systems and technology become freely available to third parties.</b>	We have a global, cross-functional process to identify and protect our IP. Our customer contracts and our selection of multipliers and joint venture partners include appropriate measures to protect our IP. We maintain IP appropriate landscape watches and where necessary conduct robust 'freedom to operate' searches, to identify third-party rights to technology.	 No change.
<b>ENSURING BIOSECURITY AND CONTINUITY OF SUPPLY</b>  	> <b>Loss of key livestock, owing to disease outbreak.</b> > <b>Loss of ability to move animals or semen freely (including across borders) due to disease outbreak, environmental incident or international trade sanctions and disputes.</b> > <b>Lower demand for our products, due to industry-wide disease outbreaks.</b>	We have stringent biosecurity standards, with independent reviews throughout the year to ensure compliance. We investigate biosecurity incidents, to ensure learning across the organisation. We regularly review the geographical diversity of our production facilities, to avoid over-reliance on single sites.	 Increased. This is due to the continued global supply chain challenges imposed by the COVID-19 outbreak, the continued spread of ASF, as well as the rising geopolitical tension. Our geographically diverse production facilities and the expert knowledge of our supply chain and commercial teams allowed for a swift and comprehensive response to these challenges, which helped to reduce their impact.
<b>HIRING AND RETAINING TALENTED PEOPLE</b>  	> <b>Failure to attract, recruit, develop and retain the global talent needed to deliver our growth plans and R&amp;D programmes.</b>	We have a robust talent and succession planning process, including annual assessments of our global talent pool and active leadership development programmes. The Group's reward and remuneration policies are reviewed regularly, to ensure their competitiveness. We work closely with several specialist recruitment agencies, to identify candidates with the skills we need.	 No change. We have been largely successful in recruiting and retaining the appropriate skills at all levels, to meet our business growth plans.
<b>Financial Risks</b>			
<b>MANAGING AGRICULTURAL MARKET AND COMMODITY PRICES VOLATILITY</b>  	> <b>Fluctuations in agricultural markets affect customer profitability and therefore demand for our products and services.</b> > <b>Increase in our operating costs due to commodity pricing volatility.</b> > <b>The COVID-19 outbreak increased volatility and introduced significant new financial and operational pressure across agricultural markets.</b>	We continuously monitor markets and seek to balance our costs and resources in response to market demand. We actively monitor and update our hedging strategy to manage our exposure. Our porcine royalty model and extensive use of third-party multipliers mitigates the impact of cyclical price and/or cost changes in pig production.	 Increased. This is due to increased feed input costs as a result of higher grain prices, triggered by weather patterns and strong demand. In addition, the China pork market continued to deal with the challenges of ASF, price decline and higher input costs.

## GOING CONCERN AND VIABILITY STATEMENT

In assessing the appropriateness of adopting the going concern basis of preparing the financial statements as well as in assessing viability, the Board have taken into account:

- > Genus's Strategic Plan which forms part of management's best estimate of the future performance and position of the Group;
- > Genus's risks and uncertainties including uncertainty arising from COVID-19 and its impact on our people, our customers and our critical business processes. Having now been through over a year of dealing with the risks and impacts of COVID-19, we believe that our mitigating controls have been largely successful and based on experience we do not expect new COVID-19 impacts that could not be largely mitigated. We therefore expect that the Group will remain resilient to the challenges of COVID-19;
- > Genus's results at 30 June 2021 whereby the Group recorded adjusted profit before tax growth of 29% in actual currency;
- > Genus's strong cash position at 30 June 2021 with free cash flow of £37.5m (2020: £35.2m) and net debt of £105.6m (2020: £102.6m) and had substantial headroom of £130m (2020: £125.4m) under the Group's credit facilities of £240m;
- > Genus's credit facility agreement which consists of a £150m multi-currency RCF, a USD125m RCF and a USD20m and guarantee facility. The term of the facility was for three years, to August '23, with an option to extend the maturity date before the first and second anniversaries of the signing date for a further year. In July '21, we requested the first one year extension option and this was approved by all lenders in August '21. The facility also includes an uncommitted £100m accordion option which can be requested on a maximum of three occasions over the lifetime of the facility to fund the Group's business development plans; and
- > The potential use of mitigating actions including reduction in dividends and postponing certain capital spend and investments.

As part of the Directors' consideration of the appropriateness of adopting the going concern basis in preparing the financial statements, as well as their assessment of the Group's viability, the Board considered a number of key factors, including our business model (see page 10), and our strategic framework (see page 16). In addition, all principal risks identified by the Group were considered in a downside scenario within the viability assessment with specific focus paid to those that could reasonably have a material impact within our outlook period, including:

- > **Growing in emerging markets**, which we have modelled through reductions to short-term growth expectations, particularly in China;
- > **Developing products with competitive advantage**, modelled through reductions to short-term growth expectations as a result of failing to produce best genetics for our customers or to secure elite genetics;
- > **Managing agricultural market and commodity prices volatility**, modelled through reductions in price expectations, particularly in China; and
- > **Ensuring biosecurity or continuity of supply**, which is modelled through one-off impacts of disease outbreaks or border closures.

We have considered the position if each of the identified principal risks materialised individually and where multiple risks occur in parallel.

In addition, we have overlaid this downside scenario net of mitigating actions, with reverse stress tests on both our headroom and banking covenants to ensure the range above and beyond the downside scenario is fully assessed.

Based on this assessment our headroom under these sensitivities and reverse stress tests, including our mitigating actions, remain adequate.

In their assessment of the Group's viability, the Directors have determined that a three-year time horizon, to June 2024, is an appropriate period to adopt. This was based on the Group's visibility of its product development pipeline, for example, as a result of the genetic lag of approximately three years between the porcine nucleus herds and customers' production systems and the pipeline of young bulls. The Board also considered the nature of the principal risks affecting Genus, including the agricultural markets in which it operates.

Based on this assessment, the Directors have a reasonable expectation that the Group has adequate resources to continue its operational existence for the foreseeable future and for a period of at least 12 months from the date of this report. Accordingly, the Directors continue to adopt and consider appropriate the going concern basis in preparing the Annual Report.

Also, based on this assessment, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to June 2024.

There are no indications from this assessment that change this expectation when looking beyond June 2024 at the Group's longer-term prospects.

The Strategic Report was approved by the Board of Directors on 8 September 2021 and signed on its behalf by:

**Stephen Wilson**  
Chief Executive  
8 September 2021

**Alison Henriksen**  
Chief Financial Officer  
8 September 2021

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**CHAIRMAN'S LETTER**

# PROVIDING

## LEADERSHIP AND OVERSIGHT

“

During my first year at Genus, I have seen first hand that we have an effective Board.

---

**IAIN FERGUSON**

---

Strong corporate governance is the foundation for every successful business. A robust governance framework, combined with clear authorities and processes, allows the Board to set the executive team free to manage the business. At the same time, appropriate feedback loops enable the Board to oversee and support the implementation of strategy.

During my first year at Genus, I have seen first hand that we have an effective Board, including strong Committee chairs and a group of Non-Executives with a wide range of necessary skills and experiences. The Board is ably supported by our Company Secretarial team, including clear meeting agendas that highlight the relevant stakeholder interests against each item we need to consider.

The Executive Directors were both appointed to their roles in the previous financial year. Stephen Wilson is providing the forward-thinking leadership that a business such as Genus needs. I want to note here how well Alison Henriksen has settled in to Genus. She is bringing her own approach to reporting and the operation of the finance function, ensuring we achieve the planned benefits from our investment in GenusOne, developing a new target operating model for finance and helping to ensure we leverage the benefits of our scale, for example by creating a single procurement function. This work will ensure we take a consistent approach around the world, while improving our efficiency and simplifying the integration of any future acquisitions we might make.

The Board's capabilities were reflected in the performance evaluation during the year, which showed that the Board's strengths remain consistent with prior years, and identified areas for further development.

The ongoing pandemic has required the Board, and many of our colleagues across the Group, to work remotely during the year. I am pleased to say that the Group's robust controls, coupled with prior investments in technology such as Microsoft Teams, has meant this has not compromised our governance structures.

Looking forward, the Board is cognisant of the current geopolitical challenges and the need to maintain appropriate governance structures in markets where the Group has sizeable and growing businesses. This will remain an area of focus for the Board in the coming years.

**Iain Ferguson CBE**  
Non-Executive Chairman  
8 September 2021

#### STATEMENT OF COMPLIANCE WITH THE 2018 CORPORATE GOVERNANCE CODE

During the year ended 30 June 2021 Genus plc applied all the principles of the Code and has complied with all the provisions except for Provision 38. Provision 38 provides that Executive Director pension contribution rates should be in line with those available for the wider workforce. Our Remuneration Policy, which was approved by shareholders on 14 November 2019, states that pension contribution rates for Executive Directors appointed after that date will be in line with rates available to the wider workforce. The pension contribution rate for Stephen Wilson was reduced at that time from 15% of base salary to 10% of base salary and will be discussed with shareholders as part of our next Remuneration Policy that will be tabled to shareholders at the Annual General Meeting in 2022.

## KEY GOVERNANCE ACTIVITIES

The Board's key governance activities during the year have included:

### BOARD EVALUATION

The Board undertook its annual performance evaluation, reviewed progress against prior year objectives and identified priorities for FY22

 Read more on p.60 – p.61

### UPDATING THE BOARD'S SKILLS MATRIX

The Board reviewed its skills matrix and identified its strengths and areas for improvement to consider through development and recruitment

 Read more on p.64

### NON-EXECUTIVE DIRECTOR RECRUITMENT

Professor Jason Chin joined the Board in April 2021 following the retirement of Professor Ian Charles

 Read more on p.62 – p.63

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## LEADERSHIP

### BOARD OF DIRECTORS AND COMPANY SECRETARY



**IAIN FERGUSON CBE**  
Non-Executive Chairman



**STEPHEN WILSON**  
Chief Executive



**ALISON HENRIKSEN**  
Chief Financial Officer

#### COMMITTEE MEMBERSHIP

#### BOARD APPOINTMENT

#### SKILLS AND EXPERIENCE

July 2020

- > Extensive Board, governance and leadership experience
- > Strong commercial, science and agribusiness expertise across a range of industries, with a particular focus on consumer goods and food
- > Deep appreciation of capital markets and investor sentiment

January 2013

- > Six years as Group Finance Director at Genus with wide-ranging operational, strategic and business development responsibilities
- > Extensive experience over 30 years in technology businesses, including finance, mergers and acquisitions, IT transformation and investor relations
- > International experience living and working in Europe and the US
- > Fellow of the Chartered Institute of Management Accountants

January 2020

- > Over 25 years of international experience in finance, mergers and acquisitions, business transformation and investor relations operating across Europe, Australia, Asia, the US and South Africa
- > Proven track record of driving performance in public and privately held organisations, both business to business and business to consumer
- > Qualified as Chartered Accountant with Ernst & Young

#### CURRENT APPOINTMENTS

Chairman of Crest Nicholson Holdings plc; Chairman of Personal Assets Trust plc.

None

None

#### PAST APPOINTMENTS

#### KEY TO COMMITTEES

- Member of the Nomination Committee
- Member of the Remuneration Committee
- Member of the Audit & Risk Committee
- Committee Chair

Non-Executive Director of Sygen International plc; Chairman of Berendsen plc; Chairman of Stobart Group Ltd; Senior Independent Director of Balfour Beatty plc; Non-Executive Director of Greggs plc; Lead Independent Director at the Department for Environment, Food and Rural Affairs; Chief Executive of Tate & Lyle plc; General Manager of Unilever AgriBusiness; Chair, Unilever Plantations and Plant Sciences Group; and Senior Vice President, Corporate Development at Unilever.

Group Finance Director of Genus plc; Executive Vice President and Chief Financial Officer of Misys plc; finance and business development roles at IBM; and Non-Executive Director and Audit Committee Chair of Xchanging plc.

Chief Financial Officer of V.Group, a global leader in ship management; Finance Director, UK & Ireland and Finance Director, Australia, at Compass Group plc; and Chief Financial Officer of Specialty Fashion Group Ltd, a former ASX listed company.

## BOARD GENDER BREAKDOWN

M = Male 57%  
 F = Female 43%



**LYSANNE GRAY**  
Non-Executive Director



April 2016

- > Significant experience of risk management, audit, business operations, acquisitions and disposals, and corporate governance, gained within the food sector
- > Chartered accountant



**LYKELE VAN DER BROEK**  
Non-Executive Director; Workforce Engagement Director



July 2014

- > Vast experience of growing companies and working in agricultural businesses throughout the world, including in emerging markets



**LESLEY KNOX**  
Senior Independent Director; Workforce Engagement Director



June 2018

- > Broad international, strategic and financial services experience, both through executive and non-executive roles
- > Has advised numerous companies including manufacturers and distributors of food products, encompassing poultry and poultry breeding companies



**PROFESSOR JASON CHIN**  
Non-Executive Director



April 2021

- > Extensive experience in academic and commercial research institutions, giving him deep scientific expertise
- > Working to develop and apply methods for reprogramming the genetic code of living organisms, with research spanning chemistry, chemical biology and synthetic biology
- > Holds Associate Faculty status at the Wellcome Sanger Institute, where he researches synthetic genomics
- > Fellow of the Academy of Medical Sciences and Trinity College, Cambridge



**DAN HARTLEY**  
Group General Counsel and Company Secretary



June 2014

- > Significant experience in multi-jurisdictional patent litigation, mergers and acquisitions, patent and technology licensing and managing product life cycles
- > Degrees in science and law

Executive Vice President Sustainable Business Performance and Reporting at Unilever plc.

Chair of Eden Research plc.

Non Executive Director, Voice of the Employee Director and Remuneration Committee Chair of Legal & General plc and Chairman of Legal & General Investment Management Holdings.

Head of the Centre for Chemical and Synthetic Biology, at the Medical Research Council Laboratory for Molecular Biology.

None

Financial Controller at Unilever plc and Unilever NV; Chief Auditor of Unilever; Chief Financial Officer of Unilever's global food service business; and a number of other senior operational and financial positions within Unilever.

Member of the Board of Management of Bayer CropScience, a division of Bayer AG; senior international roles including the Head of Bayer CropScience's BioScience division; and President of the Bayer HealthCare Animal Health division.

Founder Director of British Linen Advisers; Governor of British Linen Bank Group; senior roles as Dresdner Kleinwort Benson; solicitor at Slaughter & May; and numerous non-executive roles, including Centrica, SAB Miller, Alliance Trust, Hays, Scottish Provident, Bank of Scotland, Grosvenor Group and Thomas Cook.

Positions on the scientific advisory boards of a number of companies, including Synaffix BV and Orbit Discovery Limited, where he retains an advisory role.

Senior Vice President and International Counsel of Shire plc; and senior and global roles in private practice, in the UK and the US.

**LEADERSHIP CONTINUED****GENUS EXECUTIVE  
LEADERSHIP TEAM ('GELT')**

**STEPHEN WILSON**  
Chief Executive



**ALISON HENRIKSEN**  
Chief Financial Officer



**DAN HARTLEY**  
Group General Counsel  
and Company Secretary

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**SKILLS AND EXPERIENCE**

See pages 52 and 53 for  
Stephen's, Alison's and Dan's  
biographies.

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**CAREER**

## EXEC GENDER BREAKDOWN

M = Male 62%  
 F = Female 38%

M F



**ANGELLE ROSATA**  
Group HR Director

- > Deep and broad expertise spanning resourcing, talent management, succession planning, leadership development and health and safety
- > Extensive HR strategic planning skills and commercial acumen
- > Masters in Human Resource Development from Vanderbilt University



**DR BILL CHRISTIANSON**  
Chief Operating Officer, Genus PIC

- > Deep understanding of agriculture and biotechnology, with broad industry knowledge and extensive commercial and global experience
- > DVM and PhD in Veterinary Medicine from the University of Minnesota



**JERRY THOMPSON**  
Chief Operating Officer, Genus ABS Beef

- > A natural entrepreneur with deep industry knowledge, commercial skills and international experience
- > Has helped Genus establish and grow businesses in countries as diverse as the UK, Russia, India and China
- > Holds a degree in Agriculture from the University of Plymouth and is a graduate of Harvard Business School's Advanced Management Program



**DR NATE ZWALD**  
Chief Operating Officer, Genus ABS Dairy

- > Deep expertise and experience of dairy genetics, strong commercial focus and passion for people development
- > Board member of the Council on Dairy Cattle Breeding and Vice President of the National Association of Animal Breeders
- > Degree in Dairy Science, MBA and PhD in Dairy Cattle Genetics from the University of Wisconsin



**DR ELENA RICE**  
Chief Scientific Officer and Head of R&D

- > Deep expertise in running R&D programmes, regulatory science and portfolio management who has led the development and introduction of new genetic improvement technologies and nurtured a portfolio of gene editing projects
- > BSc and MSc in Biology from Moscow State University, and PhD in Plant Physiology and Biochemistry from the Timiryazev Institute of Plant Physiology in Moscow

- > Joined Genus in September 2013, following more than 20 years in the healthcare sector
- > Developed and delivered PIC's people strategy, before becoming HR Director for ABS and then Group HR Director on 1 July 2017

- > Joined Genus in 1993 and subsequently worked in operational roles spanning Europe, South America and the US, before becoming General Manager of PIC North America in 2007
- > Led the combined ABS and PIC business across the Americas from 2010, before becoming COO of Genus PIC in 2012

- > Joined PIC in 1992, working initially in the UK and then Siberia and Romania, before leading PIC in Central and Eastern Europe and then Europe as a whole
- > Led PIC and ABS in Russia and Asia Pacific, before becoming COO for Genus Asia in 2012 and then COO for Genus ABS Beef in July 2016

- > Joined Genus in January 2017 after 15 years at Alta Genetics, including ten years as General Manager of its US business and more than two years as Global Marketing Director
- > Remains involved in his family's commercial dairy operation, Bomaz farm in the US, which has produced high-ranking industry and ABS sires

- > Joined Genus as Chief Scientific Officer and appointed to GELT on 15 July 2019
- > Spent 18 years in increasingly senior roles within Bayer, leading teams using pioneering science and cutting-edge technology to help farmers grow food more sustainably

## CORPORATE GOVERNANCE STATEMENT

# THE BOARD

### THE BOARD'S ROLE

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

The Board is also responsible for other critical decisions. These include approving the corporate budget; stress-testing our scenario planning to ensure we have the right funding; approving material contracts, acquisitions, licences and investments; and reporting to shareholders.

### THE BOARD'S COMPOSITION

At the year end, the Board comprised the Non-Executive Chairman, four independent Non-Executive Directors ('NEDs') and two Executive Directors – the Chief Executive and the Chief Financial Officer. This gives a majority of NEDs on the Board.

There were a number of changes to the Board's composition during the year. More information can be found in the Chairman's Letter on page 50.

The Board comprises both well-established and newer NEDs, as we have broadened the Board's skills and experience through Non-Executive appointments over recent years. As a result, the Board has an appropriate blend of different areas of expertise, long-standing knowledge of the Group and its markets, and

fresher perspectives. This helps to ensure the Board provides even-handed oversight, works in a constructive and focused manner and has the capabilities to manage the challenges of a complex and evolving global business environment.

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

The Board believes that all of the NEDs are independent in character and judgement, and that there are no relationships or circumstances that are likely to affect (or could appear to affect) their judgement. Following the performance evaluation described on page 60, the Board also confirms that all the Directors continue to be effective in their roles.

As required by the Code, all the Directors will offer themselves for election at the next AGM. Details can be found in the Notice of AGM.

### BOARD ROLES AND RESPONSIBILITIES

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

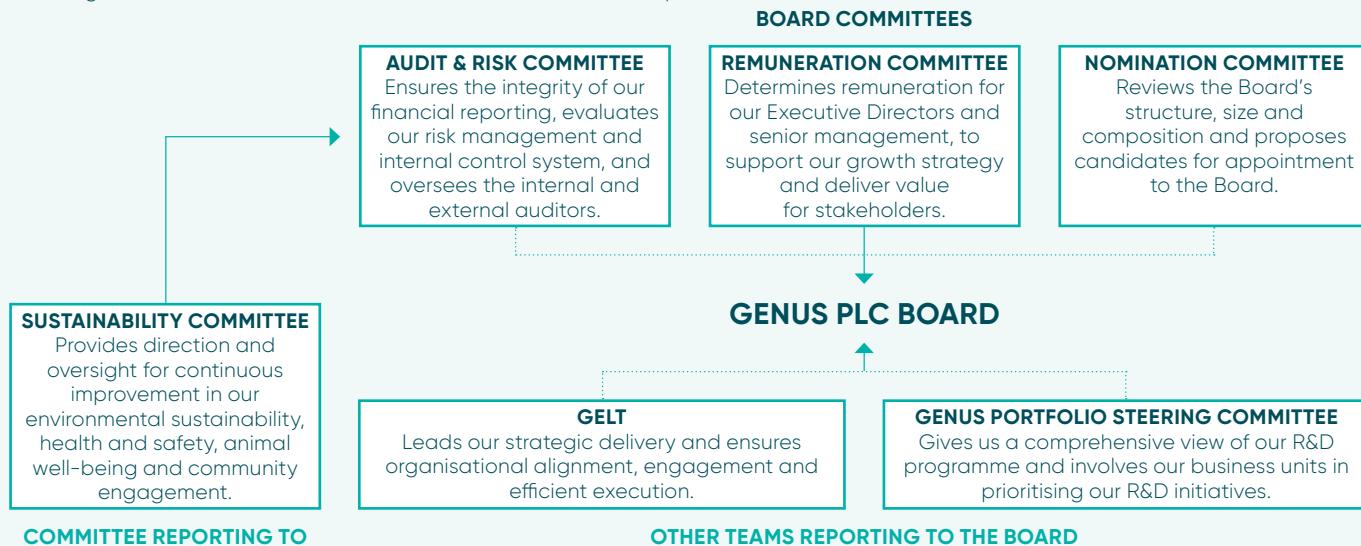
Title	Individual	Responsibilities
<b>CHAIRMAN</b>	<b>IAIN FERGUSON</b>	Iain's primary responsibility is to lead the Board and ensure it operates effectively. He achieves this in part through promoting an open culture, which allows people to challenge the status quo, and holding meetings with the NEDs without the Executives present. Iain also communicates directly with shareholders.
<b>CHIEF EXECUTIVE</b>	<b>STEPHEN WILSON</b>	Stephen is responsible for devising and implementing our strategy and for managing our day-to-day operations. He is accountable to the Board for the Group's development, in line with its strategy, taking into account the risks, objectives and policies set out by the Board and its Committees.
<b>CHIEF FINANCIAL OFFICER</b>	<b>ALISON HENRIKSEN</b>	Alison is responsible for helping the Chief Executive to devise and implement the strategy, and for managing the Group's financial and operational performance.
<b>SENIOR INDEPENDENT NED</b>	<b>LESLEY KNOX<sup>1</sup></b>	Lesley provides a sounding board for the Chair and is an alternative line of communication between the Chair and other Directors. She leads meetings of the NEDs, without the Chair present, to appraise the Chair's performance, and consults with shareholders in the absence of the Chair and Chief Executive.
<b>NEDs</b>	<b>LYSANNE GRAY<sup>2</sup>, LYKELE VAN DER BROEK<sup>1</sup>, JASON CHIN</b>	The NEDs constructively challenge, oversee and help to progress the execution of our strategy, the management of the Group and the management of our governance structures, within the risk and control framework set by the Board.

<sup>1</sup> Also a Workforce Engagement Director.

<sup>2</sup> Also the Board's Sustainability Sponsor.

## BOARD AND COMMITTEE STRUCTURE

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



### COMMITTEE REPORTING TO THE AUDIT & RISK COMMITTEE<sup>1</sup>

#### BOARD COMMITTEES

The table below shows Board Committee membership at the year end:

Director	Committee		
	Audit & Risk	Nomination	Remuneration
Iain Ferguson	–	C	–
Stephen Wilson	–	M	–
Alison Henriksen	–	–	–
Lysanne Gray	C	M	M
Lykele van der Broek	M	M	M
Lesley Knox	M	M	C
Jason Chin	M	M	M

The Committee Chairs oversee and lead the Committees' activities, within their terms of reference, and are responsible for their effective operation. More information about the roles and work of the Board Committees can be found in their statements on pages 62 to 93, and in their terms of reference on our website at [www.genusplc.com](http://www.genusplc.com).

### ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

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

Director	Board	Nomination	Audit & Risk	Remuneration
<b>Non-Executive Chairman</b>				
Bob Lawson (retired 25 November 2020)	4/4	1/1	3/3 <sup>2</sup>	3/3
Iain Ferguson <sup>3</sup>	8/8	4/4	5/5 <sup>2</sup>	5/5
<b>Executive Directors</b>				
Stephen Wilson	8/8	4/4	5/5 <sup>2</sup>	5/5 <sup>2</sup>
Alison Henriksen	8/8	4/4 <sup>2</sup>	5/5 <sup>2</sup>	5/5 <sup>2</sup>
<b>Non-Executive Directors</b>				
Lysanne Gray	8/8	4/4	5/5	5/5
Lykele van der Broek	8/8	4/4	5/5	5/5
Lesley Knox	8/8	4/4	5/5	5/5
Ian Charles (stepped down 31 May 2021)	8/8	4/4	5/5	5/5
Jason Chin (appointed 1 April 2021)	2/2	n/a	1/1	1/1

Note: The maximum number of meetings that Directors could have attended during the year: Board 8, Nomination Committee 4, Audit & Risk Committee 5 and Remuneration Committee 5.

1 Position correct at 30 June 2021. The Board has approved changes to the governance structure of the Sustainability Committee which will come into effect in FY22. These are discussed in more detail on page 38.

2 By invitation.

3 Iain Ferguson joined the Board on 1 July 2020 and became Chairman on Bob Lawson's retirement.

### INFORMATION FLOW TO THE BOARD

The diagram below sets out our process for providing information to the Directors, ahead of scheduled Board meetings. This ensures our Board is well informed and the Directors can contribute effectively to discussions.

To assist the Directors with discharging their duties under s172 of the Companies Act, each item included in the Board papers indicates the relevant s172 considerations. More information can be found in the s172 Statement on page 44.

- The Chairman sets the agenda for the meeting, with input from the Chief Executive and Group Company Secretary.
- A week before the meeting, the agenda and Board papers are sent to the Directors using a secure electronic system.
- Board meetings take place at least eight times per year.
- Decisions and actions agreed at the meeting are monitored by the Group Company Secretary.
- The updated list of actions becomes part of the agenda for the next Board meeting.

## THE BOARD'S YEAR IN REVIEW

The Board held eight scheduled meetings during the year. At each scheduled meeting, the Board receives updates on:

- > business performance, business development, talent development and competitive landscape developments from the Chief Executive;
- > financial performance of the business and forecasts from the Chief Financial Officer; and
- > corporate governance and legal issues from the Group General Counsel and Company Secretary, and external advisers.

One Board meeting each year is usually held outside the UK. However, due to the COVID-19 pandemic, this could not take place during the year. In addition to the Board meetings, the Board also holds an annual strategy session, focusing on the strategic direction and goals of the Group and its business units. This took place in January 2021.

The table below provides more detail of the Board's discussions and activities, and the outcomes from them. It also sets out how each topic supports the delivery of our strategy and the fulfilment of the Directors' duties under s172 of the Companies Act.

Topic and link to our strategy	Activity	Actions arising	Progress
<b>LEADERSHIP AND EFFECTIVENESS</b>  <b>LINK TO OUR STRATEGY</b> 	Monitor Board effectiveness	Internal evaluation undertaken during the year.	Focus areas identified (see page 60)
Stakeholders: E, S s172 considerations: a, b	Monitor pipeline of senior talent	Updated on talent initiatives and management outcomes including the appointment of key management positions.	
<b>BUSINESS DEVELOPMENT &amp; STRATEGY</b>  <b>LINK TO OUR STRATEGY</b> 	Monitor progress against our strategic objectives	Held strategy session with GELT and other business leaders.	See above
Stakeholders: S, C, SC s172 considerations: a	Review and approve business activities	<p>Approved:</p> <ul style="list-style-type: none"> <li>&gt; Expansion of production capacity and signing of a new lease at a PIC elite nucleus farm in China.</li> <li>&gt; Construction of a third new IntelliGen production facility and additional bull housing at the ABS Leeds expansion.</li> <li>&gt; Construction of additional bull housing at ABS Dekorra.</li> <li>&gt; Acquisition of Xelect Limited, an aqua genetics business.</li> <li>&gt; Acquisition of the customer base of Sergal Gestió Ramadera, S.L., a Spanish boar stud operator.</li> <li>&gt; The lease and construction of a new PIC elite nucleus farm in China.</li> </ul>	
	Monitor strategic developments	<p>Received updates on:</p> <ul style="list-style-type: none"> <li>&gt; Litigation relating to IntelliGen technology.</li> <li>&gt; Continued progress with the PRRSv development programme.</li> <li>&gt; Competitor activities.</li> <li>&gt; Material business development opportunities, including summaries of due diligence.</li> <li>&gt; Sustainability strategy and progress against the Company's Climate Change Policy targets.</li> <li>&gt; GenusOne enterprise management system.</li> <li>&gt; Integration of COVID-19 business adjustments and the impact on employees and customers.</li> </ul>	
<b>RESEARCH &amp; DEVELOPMENT</b>  <b>LINK TO OUR STRATEGY</b> 	Monitor R&D progress	<p>Received updates on:</p> <ul style="list-style-type: none"> <li>&gt; R&amp;D programmes and material investments.</li> <li>&gt; The R&amp;D stage gate review process for research programmes.</li> <li>&gt; The progress of the PRRSv development programme and IntelliGen improvements.</li> <li>&gt; New initiatives in the areas of reproductive technologies and scientific data.</li> <li>&gt; Ian Charles and Jason Chin's attendance at GPSC meetings.</li> </ul>	<p>See pages 26 to 29</p> <p>The Board approved the establishment of an independent Scientific Advisory Committee</p>
Stakeholders: S, C s172 considerations: a, c			

Topic and link to our strategy	Activity	Actions arising	Progress
<b>EMPLOYEES</b>  <b>LINK TO OUR STRATEGY</b>  Stakeholders: E s172 considerations: a, b	Review recruitment pipeline	<p>Received updates on:</p> <ul style="list-style-type: none"> <li>&gt; Key vacancies and hires, including the Head of Reproductive Biology, Global Procurement Director and Head of Internal Audit.</li> <li>&gt; Talent development in leadership below GELT level.</li> <li>&gt; Your Voice employee engagement survey.</li> </ul>	See pages 34 to 37
	Update on employee feedback	Held town hall meetings with employees and the Chief Executive, and received updates on virtual meetings between employees and the Workforce Engagement Directors.	Chief Executive held virtual breakfast meetings Workforce Engagement Directors held virtual meetings with PIC employees over breakfast based at several locations in Europe and the US
<b>SHAREHOLDERS</b>  <b>LINK TO OUR STRATEGY</b>  Stakeholders: S s172 considerations: c, f	Monitor investor attitudes towards Genus	<ul style="list-style-type: none"> <li>&gt; Updated on meetings with shareholders, potential investors and analysts.</li> <li>&gt; Held Capital Markets Day in June.</li> <li>&gt; Continued engagement with investors on Genus's sustainability strategy.</li> <li>&gt; Received updates on movements in the Company's share register.</li> </ul>	See pages 12 to 13
	Monitor performance against plan	<ul style="list-style-type: none"> <li>&gt; Received updates on the operational performance of the business and market conditions for each division.</li> <li>&gt; Received updates on business units' performance against strategy</li> <li>&gt; Monitored the Group's performance against its strategy, budget and goals.</li> </ul>	See pages 18 to 29
<b>COMPANY PERFORMANCE AND FINANCE</b>  <b>LINK TO OUR STRATEGY</b>  Stakeholders: S s172 considerations: a, f	Review past and projected financial performance	<ul style="list-style-type: none"> <li>&gt; Approved the annual and interim results and dividends.</li> <li>&gt; Approved the FY21 budget.</li> </ul>	See pages 38 to 41
	Monitor key financial issues	<ul style="list-style-type: none"> <li>&gt; Received tax and treasury updates.</li> <li>&gt; Received pension updates.</li> <li>&gt; Received updates on renewal of the Group's external borrowing facilities.</li> <li>&gt; Reviewed going concern and viability, and reviewed reports from the Company's auditors</li> </ul>	See pages 30 to 33
	Monitor business unit performance and plans	<ul style="list-style-type: none"> <li>&gt; Received financial and operational performance updates.</li> <li>&gt; Received regular presentations from each business unit.</li> <li>&gt; Conducted strategy session comparing performance of each business unit against previously presented strategic goals.</li> <li>&gt; Received regular updates from the business on COVID-related matters.</li> <li>&gt; Received an update from AWAKE.</li> </ul>	See pages 18 to 29
<b>EXECUTIVE/GELT UPDATES</b>  <b>LINK TO OUR STRATEGY</b>  Stakeholders: E, S, C, SC s172 considerations: a	Ensure strong culture of health and safety	<ul style="list-style-type: none"> <li>&gt; Received updates on the Employee Well-being Week and ongoing employee COVID-related updates.</li> <li>&gt; Reviewed FY21 targets for health and safety, and reviewed progress throughout the year.</li> <li>&gt; Received updates from the Head of Health &amp; Safety, including progress against relevant KPIs.</li> </ul>	See pages 34 to 37 See pages 38 to 41
	Monitor risk management and control	<ul style="list-style-type: none"> <li>&gt; Received regular updates on COVID-19 implications and risk management.</li> <li>&gt; Monitored the Group's risk register.</li> <li>&gt; Received updates on the whistleblowing hotline reports and investigations.</li> </ul>	See pages 46 to 48

Key to stakeholders: E = Employees, S = Shareholders, C = Customers, SC = Supply Chain

Key to s172 considerations:

- (a) Consequence of decisions in the long term.
- (b) Interests of the Company's employees.
- (c) Need to foster the Company's business relationships with supplies, customers and others.
- (d) Impact of the Company's operations on the community and environment.
- (e) Desirability of the Company maintaining a reputation for high standards of business conduct.
- (f) Need to act fairly between members of the Company.

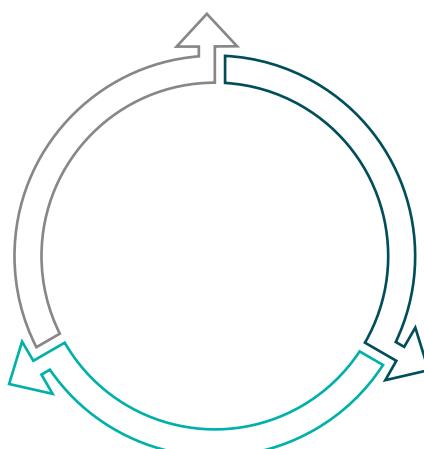
## ASSESSING THE BOARD'S EFFECTIVENESS

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

This was the third year of the current three-year cycle. In last year's Annual Report, we noted the possibility of starting a new three-year cycle in FY21, following the appointment of a new Chairman. However, to allow Iain Ferguson a sufficient settling in period as Chairman, the Board decided to perform an internal review of the type described in year three of the cycle, with a view to conducting an external evaluation in FY22.

**YEAR 1**  
An external Board effectiveness review produces an action plan for the areas of focus identified by the review.

**YEAR 3**  
An internal review using questionnaires and interviews with the Chair of the Board.



**YEAR 2**  
A follow-up questionnaire by the same external consultant enables us to monitor our progress with the focus areas.

### THE EVALUATION'S CONCLUSIONS

The review showed that the Board is effective in most areas, is well led, and that the Directors challenge constructively and effectively. The review highlighted the following key strengths:

- > a diverse, inclusive and respectful culture;
- > high-calibre individuals, with a diverse range of experience;
- > a high level of trust and confidence in each other;
- > a culture that encourages constructive debate, whilst remaining collegiate; and
- > genuine interest in and passion for the business and its success.

The evaluation also identified the following priorities for the Board in FY21:

- > retaining a strong focus on outward-facing awareness;
- > supporting management as it navigates the post-COVID world;
- > ongoing Board succession;
- > bolstering experience in key geographies; and
- > focusing on ESG and sustainability.

## BOARD FOCUS AREAS FOR FY21

Last year's evaluation identified four priorities for FY21. These priorities and the Board's progress with addressing them are set out below:

Priority	Progress
Successful transition to the new Chairman and ongoing Board succession	The new Chairman has successfully transitioned into the role and his induction process continues. The appointment of NED Jason Chin in April 2021 reflects the focus on Board succession and his induction process is also ongoing. The Board continues to focus on Board succession planning more generally. Refer to the Nomination Committee Report on pages 62 to 64 for more information.
Obtain greater insight into local and regional operating environments and markets, as a result of COVID-19	Following the successful rollout of Genus One across North America, a more detailed and transparent view of each country is being provided to the Board.
Retain the focus on leveraging value from R&D	The Board has focused on Gen2 of our IntelliGen technology. Jason Chin has attended the GSPC since his appointment.
Ensure sufficient time is available to consider short- and long-term strategic topics and 'out of the box' thinking	Given the impact of COVID-19 and the need to deal with the short-term consequences, this remains a focus area for the Board.

### WORKFORCE ENGAGEMENT

Lykele van der Broek and Lesley Knox are the designated Workforce Engagement Directors.

They continued to engage with employees this year, holding virtual meetings with PIC staff in the UK, Ireland, Russia, South Africa and Italy. The key points employees raised at town hall meetings are set out in the stakeholder engagement section on pages 12 to 13 of the Strategic Report. The Board will continue to monitor progress made against these points.

Looking forward, the intention remains for the Workforce Engagement Directors to work around the Group's different sites, to collect feedback and specifically to hold face-to-face meetings with employees as part of the Board's programme of annual visits. While the ability to meet face-to-face will depend on the state of the COVID-19 pandemic at the time, virtual meetings have continued to prove effective if site visits have not been possible.

### PURPOSE, CULTURE AND VALUES

Genus has long been a purpose-driven business, as reflected in our vision of pioneering animal genetic improvement to help nourish the world. This purpose provides the bedrock for our strategy, with its rigorous focus on improving genetics for the benefit of progressive livestock farmers, and helping them to maximise their performance on their farms.

To effectively deliver our strategy, and therefore to ultimately achieve our purpose, it is essential that we have the right culture, underpinned by a set of values that exemplify the business we want to be. These values – being customer centric, results driven, pioneering, people-focused and responsible – are completely aligned to both our purpose and our strategy. More information on our values can be found on page 9.

Genus aims to maintain a positive, inclusive and cooperative culture, with a global outlook and a focus on excellent customer service. The Board has a number of ways of understanding and monitoring the culture around the business. In particular, these include the results of the Group's Your Voice employee survey and the Workforce Engagement Directors' interactions with employees during the year, as described above. The Board believes that health and safety performance is another important indicator of culture and the Directors monitor performance on a regular basis.

During a typical year, the Directors also meet numerous people from around the Group, including members of management who present at Board meetings and through site visits, giving them further insight into the culture across the Group. Due to the COVID-19 related travel restrictions in FY21, the Board has used technology to hear voices from around the business. This has included customer presentations from Genus PIC and virtual site visits with the PIC leadership team, BQP and Hermitage, as well as customer presentations from Genus ABS and virtual site visits with the ABS leadership team and Arla. The Chief Executive and Workforce Engagement Directors also held employee breakfasts and town halls across the business (see page 59).

More broadly, the Group's performance process has a strong focus on behaviours that are aligned to our values, while succession planning at both Board level and below ensures that talent pipelines are diverse. The Board also ensures its own culture is aligned to the culture across the Group through the annual evaluations of the Board and its Committees.

The Board is therefore satisfied that the Group's culture is aligned with its purpose, values and strategy and that our workplace policies and practices are consistent with them.

## NOMINATION COMMITTEE REPORT



**IAIN FERGUSON**  
CHAIR OF THE  
NOMINATION COMMITTEE

**Meetings**

Iain Ferguson (Chair)	4/4
Lesley Knox	4/4
Lysanne Gray	4/4
Lykele van der Broek	4/4
Stephen Wilson	4/4
Jason Chin	n/a

**Dear Shareholder**

**This continued to be a busy year for the Committee, as we focused on my successful transition as Chairman, the recruitment of a new NED, Jason Chin, and our ongoing induction process through a pandemic and related restrictions. The Committee also continued its broader work on succession planning, diversity and the mix of skills and experience on the Board.**

**Iain Ferguson CBE**  
Chair of the Nomination Committee  
8 September 2021

**THE COMMITTEE'S ROLE AND RESPONSIBILITIES**

The Committee is responsible for:

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

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

**FOCUS AREAS FOR FY21**

In last year's report, we identified two key focus areas for the Committee in FY21. These were:

- > to ensure a successful induction for Iain Ferguson; and
- > to continue proactive succession planning for key executive roles.

Given the travel restrictions imposed due to COVID-19, the Chairman's induction continues.

**THE COMMITTEE'S MAIN ACTIVITIES DURING THE YEAR**

**Appointment of Professor Jason Chin**

We appointed Odgers Bernstson as the executive recruitment firm to conduct the search for a new NED. Odgers Bernstson has no other connections with the Group or with individual Directors.

In conducting the search, we looked to identify a candidate with:

- > first-class academic credentials in life sciences;
- > a strong commercial edge, ideally at an organisation with significant R&D investment;
- > an active network in the international life sciences industry;
- > the ability to explain complex scientific concepts in lay terms;
- > the credibility to support and challenge the Chief Scientific Officer across technical topics; and
- > the right personality and fit.

Experience in emerging markets was also seen as beneficial.

From a longlist of candidates, we produced a shortlist for interview, with the result that we identified Jason Chin as the outstanding candidate.

A summary of Jason's work, roles and scientific credentials can be found in his biography on page 53.

## INDUCTION AND TRAINING

A good induction is a key part of ensuring new Board members can fully contribute, so we get the most benefit from their experience. During the year, the pandemic prevented travel and we therefore supplemented the induction programme with virtual meetings.

Our induction programme has three main elements:

- > helping our Board members to conduct themselves effectively, through a governance course in London;
- > ensuring our Directors understand the legal and regulatory aspects of being a Board member; and
- > an introduction to our business, through meetings with our management teams and, when COVID-19 allows, sites visits.

### Induction for Iain Ferguson

Iain joined the Board on 1 July 2020. The initial phase of his induction included:

- > introductory video calls with GELT members, attending a GELT meeting in person and in-person meetings with the Chief Executive, Chief Financial Officer and Group General Counsel and Company Secretary;
- > introductory video calls with Board members and attending the July 2020 and May 2021 Board meetings in person;
- > virtual meetings with senior management across the businesses;
- > business presentations from Genus PIC;
- > business presentations from Genus ABS;
- > business presentations from Genus R&D;
- > virtual calls with material investors; and
- > calls with corporate advisers;

### Induction for Jason Chin

Jason joined the Board on 1 April 2021.

The initial phase of his induction included:

- > introductory video calls with Board and GELT members and the Strategy and Business Development Director;
- > attending the May 2021 Board meeting in person; and
- > virtual attendance at GPSC meetings.

### Ongoing induction activities

Iain and Jason travelled to our Stapeley and Ruthin sites at the end of July 2021, along with the rest of the Board. This included a tour of the barns and IntelliGen laboratory, a customer site visit and ABS business presentations.

COVID-19 permitting, Iain and Jason are also scheduled to travel to the US in October 2021, to visit Pepsi Way, the Reproductive Biology Laboratory, the Genomics Laboratory, Dekorra and the nucleus herd, followed by visiting PIC's site at Hendersonville.

Both Iain and Jason are due to attend a governance course held by the Company's advisers.

## SUCCESSION PLANNING

The Committee has a formal three-phase succession planning process:

Assessment	Approach	Execution
The Committee reviews the Board's current skills and experiences across a range of relevant areas.	The Committee applies engagement rules for succession planning, including:	The Committee identifies the desired skills for any new NED, for use in filling any future vacancies on the Board.
This results in a skills matrix (see page 64), which identifies the skills coverage across all Board members.	> ensuring succession planning is in line with the Committee's terms of reference;	Potential internal candidates for promotion to Executive Director are identified.
Potential skills gaps are identified, so they can be incorporated into future succession planning at Board and Executive level.	> considering the need to replace the skills of any departing NED; and	
Areas for ongoing Board upskilling are identified and discussed.	> filling any missing skills required for the Company's strategic direction.	
	Job specifications for the Non-Executives and Executives are kept up to date.	

## NOMINATION COMMITTEE REPORT CONTINUED

### Board skills matrix

The table below shows the key experience and skills the Committee has identified as desirable and indicates their depth on the Genus Board.

Competence	Low/medium	Good/high
Board and corporate governance	–	100%
Strategy	–	100%
Finance, banking and capital markets	43%	57%
Risk, culture change and change management	–	100%
Politics and public affairs	43%	57%
Stakeholder and customer communications	14%	86%
<b>Sustainability implementation and communications</b>	<b>57%</b>	<b>43%</b>
Human resources	–	100%
<b>IT systems, transformation and data/cyber security</b>	<b>57%</b>	<b>43%</b>
Science and biotechnology	43%	57%
Food sector	–	100%
<b>Review, launch and marketing of fda regulated products</b>	<b>86%</b>	<b>14%</b>
International business	14%	86%
US market	28%	72%
EMEA market	28%	72%
Asian market	43%	57%
LATAM market	72%	28%

### Succession planning for key executive roles

The Committee has identified the need to focus on succession planning for key executive roles, and will make this a priority in FY22.

### DIVERSITY

Genus shares the aspirations of the Hampton-Alexander and Parker Reviews to promote greater representation of women and people from a minority ethnic background on company boards. At the year end, three of the seven Directors were female (43%), ahead of the 33% target set by the Hampton-Alexander Review. The Board will endeavour to retain the 33% target as a minimum. There were also three female members of GELT, comprising 38% of the total. The direct reports to GELT, excluding support staff, were 23% female and 77% male.

Our Board diversity policy aims to ensure that we consider diversity in its broadest sense. A diverse Board has members with different skills, backgrounds, regional and industry experiences, races, genders and other qualities. The different viewpoints represented on a diverse Board can help Genus to maintain its competitive advantage. The Board is committed to building recruitment and leadership development programmes that capture inclusivity in our succession planning and talent development, including a focus on appropriate representation from female and minority ethnic candidates. The Group has an employee-led forum called AWAKE (Advancing Women's Advocacy, Knowledge and Empowerment), which brings together female leaders and a cross-section of other women to develop ideas for increasing diversity and improving working practices.

Diversity also links to our values, by being people-focused and responsible, and to our strategy by encouraging new ideas which deliver for our customers and ultimately drive our results.

The Board, with the support of the Nomination Committee:

- > considers candidates against objective criteria and with regard to the benefits of Board diversity;
- > encourages the development of high-calibre employees, to create a pipeline of potential Executive Directors;
- > considers a wide pool of candidates for appointment as NEDs, including those with little company board experience;
- > ensures a significant portion of the longlist for NED positions are women and candidates from a minority ethnic background; and
- > only engages executive search firms which have signed up to the voluntary Code of Conduct on gender and ethnic diversity and best practice.

The Board complied with the policy throughout the period. A copy of the policy can be found on our website: [www.genusplc.com](http://www.genusplc.com). The Committee reviewed the policy during the year and concluded that it remained appropriate.

More information about diversity across Genus can be found in the Strategic Report on pages 34 to 37.

### SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

Copies of service contracts and letters of appointment between the Directors and the Company will be available for inspection at the Company's registered office during normal business hours until the conclusion of the AGM on 24 November 2021, and at the AGM from at least 15 minutes prior to the meeting until its conclusion.

### COMMITTEE EFFECTIVENESS AND FOCUS AREAS FOR FY22

As part of the Board evaluation process described on page 60, the Committee's performance was reviewed. This identified areas of focus for the coming year, including talent development and Executive Director succession planning.

## AUDIT & RISK COMMITTEE REPORT



**LYSANNE GRAY**  
CHAIR OF THE AUDIT  
& RISK COMMITTEE

### Meetings

**Lysanne Gray (Chair)**

Ian Charles	5/5
Lysanne Gray	5/5
Bob Lawson	3/3
Lykele van der Broek	5/5
Stephen Wilson	5/5
Jason Chin	1/1

### Dear Shareholder

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

On 1 May 2021, Ian Charles resigned, and Jason Chin was appointed. I was pleased to welcome Jason to the Committee and I would like to thank Ian for his significant contribution to the work of the Committee. The Committee's membership continues to comply with the UK Corporate Governance Code and related guidance. All members are independent NEDs, who bring a sound range of financial, commercial and scientific expertise to the Committee.

All members received regular updates from the external auditor, to ensure they continue to have current knowledge of the accounting and financial reporting standards relevant to the Group and the regulatory changes and revisions to auditing standards relevant to the provision of external audit services. We also kept up to date with developments in relation to the corporate governance requirements.

Our focus on risk management continued throughout the year, with regular reviews and assessment of the Group's existing and emerging risks. During the year we received and discussed detailed input from management on key risks and mitigation plans. In particular, we focused on the risks associated with the COVID-19 pandemic and its impact economies and communities around the globe.

We reviewed management's assessment of the COVID-19 impact on internal financial controls and were satisfied these controls continued to operate as designed. We also continued to receive frequent updates on the ongoing implementation of a Group-wide enterprise system and monitor the development of its rollout. The system will further strengthen the control environment and support control standardisation across the Group.

We have carefully considered the critical accounting policies and judgements and assessed the quality of disclosures and compliance with financial reporting standards, and reviewed the half-year and Annual Report, together with the related management and external audit reports. We also supported the Board in reviewing the going concern and viability statements and supporting analysis and disclosure.

We have assessed the effectiveness of internal and external audit, and their use of technology and automated tools to perform audit work whilst observing the COVID-19 travel and office working restrictions. The Committee was satisfied with the performance of both the internal and external auditors. Our assessment identified opportunities to further enhance the audit services provided by sustaining the capabilities and efficiencies developed during the year.

**Lysanne Gray**  
Chair of the Audit & Risk Committee  
8 September 2021

## AUDIT & RISK COMMITTEE REPORT CONTINUED

### COMMITTEE COMPOSITION

The Committee members' biographies, along with information on Genus's other Board members, can be found on pages 52 to 53.

The Board has confirmed that it is satisfied that Committee members possess an appropriate level of independence and relevant financial and commercial experience across various industries relevant to the Company.

The Committee has formal terms of reference, approved by the Board, that comply with the UK Corporate Governance Code. These are available from our website: [www.genusplc.com](http://www.genusplc.com). The Committee's annual review of these terms took place during the year.

### COMMITTEE ROLE AND RESPONSIBILITIES

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

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

The Committee also:

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

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

### COMMITTEE EFFECTIVENESS

Every three years the Board appoints an external consultant to independently evaluate its performance, and that of its Committees. The last review was performed in 2019 and concluded that the Committee was effective in meeting its objectives. The next external evaluation will be in 2022.

In 2021, the Committee assessed its own effectiveness, through a structured questionnaire, and concluded that it was effective. The Committee agreed to continue to enhance its effectiveness by further understanding and reviewing the adequacy of the Company's systems for identifying and managing risk and assessing whether the Company has appropriate business continuity plans and whether the plans have been tested and maintaining an up-to-date understanding about the way our business is developing in Geopolitically challenged countries.

### THE COMMITTEE'S MAIN ACTIVITIES DURING THE YEAR

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

#### Financial reporting

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

Financial reporting area	Judgements and assumptions considered
<b>INTANGIBLE ASSETS</b>	<p>As is set out in Note 2 Basis of Preparation the Company has changed its accounting policy related to the capitalisation of certain software assets; this change follows the IFRIC Interpretation Committee's guidance publicised in May 2021 and relates to the capitalisation of costs of configuring or customising application software under 'Software as a Service' ('SaaS') arrangements. The Committee reviewed the nature of the costs proposed to be recognised in the Income Statement and is satisfied with the proposed accounting treatment, and adjustments made to restate the FY19 and FY20 financial statements, in line with the new accounting policy.</p> <p>This change in accounting policy led to adjustments amounting to an £8.1m and £13.3m reduction in the Intangible Assets recognised in the FY19 and FY20 Balance Sheets respectively, and to a £5.9m and £5.2m increase in Operating Expenses in those respective years.</p>

Financial reporting area	Judgements and assumptions considered
<b>BIOLOGICAL ASSETS VALUATION</b>	<p>In compliance with IAS 41, Genus records its biological assets at fair value in the Group Balance Sheet (£337.3m), with the net valuation movement shown in the Income Statement.</p> <p>The Committee has reviewed the methodology, which has remained unchanged, and outcomes of the biological assets valuation. The Committee debated and considered management's assumptions and estimates, through the current period, and discussed and reviewed the external auditor's report on this area, before concurring with management's proposals. The Committee also received updates on management's streamlining and automation of the models which will be used for the valuation process. The Committee was satisfied with management's accounting treatment, including the Income Statement increase of £6.4m in the value of porcine biological assets and the decrease of £17.2m in the value of bovine biological assets.</p>
<b>GOING CONCERN AND VIABILITY STATEMENT</b>	<p>The Committee has reviewed the Group's assessment of going concern over a period of 12 months and viability over a period of three years.</p> <p>In assessing viability, the Committee has considered the Group's budget and strategic plan, its credit facility agreement, its principal risks and uncertainties including uncertainty arising from COVID-19, as detailed on pages 46 to 48, and the liquidity and capital projections over the period and is satisfied that this is appropriate in supporting the Group as a Going Concern.</p> <p>The Committee has concluded that the assumptions are appropriate and that the viability statement could be provided, and advised the Board that three years was a suitable period of review. The Committee was also satisfied with the disclosures in relation to the appropriateness of the assessment period selected, the assumptions made and how the underlying analysis was performed. The going concern and viability statement is disclosed on page 49 of the report.</p>
<b>PRESENTATION AND DISCLOSURE OF EXCEPTIONAL AND ADJUSTING ITEMS</b>	<p>Genus had £29.2m of adjusting items, including £3.3m of exceptional items in the Group Income Statement. The Committee considered the presentation of these items in the financial statements, due to the nature of these items and the guidelines on the use of alternative performance measures, issued by the European Securities and Markets Authority. The Committee received detailed reports from management outlining the judgements applied in relation to the disclosure of adjusting items, which include net IAS 41 valuation movement on biological assets, amortisation of acquired intangible assets, share-based payment expense and exceptional items. For adjusting items, the Committee took into consideration the improvements made concerning APM disclosures, their volatility and lack of correlation to the underlying progress and performance of the business. Specifically, for exceptional items, the Committee took into consideration the materiality, frequency and nature of the items. Following this detailed review and active discussion with management, the Committee has concluded that the presentation of the financial statements is appropriate.</p>

### Monitoring business risks

The Committee discussed the principal risks identified with management and the external and internal auditors, along with management's plans to mitigate them, and received regular detailed updates from the risk owners and their direct reports. In addition to reviewing the principal risks, the Committee received detailed updates on the following:

- > COVID-19: the risks associated with the COVID-19 pandemic and the efficiency of the mitigating controls implemented last year to support business operations and financial reporting process.
- > Climate change: the related current and emerging risks and the roadmap of actions identified in support of the climate change action plan.
- > Biosecurity and continuity of supply: the risk of losing key livestock or losing our ability to move animals and/or semen freely (including across borders), due to disease outbreak.
- > Enterprise system: the Committee received regular updates on the project to implement a new Group-wide business system.
- > Cyber security: the cyber security risk faced by the Group and the actions being taken to strengthen infrastructure and systems security.

### Internal control system

Our risk management process and system of internal control are described in detail on pages 68 to 69. The Committee reviewed the approach to standardising financial reporting controls as part of the new system implementation and the results of the key financial controls self-assessment process, which is performed every six months. The Committee also received an update on the impact of the COVID-19 pandemic, and the related remote working and travel restrictions, on the operation of internal controls and was satisfied with how technology was being used to support remote working. The Committee further reviewed internal audit's findings at each scheduled meeting and received updates on the implementation of management's remedial actions.

The Committee further reviewed the Group's Whistleblowing Policy and bribery prevention procedures.

## AUDIT & RISK COMMITTEE REPORT CONTINUED

The Committee conducted its annual review of the effectiveness of the Group's internal controls and disclosures. The review did not identify any significant control failings. However, Genus routinely identifies and implements control improvement opportunities and the Committee discussed with management various opportunities to further strengthen the Group's system of internal control.

### Oversight of internal audit and external audit

#### Internal audit

The Committee reviewed and approved the internal audit function's scope, terms of reference, resources and activities. The Committee reviewed the changes made to how internal audit activities were delivered, as result of travel restrictions and remote working requirements.

The Committee was satisfied that the coverage and quality of internal audit process remained appropriate. The Head of Risk Management and Internal Audit provided regular reports to the Committee on the work undertaken and management's responses to proposals made in the internal audit reports issued during the year. The Committee continued to meet the Head of Risk Management and Internal Audit without management being present. The Committee reviewed and was satisfied with the internal audit function's performance.

#### External audit

Deloitte LLP was first appointed as the Company's external auditor for the period ended 30 June 2006. Following a formal tender process, Deloitte was reappointed for the audit of the financial year ended 30 June 2016.

In accordance with our current audit partner rotation timeline, the Committee expects to conduct an external audit tender for our FY25 audit. The Company has complied with the Statutory Audit Services Order for the financial year under review.

The Committee reviewed and agreed the external auditor's scope of work and fees, held detailed discussions of the results of its audit and continued to meet the external auditor without management being present. The Committee reviewed the external auditor's objectivity and independence and the Group's policy on engaging the external auditor to supply non-audit services. The Committee

obtained confirmation that the Revised Ethical Standard has been complied with and received the details of the external auditor's non-audit services to the Group, reviewed the nature and monetary levels of these services, which stood at 2% of audit fees, and reviewed compliance with the Group's Non-Audit Services by Auditor Policy (see note 8 to the financial statements for further details). The Committee was satisfied that using Deloitte for such services did not impair its independence as the Group's external auditor.

The Committee assessed the external auditor's performance in conducting the audit for the June 2020 year end, based on discussions with key finance staff and Committee members. The questionnaires covered the external auditor's fulfilment of the audit plan, the auditor's robustness and perceptiveness in its handling of key accounting and audit judgements, the content of the external auditor's reports, and cost effectiveness. The Committee also considered the results of regulatory reviews performed on the external auditor. While noting some opportunities for further improvement, the Committee concluded that the external auditor was effective and was satisfied with the plan put forward by the external auditor to respond to the opportunities for improvement identified.

### RISK MANAGEMENT AND INTERNAL CONTROLS

#### Risk management

The Board is responsible for our risk management system, which is designed to identify, evaluate and prioritise the risks and uncertainties we face. The Board sets our risk appetite, monitors the Group's risk exposure for our principal risks and ensures appropriate executive ownership for all risks. This ongoing risk management process for the Group's significant risks was in place for the year under review and up to the date of approval of the Annual Report and Accounts. Our principal risks and how we mitigate them are summarised on pages 46 to 48.

To further assist its understanding of risk, the Board continued its programme of visits to our local operations, prior to being interrupted by the COVID-19 travel restrictions. The Board received regular political, economic and industry risk updates from the relevant business groups. The Board performed its annual

risk review in May 2021. This involved a fresh review of the types and levels of risk facing Genus as it executes its strategy and was designed to identify and evaluate any new or emerging risks and ascertain whether the risk register covered all relevant risks.

#### Internal control

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

### MANAGEMENT STRUCTURE

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

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

### QUALITY AND INTEGRITY OF OUR PEOPLE

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

### INFORMATION AND FINANCIAL REPORTING SYSTEMS

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

The main internal control and risk management processes relating to our preparation of consolidated accounts are our Group-wide accounting policies

and procedures, segregation of duties, system access controls, a robust consolidation and reporting system, various levels of management review and centrally defined process control points and reconciliation processes.

#### **INVESTMENT APPRAISAL**

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

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

#### **INTERNAL AUDIT**

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

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

The Board, with the help of the Audit & Risk Committee, reviewed the effectiveness of our internal control system, as well as our financial, operational and compliance controls and our risk management. The review considered our internal control self-assessment process, which is designed to assess compliance with our minimum control standards, the independent internal audit programme, and the reports management prepared when the Board approved the interim and final results and financial statements.

It also assessed:

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

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

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

## REMUNERATION COMMITTEE REPORT

### Section A – Annual statement

**LESLEY KNOX**

SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR AND CHAIR OF THE REMUNERATION COMMITTEE

#### KEY HIGHLIGHTS

- > Adjusted profit before tax +29%
- > Adjusted earnings per share +31%
- > Strong progress against strategic targets

This Remuneration Report has been prepared so it complies with the provisions of the Large and Medium-sized Companies and Groups (Accounts & Reports) (Amendment) Regulations 2013, which set out the disclosures required for Directors' remuneration as at the reporting date. The Report is also in accordance with the requirements of the Financial Conduct Authority's Listing Rules.

The Independent Auditor's Report states whether, in the auditor's opinion, the parts of the Report that are subject to audit have been properly prepared in accordance with the legislation. We have highlighted the parts of this Report which have been audited.

#### AIMS OF OUR REMUNERATION POLICY

- > To reflect the continued transformation into a global agricultural biotechnology pioneer.
- > Pursuit of leading-edge technology and focus on long-term innovation and environmental sustainability to enable future value creation for shareholders.
- > Sustainable robust short-term delivery of financial performance as we invest in the future.
- > Ability to recognise innovation and progress, which are crucial to securing long-term bottom-line performance.
- > Ability to attract and motivate a high-quality leadership team and drive focus and behaviours on long-term achievement in a global market for talent.
- > Recognise expectations of shareholders on reward and governance.

#### Dear Shareholder

**On behalf of the Board, I am pleased to present the Directors' Remuneration Report for 2021.**

This has been a challenging year for the global economy as companies have looked to maintain business continuity in the face of a global pandemic. I am pleased to report that Genus has delivered a very strong set of results against this backdrop, which is described extensively within the Annual Report. This Remuneration Report covers the activity of the Committee during the year, including the determination of reward outcomes for executives against the targets set.

#### WIDER EMPLOYEE ENGAGEMENT AND REWARD OVERSIGHT

As a Committee, we have continued to focus on wider oversight of reward practices across the business, as well as monitoring levels of employee engagement. Due to COVID-19, Lykele van der Broek and myself held online sessions with several teams as it was not possible for face-to-face meetings to take place. We discussed business progress, employee satisfaction and a particular focus on getting feedback on the business response to the impact of COVID-19. Additionally, the business carried out an interim pulse survey covering around 800 employees, designed to understand how people viewed the business response to COVID-19 across different countries and roles within Genus, the findings of which were discussed by the Board. While the pandemic has clearly had differing impacts across the countries where our employees are based, people were highly positive about the business response to the pandemic, and the way that adjustments had been made to ways of working and the embracing of new technology and communication channels to maintain momentum of business activity and a sense of belonging.

The fact that this level of business performance has been achieved reflects the leadership displayed throughout the organisation and the focus, contribution, and resilience of all Genus employees. I join with the Board in thanking all our people for the part they have played in delivering this performance.

Genus is an essential part of the food chain and business activity has been successfully maintained over the year. The business has not used any optional government schemes (such as furlough in the UK) or created changes to employee compensation as a result of the pandemic.

We have considered the potential impact of COVID-19 on the future application of our Policy. Our conclusion was that the Policy remains appropriate for the business and underlying strategy at this time, and we will look to operate the Policy on the same basis for the year ahead. As described in more detail within the report we have been able to set forward-looking targets (both financial and non-financial) which reflect the markets in which we operate against which performance will be assessed.

#### CASCADE OF REWARD PRINCIPLES THROUGH THE BUSINESS

We discussed the way that reward principles apply throughout the business, and how approaches in place for senior leaders cascade through the organisation. In particular, we focused on the combination of individual and business targets in determining variable reward outcomes at all levels, and the way that targets used for GELT members (including the Executive Directors) are applied through the business.

We considered gender pay within Genus Breeding Limited, our largest UK subsidiary, and noted the way that the gender balance is continuing to change with a far higher proportion of female joiners, and the overall increase in gender diversity across the business.

We also discussed the CEO pay ratio, full details of which can be found within this report, including comparison with prior years. The overall CEO ratio has increased year on year, reflective of the high levels of business performance and the significant growth in the share price since PSP awards were made in October 2018. We have provided more insight and a granular breakdown of this change to demonstrate the alignment between pay and performance.

The CEO highlighted his appreciation of all that employees have contributed to the business over the past year, and we were supportive of the decision to award a special one-off financial award to all eligible employees globally, which comprised around 3,200 people.

Additionally, we were updated on the wider governance framework for reward within the business, including the steps being taken to ensure line managers are engaged in making appropriate reward decisions for their team members, and that these align with the overarching pay for performance philosophy in place across the business.

#### BUSINESS PERFORMANCE

A focus on strategic progress ensures that we are well placed to enable future growth. Key highlights during 2021 include development of new strategic partnerships within our PIC business, the next stage of progress of our PRRSv programme, insight as to how we position sustainability at our core of how we operate as a business and actions we are taking to reduce our operational greenhouse gas footprint, and the progress we are making in superior genetics in beef. Internally we have also seen the continued rollout of our GenusOne enterprise system across North America as part of the Global implementation.

Coupled with this strategic progress has been the delivery of some very strong financial performance. Adjusted profit before tax (excluding gene editing) grew by 28% in constant currency. We have also achieved strong cash generation, exceeding budgets set by £81m.

## REMUNERATION COMMITTEE REPORT CONTINUED

### Section A – Annual statement

#### **REWARD OUTCOMES FOR 2021**

As highlighted elsewhere in the report, the Group has changed its accounting policy relating to the capitalisation of certain software assets following the guidance published in April 2021. We have considered the way we reflect this within our reward outcomes. Targets for the 2018 PSP were set before the policy change and we have calculated the PSP vesting and Annual Bonus outcomes excluding the impact of this change. Including the change would have created identical outcomes under the Annual Bonus and slightly higher vesting levels under the PSP. Future vesting of PSP awards (and targets for the 2022 Annual Bonus) will be determined including the impact of this accounting policy change in both the base year and final year of the respective performance period.

Against this performance backdrop we determined outcomes under the Annual Bonus plan and the level of vesting of share awards made under our PSP to GELT members in October 2018. Full details of targets and the associated performance against them are disclosed within the report, with outcomes summarised below.

#### **Annual Bonus**

The total opportunity for each Executive Director for the year was 175% of salary, and the overall formulaic outcome generated an award level of 94.8% of maximum for Stephen and 96.5% of maximum for Alison. This was a reflection of very strong financial performance against stretching financial targets set, coupled with demonstrable delivery against strategic goals for each individual.

We were very comfortable that the formulaic outcome under the Annual Bonus was an accurate reflection of the performance achieved during the year and demonstrated full alignment with the shareholder experience. In line with our Annual Bonus structure, one-third of the award will be delivered in Genus shares under the Deferred Share Bonus Plan ('DSBP') that are released after three years.

The financial achievement delivers maximum awards under the financial metrics of the Annual Bonus for each Executive, and the same will be true for many employees across Genus who are assessed against the same Genus Group performance metrics and targets when their own variable remuneration is calculated.

#### **Performance Share Plan**

Awards made in October 2018 were linked to EPS performance over the three-year period ending 30 June 2021. Average annual EPS growth was 12.6% against a performance range of 5% (which would deliver 20% of the award) through to full vesting at 15% or above. These are calculated on an actual currency basis. Given the robust nature of business performance over the three-year period, the level of vesting (at a strong level but below full vesting) is indicative of the currency headwinds that the business has faced over this time. The value of the PSP within the single figure table is heavily linked to the robust share price growth over the period – from a share price at award of £23.17 to a share price for the last quarter of the financial year of £50.62, an increase of 118.5%. These shares are subject to a holding period of a further two years post-vesting, after allowing for a number of shares to be sold to cover the associated tax liability.

#### **LOOKING FORWARD TO 2022**

We will operate the same core structure of Annual Bonus and PSP for the coming year with no changes in overall opportunity levels for Executives.

The Annual Bonus will continue to be assessed through key financial metrics (adjusted profit before tax and generation of free cash flow), alongside a number of identified strategic measures that have been set for each Executive, including targets specifically linked to environmental, social and governance ('ESG') metrics. Just under one-third of the strategic element will be assessed against environmental and sustainability targets for the business, recognising the importance of this topic for wider society, but particularly acknowledging the role that our sector can play in this area. We remain committed to comprehensive disclosure of targets within future remuneration disclosures with use of externally reported or audited metrics where possible.

We have set profit targets for the year (disclosed later in the report) that require continued growth in profit (measured in constant currency) before any award is paid under the metric. In determining the growth targets we considered multiple factors, including the budget set for coming year, the exceptionally strong performance achieved in 2021, and the market headwinds expected across certain of our key markets (in particular China). Therefore, while we have set targets that continue to require absolute levels of profit growth year on year, these are lower in percentage terms from those operated in 2021, with target awards requiring 5% growth and stretch levels set at 10% growth or above. Any bonus payable under this metric would remain consistent with delivery of performance ahead of our stated medium-term growth objective when viewed over a multi-year period. These targets are cascaded throughout the business and apply to all employees whose Annual Bonus is linked to Group performance. We continue to focus on ensuring that targets reward growth of the business, and that the target level of performance required represents strong performance for the business with exceptional levels of performance needed to generate full awards under the metric, and ensuring that targets are aligned to budgets and motivational for participants.

The PSP award will continue to be assessed against EPS performance over the three-year period (2022 to 2025) with the associated performance range (of annual growth in EPS of 5% to 15%) consistent with the operation of awards in recent years and in line with our stated medium term growth objectives.

Salary levels have been increased for the CEO and CFO effective 1 September 2021 in line with budgeted increases for employees of Genus plc within the UK. Both Executives receive a cash supplement in lieu of pension contributions. The CFO joined the business in January 2020, and this was set at 6% of salary, in line with the average across the wider UK workforce and will remain at this level. In recognition of investor expectations in this area, the current supplement paid to the CEO (of 10% of salary) will reduce to the 6% level at the end of December 2022.

**POLICY RENEWAL**

2021 was the second year of the current Remuneration Policy that was agreed by shareholders in 2019. We continue to believe that the core of our Policy is appropriate and drives alignment between business performance and reward outcomes. It is important that we ensure that the Policy remains appropriate for the strategy of the business, the continued growth of the organisation and the global environment that Genus operates within. We are also aware of the evolving expectations of shareholders and proxy agencies on reward.

The Committee has started to discuss areas where we expect to focus in considering a new Policy that we will present for approval next year. Particular areas that we expect to include within consultation with shareholders include:

- > a desire to review the performance metrics within the PSP Plan and the way we could include specific measure(s) linked to our environmental performance and sustainability progress;
- > the way we look to set annual targets for our Annual Bonus plan in future, recognising the potential for some variability in year-on-year growth while in pursuit of our medium-term stated growth aspirations; and
- > overall competitiveness of reward against the changing scale and complexity of Genus as a global biotechnology organisation.

We plan to consult with key shareholders in the first quarter of calendar year 2022 on our thinking and look forward to gaining their perspectives ahead of tabling a revised Remuneration Policy at the AGM next year.

**SUMMARY**

I hope this introduction and accompanying disclosures give you an insight into the operation of the Committee, the increasing breadth of focus of the nature of our conversations, and the way we have sought alignment between business performance and reward outcomes. I look forward to your support at our forthcoming AGM. If you have any feedback, I can be contacted at [remunerationchair@genusplc.com](mailto:remunerationchair@genusplc.com).

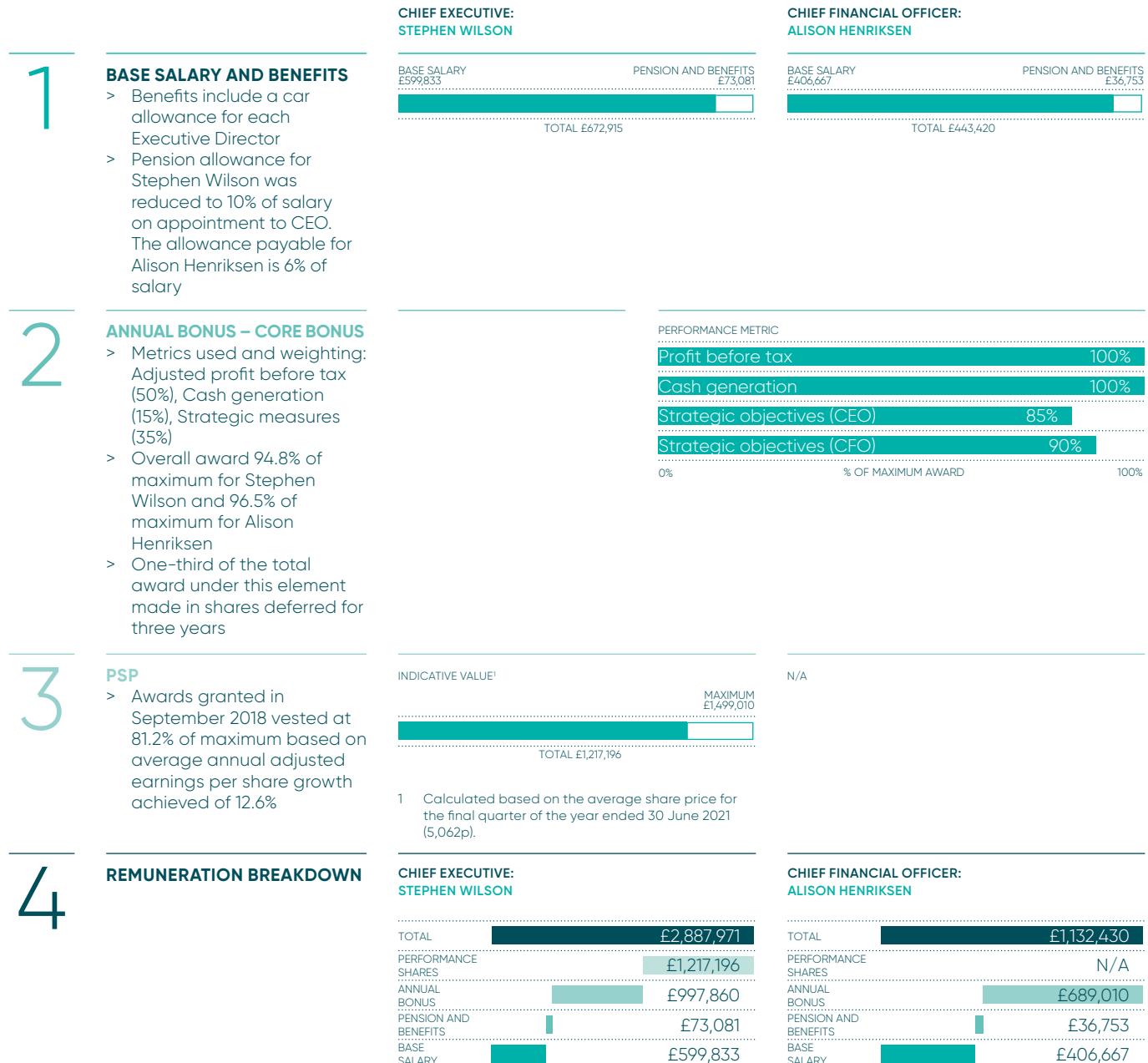
**Lesley Knox**

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

## REMUNERATION COMMITTEE REPORT CONTINUED

Section B – At a Glance 2021 (year ending 30 June 2021)  
 (For more detail please see pages 74 to 93)

### WHAT EXECUTIVE DIRECTORS WERE PAID IN 2021:



## WHAT EXECUTIVE DIRECTORS CAN EARN IN 2022 AND HOW:

1

### BASE SALARY AND BENEFITS

- > Includes salary increase of 2.5% effective September 2021
- > No change to benefit provision for 2022

#### CHIEF EXECUTIVE: STEPHEN WILSON

BASE SALARY £613,125	PENSION AND BENEFITS £74,453
TOTAL £687,578	

#### CHIEF FINANCIAL OFFICER: ALISON HENRIKSEN

BASE SALARY £415,650	PENSION AND BENEFITS £37,729
TOTAL £453,379	

2

### ANNUAL BONUS

- > Annual bonus opportunity of 175% of salary split between profit, cash and strategic metrics as shown
- > 10% of the 35% (approximately one-third) linked to strategic measures focused on environmental metrics linked to our Delta-C plan

#### STEPHEN WILSON: MAXIMUM OF 175% OF SALARY, TARGET AWARD OF 87.5% OF SALARY

ADJUSTED PROFIT BEFORE TAX GROWTH	WEIGHTING OF 50%
CASH GENERATION	WEIGHTING OF 15%
STRATEGIC MEASURES	WEIGHTING OF 35%

#### ALISON HENRIKSEN: MAXIMUM OF 175% OF SALARY, TARGET AWARD OF 87.5% OF SALARY

3

### PSP SEPTEMBER FROM 2019

- > The vesting of these awards depends on the adjusted earnings per share (excluding gene editing costs) achieved in the three financial years ending 30 June 2022

Awards over 41,666 Genus shares

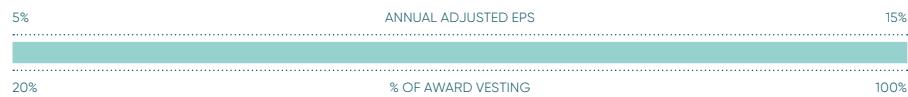
Awards over 22,435 Genus shares

4

### PSP (SEPTEMBER 2021 AWARDS)

- > The vesting of these awards will be subject to an adjusted earnings per share growth, with the 2024 adjusted earnings per share being compared to the 2021 adjusted earnings per share (excluding gene editing costs)
- > 5% annual growth threshold – 20% vesting
- > 15% annual growth – 100% vesting
- > Vesting levels will be calculated based on a straight-line basis between the above values

#### AWARD TO STEPHEN WILSON OF 200% OF SALARY



#### AWARD TO ALISON HENRIKSEN OF 175% OF SALARY

Salary changes are effective from September, aligned to the wider workforce:

	Annual Salary to 1 Sep 2021	Annual Salary from 1 Sep 2021	Change %
Stephen Wilson	£601,800	£616,900	2.5%
Alison Henriksen	£408,000	£418,200	2.5%

## REMUNERATION COMMITTEE REPORT CONTINUED

### Section B – Wider Workforce Remuneration

The Committee developed the Remuneration Policy agreed by shareholders in 2019 having reviewed the wider framework for reward across the organisation and the way that this drives alignment of individuals towards organisational goals. It receives updates annually on any material changes to wider workforce arrangements and additionally considers employee feedback on reward matters. This is from Group-wide mechanisms (such as our Your Voice survey) but additionally from direct interaction between designated Non-Executive Directors and employees.

Our reward principles apply to all employees within the business and are designed to ensure we can attract, motivate and retain people fundamental to achieving our vision, and be part of a global organisation. We want people within the business engaged and delivering because they are excited by our vision, the part they can play in this, and the difference they can make.

These principles are applied as consistently as we can, such that reward is standardised wherever possible, and delivered in line with our values. While the quantum may vary between roles, the principle of aligning reward outcomes with performance is fundamental to the way we operate.

Reward element	Our approach
<b>BASE SALARY</b>	Pay rates are determined with reference to the skill set and experience of the individual. Most pay rates are reviewed annually across the Group, with adjustments with reference to individual performance levels, market pay competitiveness and overall business affordability.
<b>BENEFITS</b>	The countries we operate in display different practices in terms of benefit provision. Typical benefits include access to life insurance, pension or retirement provision and may include medical cover. Our approach is driven by local market factors (which may include legislative requirements) rather than a single common benefit offering globally.
<b>VARIABLE PAY</b>	We operate a range of annual variable reward schemes and most of our employees participate in one of these arrangements. These include: <ul style="list-style-type: none"> <li><b>Annual Bonus</b> <ul style="list-style-type: none"> <li>&gt; Based on a combination of financial performance and non-financial metrics assessed through our performance management processes (which all employees participate in).</li> <li>&gt; Financial metrics based around profitability and cash performance.</li> <li>&gt; Where metrics are consistent with those used for Executive Directors or GELT members, then the same target/performance scale is used for everyone to drive alignment.</li> </ul> </li> <li><b>Production facilities – KPI plans</b> <ul style="list-style-type: none"> <li>&gt; Linked to the balanced scorecard of local KPIs for facility, covering metrics such as production output levels and health and safety.</li> </ul> </li> <li><b>Commissions</b> <ul style="list-style-type: none"> <li>&gt; Derived from individual sales performance of the individual.</li> </ul> </li> </ul> In addition, we make discretionary awards of shares across the business annually, reflecting the contribution of the individual and to drive future alignment with our performance.

Alignment of our Remuneration Policy to the Provisions of the 2018 Code (Section 40)		
<b>Clarity</b> Implementation of the strategy is monitored through KPIs including those used within the Annual Bonus and PSP. This ensures alignment between strategy execution and reward outcomes.	<b>Simplicity</b> We look to describe the structure of reward clearly to both participants and shareholders through effective disclosures, so all stakeholders are clear on the underlying reward principles and the way reward outcomes are determined.	<b>Alignment to culture</b> The Policy aligns to our business model and focus on the experience of customers and employees. Metrics linked to culture are used within variable plans, alongside delivery of long-term sustainable performance.
<b>Predictability</b> Examples of the range of outcomes under the Policy are shown within the scenario graphs.  This demonstrates the way that different performance levels change reward outcomes for individuals and the associated impact of changes in the company share price.	<b>Proportionality</b> A significant proportion of the total reward opportunity is performance driven, with clear linkage between business metrics and reward outcomes through clear targets and use of KPIs.  Shares form the majority of variable reward and Executives are required to develop and maintain a material shareholding in the business to fully align to the shareholder experience.	<b>Risk</b> The Committee retain ultimate discretion to vary outcomes from formulaic results if they do not judge this to accurately reflect underlying business performance.  Malus and clawback provisions apply to all awards and we operate post-cessation shareholding requirements to further align Executives to long-term business performance.

## Section B – CEO Pay Ratio

### OUR CEO PAY RATIO FOR 2021

Our CEO pay ratio is shown below.

Year Ended	CEO single figure £k	25th percentile		Median		75th percentile		Median ratio vs CEO target remuneration
		FTE reward	Ratio	FTE reward	Ratio	FTE reward	Ratio	
30 June 2021	2,888	£27,374	105:1	£32,464	89:1	£43,796	66:1	54:1

No elements of pay have been omitted from the calculation and pay quartiles determined as at 30 June 2021 and values are calculated based on those employed at this date. Where required, actual levels of remuneration were adjusted to create full-time equivalent values by considering both the employees full-time equivalent hours and (where applicable) the proportion of the year that the individual was employed. The quartile values, split between salary and benefits are as follows:

	25th percentile	Median	75th percentile
Salary (FTE)	£23,854	£27,300	£36,102
Total pay and benefits	£27,374	£32,464	£43,796

The median ratio is consistent with pay and reward policies in operation within the business. Salaries are set with reference to market levels of pay, with progression linked to experience and performance in role. The structure of reward in operation means that a greater proportion of pay is linked to variable pay in more senior roles and will therefore fluctuate linked to business and individual performance outcomes against targets set, and to changes in the Genus share price.

### OUR CEO PAY RATIO HISTORY

To provide additional context we have also shown the ratio for the previous three years. For illustration we have also shown the ratios against the target level of reward we disclosed within our Remuneration Policies as agreed by shareholders and provided commentary below.

<b>Reward structure</b> – That the overall CEO package is more highly geared towards variable pay than most other employees within the UK business.	<b>CEO PAY RATIO AND SHARE PRICE PERFORMANCE</b> <table border="1"> <caption>Estimated data for CEO Pay Ratio and Share Price Performance</caption> <thead> <tr> <th>Year</th> <th>CEO to median pay ratio (to 1)</th> <th>Share Price £ (3 month closing average)</th> </tr> </thead> <tbody> <tr> <td>2018</td> <td>83.1</td> <td>26.1</td> </tr> <tr> <td>2019</td> <td>26.1</td> <td>26.1</td> </tr> <tr> <td>2020</td> <td>71.1</td> <td>30.0</td> </tr> <tr> <td>2021</td> <td>89.1</td> <td>45.0</td> </tr> </tbody> </table>	Year	CEO to median pay ratio (to 1)	Share Price £ (3 month closing average)	2018	83.1	26.1	2019	26.1	26.1	2020	71.1	30.0	2021	89.1	45.0
Year	CEO to median pay ratio (to 1)	Share Price £ (3 month closing average)														
2018	83.1	26.1														
2019	26.1	26.1														
2020	71.1	30.0														
2021	89.1	45.0														
<b>Business performance</b> – As outlined elsewhere within this disclosure, 2021 was a robust year for the business with strong profit growth. This has resulted in high levels of award against stretching targets set for the Annual Bonus, and in vesting levels of over 81.2% from PSP awards made in 2018 which were linked to EPS performance over the three-year period.																
<b>Change of CEO</b> – The CEO 'single figure' for year ending 2019 was lower than the prior year. This reflected the decision of our previous CEO to resign from the business and forfeit any awards under our Annual Bonus or long-term incentive, albeit he was still employed by Genus at the end of the financial year.																
<b>Share price growth</b> – We have seen significant growth in the share price with the average share price for the last three months of 2021 of 5,062p which was an increase of 50% on the same period the year before.																

TOTAL PAY AND BENEFITS Year ended	CEO single figure		25th percentile		Median		75th percentile		Median ratio vs target CEO single figure
	CEO	FTE reward	Ratio	FTE reward	Ratio	FTE reward	Ratio	Ratio	
30 June 20	£2,257k <sup>1</sup>	£25,230	89:1	£31,748	71:1	£42,426	53:1	56:1	
30 June 19	£815k	£24,638	33:1	£31,867	26:1	£41,792	20:1	57:1	
30 June 18	£2,549k	£24,204	105:1	£30,759	83:1	£40,203	63:1	59:1	

<sup>1</sup> This value reflects the change in CEO during the year and includes salary and benefits for Karim Bitar through to his resignation and all applicable reward elements for Stephen Wilson from the date of his appointment as CEO (13 September 2019) to 30 June 2020.

### METHOD OF CALCULATION AND RATIONALE

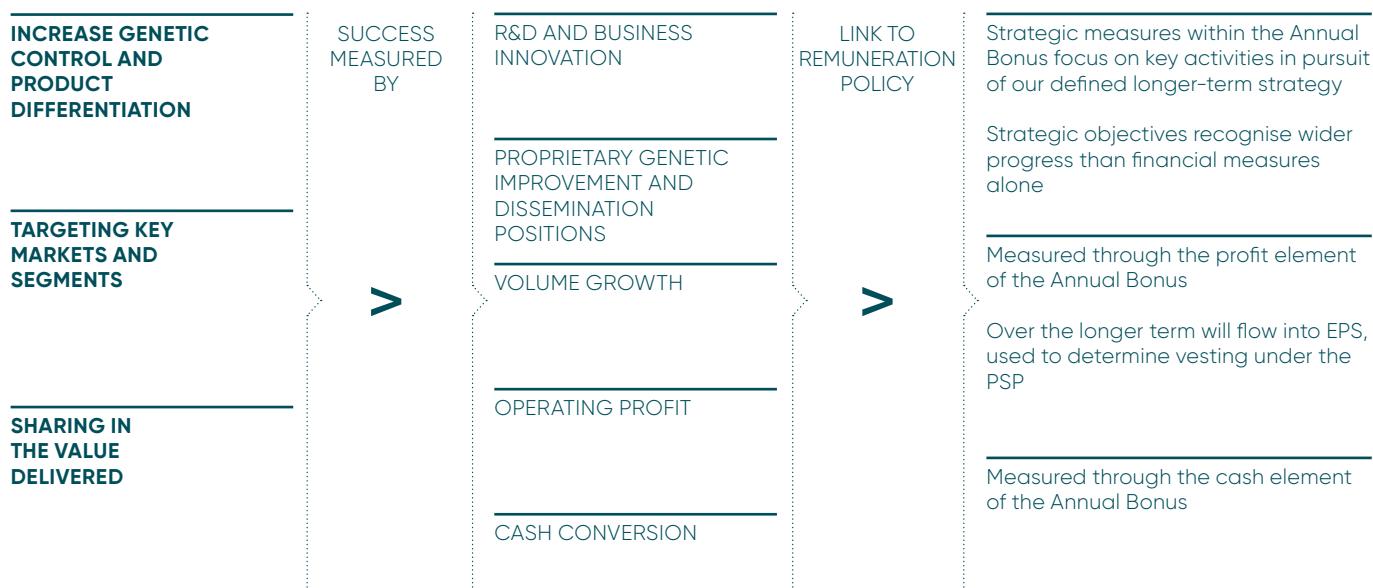
We have elected to use calculation Method A as outlined within the legislation. We have done this to get as accurate a picture as possible for the reward of all our UK employees compared to the CEO. This contrasts with our disclosure on gender pay which focuses on our largest UK subsidiary (Genus Breeding Limited) rather than all employees in the UK as required by the respective legislation. It ensures that the calculation is done on a full-time equivalent basis in comparing employee reward to the CEO position.

## REMUNERATION COMMITTEE REPORT CONTINUED

### Section C – Remuneration and Performance Statement

#### GENUS'S STRATEGY AND ITS LINK TO PERFORMANCE-RELATED PAY

Our strategy and the way this is linked to variable reward is shown below.



#### PERFORMANCE COMPONENTS AND THEIR IMPACT ON REMUNERATION

	2020 restated	2021	Movement %	Impact on remuneration
<b>Adjusted results</b>				
Revenue	£551.4m	<b>£574.3m</b>	4%	Input to Annual Bonus profit and earnings per share in PSP
Adjusted profit before tax	£65.8m	<b>£84.8m</b>	29%	Annual Bonus measure
Generation of free cash flow	£35.2m	<b>£37.5m</b>	7%	Annual Bonus measure
Adjusted earnings per share	77.3p	<b>100.9p</b>	31%	PSP performance condition
Dividend per share	29.1p	<b>32.0p</b>	10%	Executives rewarded via dividends on shares held post vesting
Share price at year end	3,532p	<b>4,960p</b>	40%	Determines the value of deferred bonuses and PSP awards

Values in the table are in actual currency as shown in the Annual Report. A number of adjustments are made to these for the purposes of calculating awards under our incentive plans as described in this report and in line with our Remuneration Policy. 2020 numbers have been restated in line with the change in our accounting policy relating to the capitalisation of certain software assets as disclosed in note 2 Basis of Preparation within the Annual Report. The change in accounting policy led to an increase in operating expense of £2.7m in the current year and £5.2m in 2020.

#### EXECUTIVE DIRECTORS' ALIGNMENT TO SHARE PRICE

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

	Shares owned	Shares awarded under the DSBP (post-tax)	Total share exposure	Indicative value on 30 June 2021 (£) <sup>1</sup>	Consequence of a +/- £2 share price change (£)	Conclusion
Stephen Wilson	65,342	12,201	77,543	3,925,206	155,085	CEO is aligned to share price movement through ordinary shareholding
Alison Henriksen	Nil	1,344	1,344	68,037	2,688	CFO was appointed into role in January 2020 and has yet to see awards vest that were made under the PSP Plan

<sup>1</sup> Value calculated using the average share price for the final quarter of the financial year ended 30 June 2021 (5,062p).

## Section D – Annual Report on Remuneration

### INTRODUCTION

This section of the Directors' Remuneration Report is subject to an advisory vote at the 2021 AGM. Remuneration in respect of 2021 is determined by our Remuneration Policy agreed by 93.4% of shareholders at the 2019 AGM. The detailed Policy, approved by shareholders at the 2019 AGM on 14 November 2019, can be found in our 2019 Annual Report which is available from our website at [www.genusplc.com](http://www.genusplc.com).

We have split this section into the following chapters to balance our formal disclosure obligations with our desire to have a clear and understandable report:

1. What the Executive Directors Were Paid in 2021.
2. What the Executive Directors Can Earn in 2022.
3. The Process the Committee Followed to Arrive at These Decisions.
4. How the Chief Executive's Pay Compares to Shareholder Returns Over the Past Ten Years and to Employees' Pay.
5. The Chairman and Non-Executive Directors' Fees.
6. Details of the Directors' Shareholdings and Rights to Shares.
7. Details of the Executive Directors' Contracts and Non-Executive Directors' Letters of Appointment.

### 1. WHAT THE EXECUTIVE DIRECTORS WERE PAID IN 2021

#### Executive Directors' single total remuneration figure (audited)

The following table shows a single total figure of remuneration for the 2021 financial year for each of the Executive Directors and compares this figure to the prior year.

	Year	Salary and fees £000s	Benefits <sup>1</sup> £000s	Pension <sup>2</sup> £000s	Subtotal for fixed pay £000s	Annual bonus <sup>3</sup> £000s	PSP £000s	Subtotal for variable pay £000s	Total £000s
Stephen Wilson (ceased to be Group Finance Director and appointed CEO from 13 September 2019)	2021	600	13	60	<b>673</b>	998	1,217 <sup>4</sup>	<b>2,215</b>	<b>2,888</b>
	2020	550	13	59	<b>622</b>	945	594 <sup>5</sup>	<b>1,539</b>	<b>2,161</b>
Alison Henriksen (appointed 13 January 2020)	2021	407	12	24	<b>443</b>	689	–	<b>689</b>	<b>1,132</b>
	2020	190	6	12	<b>208</b>	297	–	<b>297</b>	<b>505</b>

1 Benefits included an annual car allowance of £12,000 for Stephen Wilson and Alison Henriksen respectively. Insured benefits include life assurance, private medical insurance and a medical screen.

2 Executive Directors receive a cash allowance in lieu of pension, which is shown in the Pension column. The percentage contribution payable to Stephen Wilson was reduced on appointment to CEO (from Group Finance Director) from 15% of salary to 10% of salary. Alison Henriksen receives a pension contribution of 6% of salary.

3 Bonus earned includes the part of the award which is deferred into Company shares.

4 The value of the PSP is determined by the number of awards vesting in relation to performance in the period ended 30 June 2021. Dividend equivalents are not added to awards made under the PSP. The value shown for 2021 is based on the average share price for the final three months of the 2021 financial year (which was 5,062p). This compares to the share price at grant of 2,317p (+18.5%). Of the value shown for the CEO, £660k is attributable to share price appreciation between award and vesting.

5 The 2020 values shown as estimated in the previous Annual Report have been restated to reflect the actual value at point of vesting. The share price was 3,956p on 14 September 2020 when awards vested for Stephen Wilson.

### How the bonuses for 2021 were calculated

#### Annual Bonus

The 2021 bonuses for Executive Directors were calculated by reference to performance against a challenging sliding scale of profit, cash flow and strategic measures. Targets were set by the Committee to exclude the costs of gene editing in line with our Remuneration Policy. This was a decision by the Committee (as was the case in prior years) to ensure that management's reward was not unfairly affected by decisions to make the right long-term investment decisions on behalf of the business.

The following results were achieved for each element of the annual bonus incentive.

Bonus target <sup>1</sup>	Strategic objective	Weighting	Actual 2021 performance	Threshold (0% award)	Target (50% award)	Stretch (full award)	Extent to which targets were met (%)
Adjusted profit before tax	Year-on-year profit growth	50%	£97.2m <sup>2</sup>	£76.2m	£83.8m	£87.6m	100%
Generation of free cash flow	Generate cash for reinvestment and dividends	15%	£29.1m <sup>3</sup>	£18m	£21m	£24m	100%
Strategic measures	To build the foundation for future growth	35%	See table				Chief Executive 85% Chief Financial Officer 90%

1 The financial elements of the bonus are payable on a straight-line basis between each threshold, target and stretch level.

2 Numbers shown exclude the impact of the change of the accounting Policy linked to the capitalisation of certain software assets. The Committee made the decision to calculate awards in this way (albeit the outcome would have been the same if these costs had been reflected in 2020 and 2021 performance).

3 This number excludes £8.4m of IFRS 16 lease adjustments included in our reported free cash flow number on page 78.

## REMUNERATION COMMITTEE REPORT CONTINUED

### Section D – Annual Report on Remuneration

#### 1. WHAT THE EXECUTIVE DIRECTORS WERE PAID IN 2021 CONTINUED

##### Strategic measures

The Committee reviewed and discussed achievement against targets set for strategic measures for each Executive Director in determining overall award levels. Performance against these targets is disclosed retrospectively, as follows:

	Theme	Objective	Key achievements in year	Pay-out against maximum
<b>Stephen Wilson</b>	Strategy Development and Execution	Expand the Company's position as the leader in animal genetics	<ul style="list-style-type: none"> <li>&gt; Five new key accounts in PIC China</li> <li>&gt; Growth of ABS volumes by 15%, with associated growth in profit margin</li> <li>&gt; Investment in Xselect to support our understanding of the aqua genetics market</li> </ul>	85%
	Leadership and Culture	Fostering a positive and inclusive culture and increasing employee engagement at all levels	<ul style="list-style-type: none"> <li>&gt; Developed and implemented new leadership curriculum, courses and Learning Management platform</li> <li>&gt; Maintained high net promoter score</li> <li>&gt; Positive responses from employees to way Genus managed employees through pandemic</li> </ul>	
	Innovation	Continue strengthening R&D technology capabilities and commercial relevance and implement new IT technologies to support Company performance	<ul style="list-style-type: none"> <li>&gt; PRRS programme on schedule. Phase 1 FDA submissions complete</li> <li>&gt; Digital transformation across ABS</li> <li>&gt; Creation of new team focused on Reproductive Biology</li> <li>&gt; Established scientific computing strategy</li> </ul>	
	Sustainability	Make Genus an industry leader in sustainability	<ul style="list-style-type: none"> <li>&gt; High focus on communication of sustainability strategy with investors and through Capital Markets event</li> <li>&gt; Delta C programme launched internally with net zero energy use at Dekorra site and pilot of electric vehicles in UK</li> <li>&gt; Implemented changes across R&amp;D to drive sustainability with removal of plastic and elimination of over 50 tonnes of general waste</li> </ul>	
	Theme	Objective	Key achievements in year	Pay-out against maximum
<b>Alison Henriksen</b>	Strategy Development and Execution	Expand the Company's position as the leader in animal genetics	<ul style="list-style-type: none"> <li>&gt; Enhancements to strategy process, including linkages to KPIs</li> <li>&gt; Enhanced reporting and focus on profitability measures</li> <li>&gt; Relationship development with US investors</li> </ul>	90%
	Leadership and Culture	Fostering a positive and inclusive culture and increasing employee engagement at all levels	<ul style="list-style-type: none"> <li>&gt; Execution of finance strategy encompassing finance operating model design, strengthening of core processes, collective team development across Global finance and driving of digitisation across function.</li> <li>&gt; Implementation of People Magnet strategy: promotion of key individuals into new roles, focus on accountabilities</li> <li>&gt; Focus on procurement with implementation of Group function and achievement of targeted savings</li> </ul>	
	Innovation	Continue strengthening R&D technology capabilities and commercial relevance and implement new IT technologies to support Company performance	<ul style="list-style-type: none"> <li>&gt; Led optimisation of GenusOne and organisational alignment to sponsor and implement globally</li> </ul>	
	Sustainability	Make Genus an industry leader in sustainability	<ul style="list-style-type: none"> <li>&gt; Development and presentation of sustainability within Genus to investor base</li> </ul>	

## 1. WHAT THE EXECUTIVE DIRECTORS WERE PAID IN 2021 CONTINUED

As a result of this performance, the total Annual Bonus awarded to the Executive Directors was:

	Extent to which targets were met	Annual Bonus – cash	Annual Bonus – deferred shares <sup>1</sup>
Stephen Wilson	94.8%	£665,240	£332,620
Alison Henriksen	96.5%	£459,340	£229,670

1 The number of shares awarded will be calculated in September 2021 when bonuses are paid. One-third of bonus payable is deferred into Genus shares for three years.

### How the PSP figure was calculated in the single total remuneration table

Stephen Wilson's PSP award granted on 9 October 2018 was subject to a performance condition, based on the growth in adjusted earnings per share from 2018 to 2021. The range of targets applicable to the award, which had a value of 175% of salary at grant was as follows:

Average annual growth in adjusted earnings per share	% of award vesting
Less than 5% per annum	Nil
5% per annum	20%
15% per annum	100%

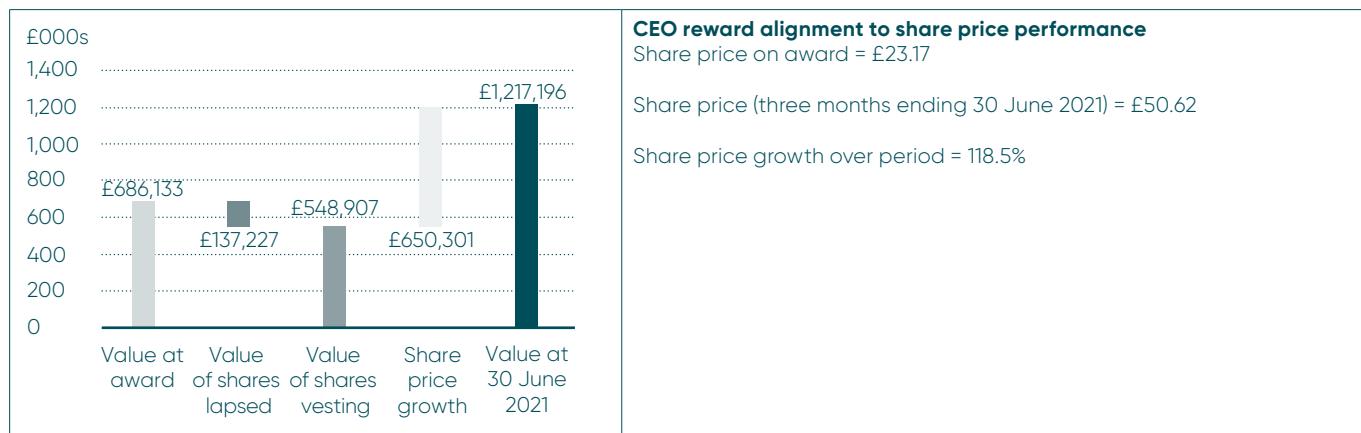
1 Straight-line vesting between the points in the above table.

The Committee set targets to calculate the long-term award after excluding gene editing costs incurred during the performance period, to avoid an unintended impact on the Executives' remuneration whilst making long-term decisions in support of value creation. This is consistent with the approach previously communicated to shareholders within our Policy and as taken in each of the last three years.

The adjusted 2021 earnings per share after the cost of share-based payments and adjusting for costs relating to gene editing was 104p. This represents an average annual growth in adjusted earnings per share of 12.6% compared to the comparable 2018 adjusted earnings per share figure (after the cost of share-based payments). The resulting level of vesting is 81.2% of maximum<sup>1</sup>. Stephen Wilson's award was over a maximum of 29,613 shares, so the actual level of vesting is 24,046 shares and these will vest on 9 October 2021.

The Committee made the decision to calculate vesting excluding the impact of the accounting change linked to capitalisation of costs of certain software assets. This was done on the basis of driving consistency between the base year and final outcome, and recognise the timing of the actual change in the accounting policy. We additionally noted that had this impact been included then the resulting vesting level would have been slightly higher.

The Company's average share price for the period from 1 April 2021 to 30 June 2021 was 5,062p, meaning that the value shown for these awards within the single figure table is £1,217,196 for Stephen Wilson.



1 The average annual earnings per share growth including gene editing costs after share-based payments was 12.6% and the associated vesting level would have been 80.8% of maximum.

### Joining award

There were no joining awards made to Directors in the year ending 30 June 2021.

### Material contracts

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

### Payments for loss of office and payments to former Directors (audited)

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

### Discretion

No discretion was applied by the Committee to outcomes under the variable plans and awards were determined against targets set by the Committee. The Committee was fully satisfied that the outcomes delivered were consistent with the strong business performance delivered.

## REMUNERATION COMMITTEE REPORT CONTINUED

### Section D – Annual Report on Remuneration

#### 2. WHAT THE EXECUTIVE DIRECTORS CAN EARN IN 2022

A summary of this chapter is given on page 75.

##### Base salary

In line with other UK employees, the date of salary review is 1 September 2021. Any change is considered against changes made to the wider workforce.

	Annual salary to 1 Sep 2021	Annual salary from 1 Sep 2021	Change %
Stephen Wilson	£601,800	£616,900	2.5%
Alison Henriksen	£408,000	£418,200	2.5%

##### Benefits

The Executive Directors receive benefits including a car allowance, life assurance, an annual medical screen and private medical insurance.

##### Pension

On appointment to the CEO role in September 2019, the pension allowance payable to Stephen Wilson reduced to 10% of salary (from 15%). Alison Henriksen receives a pension allowance of 6% of salary, consistent with our stated Policy to align rates for new hires to the wider workforce. In line with investor expectations, the allowance paid to the CEO will reduce to 6% of salary from the end of December 2022.

##### Performance-related Annual Bonus

The structure for variable remuneration for Executive Directors for 2022 will be as follows:

##### Annual Bonus

Value of Bonus	A maximum of 175% of salary for the Chief Executive and Chief Financial Officer based on profit, cash generation and strategic measures.
Performance measures	Assessed across the following metrics: Adjusted Profit Before Tax – 50% of opportunity Cash Generation – 15% of opportunity Strategic measures – 35% of opportunity
Calibration of profit target	The targets for the coming year are outlined below and have continued to be disclosed on a prospective basis, expressed in terms of growth. The targets have been set having considered the budgets in place for the year and represent stretching business performance. The Committee considered budgets, analyst expectations and the market conditions in our key countries in determining the range and is comfortable that the range set is stretching, and fully aligned to our stated medium-term growth objective.  No bonus is payable in respect of profit unless the prior year's result is exceeded. Thereafter, the bonus award is determined on the following basis:
<hr/>	
Growth on prior year adjusted before tax <sup>1</sup>	Pay-out (profit element)
0% growth or below	Nil award
5% growth	50% award
10% growth or above	100% award
<hr/>	
Straight-line payout between performance points.	

1 In constant currency and excluding gene editing costs.

Calibration of cash generation target	The cash target is the budgeted figure, with a specific range of £3m below the target and £3m above. Specific numbers were set (rather than a percentage range) to ensure Executives are focused on actual cash generation. The target set and resulting performance achieved will be disclosed in the Annual Report next year.
Calibration of strategic measures	Specific measurable targets have been set against this category linked to our strategic priorities identified by the Board for the year ahead. Approximately one-third (10% out of the 35%) will be linked to specific targets linked to environmental measures.  It would be commercially sensitive to disclose these targets in advance and we will retrospectively disclose the targets and associated performance against them in the subsequent Annual Report.
Bonus deferral	One-third of any bonus award will be deferred by way of shares for three years and will vest subject to continued employment, other than in certain leaver circumstances.
Malus and clawback	The Committee can apply malus to deferred bonuses and clawback any element of paid bonuses that should not have been awarded or paid, in the event of a material misstatement of the Group's annual results or other substantive reason.

## 2. WHAT THE EXECUTIVE DIRECTORS CAN EARN IN 2022 CONTINUED

### Long-term incentives

Awards to be granted in September 2021 will be granted under the 2019 PSP Plan approved by shareholders on 14 November 2019. Stephen Wilson will be granted an award over shares worth 200% of salary and Alison Henriksen an award over shares worth 175% of salary. Grants will be determined in line with the Plan Rules, using annual salary as at the point of grant to determine awards. Awards granted will continue to require the Executive to retain the after-tax number of shares vesting in September 2024 for two years. Enhanced clawback and malus provisions will apply to these awards as outlined within our Remuneration Policy, including for reputational damage and corporate failure.

The performance targets for the awards to be granted in September 2021 will relate to average annual growth in adjusted earnings per share, measured over three years and excluding gene editing costs. The range of targets for the 2022 awards (scheduled to be made in September 2021) is unchanged from that awarded in recent years and is as follows and is as follows:

	Vesting (% award)
Average annual growth in adjusted earnings per share <sup>1</sup>	
Less than 5% per annum	0%
5% per annum	20%
15% per annum	100%

Straight-line vesting between performance points shown above.

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

The Committee continues to believe that using adjusted earnings per share is an appropriate measure of long-term performance of the business, demonstrates alignment to our stated medium-term growth aspirations, and this is consistent with awards granted over the past few years. The Committee believes the above performance range is appropriately challenging, incentivises Executives to deliver the Company's growth strategy and is therefore aligned with shareholders' interests.

The Committee retains the discretion to be able to scale back vesting based on earnings per share performance if it does not consider the vesting result to be consistent with the progress achieved against the Company's strategy during the performance period. This is considered appropriate to broaden the Executive team's focus beyond financial performance.

## 3. THE PROCESS THE COMMITTEE FOLLOWED TO ARRIVE AT THESE DECISIONS

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

During 2021, the Committee comprised:

Director	Independent	Attendance at meetings
Lesley Knox (Chair)	Yes	5/5
Lykele van der Broek	Yes	5/5
Lysanne Gray	Yes	5/5
Ian Charles <sup>1</sup>	Yes	5/5
Iain Ferguson	Yes	5/5
Bob Lawson <sup>2</sup>	Yes	3/3
Jason Chin <sup>3</sup>	Yes	2/2

1 Retired from the Company on 31 May 2021.

2 Retired as Chairman on 25 November 2020.

3 Joined the Company on 1 April 2021.

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

During the year, the Committee continued to use PricewaterhouseCoopers ('PwC') for advice it considers is of value, objective and independent. PwC's fees were £45k for its remuneration advice to the Committee. PwC were appointed by the Committee following a competitive tender process and their performance and independence as advisers is regularly reviewed. PwC is a member of the Remuneration Consultants Group and complies with its Code of Conduct. Separate teams within PwC provide unrelated advisory service to the Group, including taxation, international assignments and actuarial advice to the Group.

## REMUNERATION COMMITTEE REPORT CONTINUED

### Section D – Annual Report on Remuneration

#### 3. THE PROCESS THE COMMITTEE FOLLOWED TO ARRIVE AT THESE DECISIONS CONTINUED

During the year to 30 June 2021, the Committee met five times and considered the following matters:

##### **July 2020**

- > Pay review for GELT members.
- > Strategic targets for 2021.
- > Review draft Directors' Remuneration Report.

##### **September 2020**

- > Determination of Annual Bonus awards in respect of 2020.
- > Testing of the performance conditions and approval of the vesting levels of long-term share incentive awards granted in 2017.
- > Approval of long-term share incentive awards under the Company's PSP and the associated performance targets.
- > Review of shareholdings by Executive Directors and GELT.
- > Approval of PSP for senior leadership and review of share dilution.
- > Approval of the Directors' Remuneration Report.

##### **November 2020**

- > Discussion of shareholder voting on annual remuneration.
- > Review of remuneration reporting and AGM season insight.
- > Wider workforce reward review and pay benchmarking.

##### **May 2021**

- > Strategic objectives for 2022.
- > Incentive design across business.
- > Overview of wider reward practice across the FTSE 250.

##### **April 2021**

- > Update on COVID-19 and associated reward considerations.
- > Discussion of gender pay findings within Genus Breeding Limited and wider reward approach in Genus.
- > Discussion of ESG and linkage to reward.

#### How shareholders' views are taken into account

We consulted with shareholders ahead of proposing our existing Remuneration Policy to shareholders at our 2019 AGM which received high levels of shareholder support. The results of the most recent votes were as follows:

	Vote on Directors' Remuneration Report 2020 AGM (advisory)		Vote on Directors' Remuneration Policy 2019 AGM (binding)	
	Total number of votes	% of votes cast	Total number of votes	% of votes cast
For	46,099,609	97.8	42,801,233	93.4
Against	1,026,035	2.2	3,046,755	6.6
Total number of shares in respect of which votes were validly made	47,125,644	100	45,847,988	100
Votes withheld	136,310		11,770	

#### How employees' pay is taken into account

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

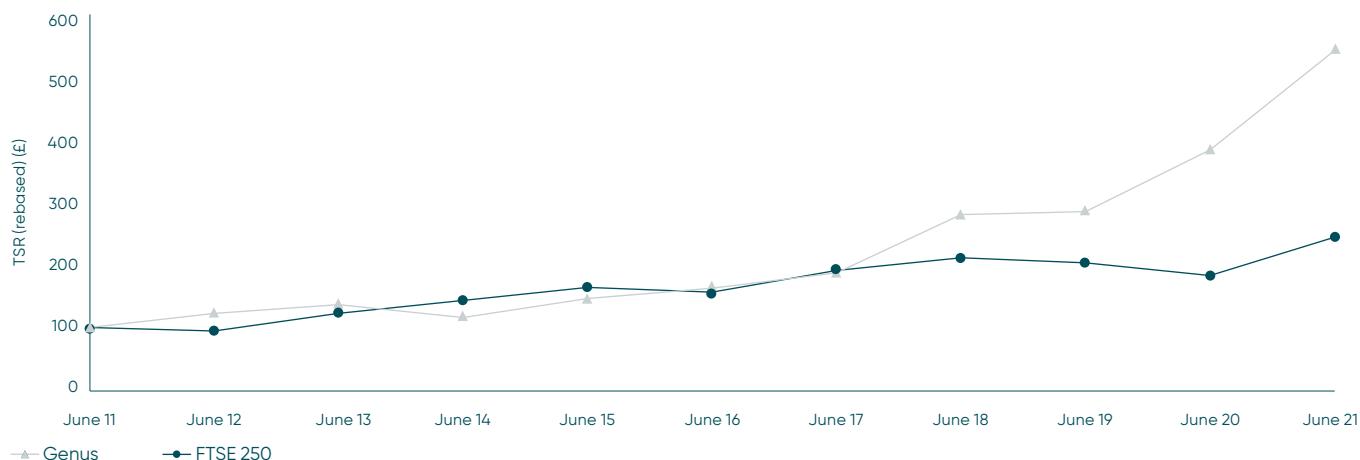
The Group Reward Director facilitates this process, presenting to the Committee reward structures and approach across the organisation including the way reward levels are set with reference to internal and external factors and how performance metrics align with those used for GELT members (including Executive Directors). The process also includes sharing feedback received through staff engagement surveys that include questions on pay, as well as consulting employees informally on their views of the current overall Remuneration Policy. Additionally, discussions on reward have formed part of dialogue between the nominated Non-Executive Directors and employees as part of wider engagement activity as outlined elsewhere in the Annual Report. This forms part of the feedback provided to the Committee and is used to assess the Remuneration Policy's ongoing effectiveness and any changes that should be made.

When setting the Executive Directors' base salaries, the Committee compares the salary increases proposed for each Executive Director with those proposed for employees in their geographical location, as well as considering the typical increase proposed across our UK business and the wider Group.

#### 4. HOW THE CHIEF EXECUTIVE'S PAY COMPARES TO SHAREHOLDER RETURNS OVER THE PAST TEN YEARS AND TO EMPLOYEES' PAY Total shareholder return

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

##### Ten years of total shareholder return



As required under the reporting regulations, the table below shows the 'single figure' pay for the Chief Executive over the same period, to allow comparison between variability in reward and the shareholder experience over the same period.

	Year ended 30 June 2021										
	Richard Wood		Karim Bitar								
	2012	2012 <sup>1</sup>	2013	2014	2015	2016	2017	2018	2019	2020	2020
Total remuneration (£000s)	£231	£1,776	£868	£877	£1,622	£1,704	£2,856	£2,549	£815	£183	£2,161
Annual bonus (% of max)	88%	77%	31%	32%	99%	78%	59% <sup>2</sup>	64% <sup>2</sup>	Nil <sup>3</sup>	Nil <sup>3</sup>	91%
Total PSP vesting (% of max)	–	–	–	–	26%	34%	79%	56%	Nil <sup>4</sup>	Nil <sup>4</sup>	44.9%
											<b>81.2%</b>

1 Included payment for loss of annual bonus (£163,000) and the value of restricted stock (£755,000) granted to compensate him for loss of value forfeit on joining Genus.

2 Includes the award under the Company Milestone element of the annual bonus under the previous Remuneration Policy.

3 No awards were payable following the decision of Karim to resign from the business.

4 Vesting was nil as Karim's employment cessation date was before scheduled vesting of PSP awards.

##### Director remuneration compared to Genus employees

###### Change in remuneration received

The table below shows the percentage change in the annual remuneration of Directors from 2019 onwards. Also provided for comparison is a UK comparator number for each respective time period which considers all employees of Genus plc on 30 June 2021 (excluding Directors) and calculating on an FTE basis changes in salary, benefits and bonus compared to the previous year.

	Salary/fees (% change)		Benefits (% change)		Bonus (% change)	
	2020 to 2021	2019 to 2020	2020 to 2021	2019 to 2020	2020 to 2021	2019 to 2020
Stephen Wilson <sup>1</sup>	<b>9</b>	41	<b>0</b>	0	<b>6</b>	158
Alison Henriksen <sup>2</sup>	<b>2</b>	n/a	<b>0</b>	n/a	<b>7</b>	n/a
Iain Ferguson	n/a	n/a	n/a	n/a	n/a	n/a
Lykele van der Broek	<b>0</b>	0	(60)	25	n/a	n/a
Lysanne Gray	<b>0</b>	0	<b>0</b>	0	n/a	n/a
Lesley Knox	(5) <sup>3</sup>	15 <sup>3</sup>	<b>0</b>	0	n/a	n/a
Jason Chin	n/a	n/a	n/a	n/a	n/a	n/a
UK comparators	<b>2.6</b>	2.3	<b>0</b>	0	<b>24</b>	124

1 Stephen was appointed into the CEO role on 13 September 2019. The 2020 year (July 2019 to June 2020) includes part year of salary as CFO through to 13 September 2019 and part year as CEO. Salary increase received in September 2020 was 2%.

2 Amounts have been annualised for 2020 for Alison to reflect her joining date of 13 January 2020.

3 Includes back payments for membership of respective Committees not received during 2019.

## REMUNERATION COMMITTEE REPORT CONTINUED

### Section D – Annual Report on Remuneration

#### 4. HOW THE CHIEF EXECUTIVE'S PAY COMPARES TO SHAREHOLDER RETURNS OVER THE PAST TEN YEARS AND TO EMPLOYEES' PAY CONTINUED

##### Distribution statement

	2020	2021	% change
Employee costs (£m)	£179m	<b>£194m</b>	8%
Distributions to shareholders <sup>1</sup>	£18.3m	<b>£19.5m</b>	7%

1 Includes dividends and share buy-backs.

#### 5. THE CHAIRMAN AND NON-EXECUTIVE DIRECTORS' FEES

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

Position	2019 fees	2020 fees	2021 fees
Chairman	£160,000	£160,000	<b>£230,000<sup>1</sup></b>
Audit & Risk Committee/Remuneration Committee Chairs	£60,000	£60,000	<b>£60,000</b>
Scientific Adviser to R&D Global Portfolio Steering Committee ('GPSC')	£65,000	£65,000	<b>£65,000</b>
Base Non-Executive Director fee	£55,000	£55,000	<b>£55,000</b>

1 The Chairman fee was reviewed prior to the appointment of Iain Ferguson and was determined following a review of market data, as disclosed in the 2020 Annual Report. This fee level was applied following appointment to Iain Ferguson as Chairman effective 25 November 2020.

The responsibilities of chairing the Audit & Risk and Remuneration Committees result in an additional fee of £5,000, giving the Chairs of these Committees a total fee of £60,000. Fees will continue at this level for the coming year.

##### Total single figure of remuneration (audited) for 2020 and 2021 are as follows:

Non-Executive Directors	2021	Fees £000s	Taxable expenses £000s	Benefits £000s	Total £000s
Iain Ferguson <sup>1</sup>	<b>157</b>	—	—	—	<b>157</b>
2020	—	—	—	—	—
Bob Lawson <sup>2</sup>	<b>67</b>	—	—	—	<b>67</b>
2020	160	30	1	191	
Lykele van der Broek	<b>55</b>	<b>2</b>	<b>2</b>	<b>59</b>	
2020	55	6	5	66	
Lysanne Gray	<b>60</b>	—	—	—	<b>60</b>
2020	60	—	—	—	60
Ian Charles <sup>3</sup>	<b>60</b>	—	—	—	<b>60</b>
2020	72 <sup>5</sup>	—	—	—	72
Lesley Knox	<b>60</b>	—	—	—	<b>60</b>
2020	63 <sup>5</sup>	—	—	—	63
Jason Chin <sup>4</sup>	<b>16</b>	—	—	—	<b>16</b>
2020	—	—	—	—	—
<b>Total</b>	<b>475</b>	<b>2</b>	<b>2</b>	<b>479</b>	
	2020	410	36	6	452

1 Joined the Company on 1 July 2020 and became Chairman on 25 November 2020.

2 Retired as Chairman on 25 November 2020.

3 Resigned from the Company on 31 May 2021.

4 Joined the Company on 1 April 2021.

5 Includes back payments for membership of respective Committees not received during 2019.

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

## 6. DETAILS OF THE DIRECTORS' SHAREHOLDINGS AND RIGHTS TO SHARES

### Directors' shareholdings (audited)

At the year-end, the Directors had the following interests in the Company's shares:

	At 30 June 2021 Number	% of salary held <sup>1</sup>	Shareholding guideline <sup>2</sup>	Unvested DSBP awards at 30 June 2021 Number	Unvested PSP awards held at 30 June 2021 Number	At 30 June 2020 Number
				30 June 2021 Number	30 June 2020 Number	
Iain Ferguson	4,000	n/a	n/a	n/a	n/a	–
Stephen Wilson	65,342	652%	200%	23,020	102,156	73,330
Alison Henriksen	–	17%	200%	2,536	40,752	–
Ian Charles	–	n/a	n/a	n/a	n/a	–
Lykele van der Broek	3,750	n/a	n/a	n/a	n/a	3,750
Lysanne Gray	–	n/a	n/a	n/a	n/a	–
Lesley Knox	2,000	n/a	n/a	n/a	n/a	2,000
Jason Chin	–	n/a	n/a	n/a	n/a	–
<b>Total</b>	<b>75,092</b>			<b>25,556</b>	<b>142,908</b>	79,080

1 Based on the combined number of beneficially held shares and the net of tax DSBP awards held and the average closing share price over the three months to 30 June 2021 of 5,062p.

2 Executive Directors are expected to work towards achieving a shareholding of 200% of salary as set out in the Remuneration Policy agreed by shareholders in 2019.

There were no changes in the Directors' interests between 30 June 2021 and the date of this report.

### Company share price

The market price of the Company's shares on 30 June 2021 was 4,960p and the lowest and highest share prices during the financial year were 3,344p and 5,435p respectively.

### Performance share awards granted in 2021 (audited)

The awards granted under the 2019 PSP were as follows:

Executive	Number of shares comprising award	Face/maximum value of awards at grant date (% salary) <sup>1</sup>	% of award vesting at threshold	Performance period
Stephen Wilson	30,877	£1,203,600 (200%)	20	01.07.20–30.06.23
Alison Henriksen	18,317	£714,000 (175%)	20	01.07.20–30.06.23

1 The closing average share price over the three days prior to the award being granted has been used to determine the maximum face value of the awards which was 3,898p (award granted on 14 September 2020).

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

Average annual growth in adjusted earnings per share <sup>1</sup>	Vesting (% award)
Less than 5% per annum	0%
5% per annum	20%
15% per annum	100%

### Straight-line vesting between performance points

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

### Deferred bonus awards granted in 2021 (audited)

The following DSBP awards were granted in relation to the 2020 annual bonus:

Executive	Number of shares comprising award	Face value of awards at grant date <sup>1</sup>
Stephen Wilson	8,079	£314,919
Alison Henriksen	2,536	£98,865

These awards are not subject to any further performance conditions and will normally vest in full on 14 September 2023 subject to continued service.

1 The closing average share price over the three days prior to the award being granted has been used to determine the maximum face value of the awards. This was 3,898p (award granted on 14 September 2020).

## REMUNERATION COMMITTEE REPORT CONTINUED

### Section D – Annual Report on Remuneration

#### 6. DETAILS OF THE DIRECTORS' SHAREHOLDINGS AND RIGHTS TO SHARES CONTINUED

##### **Summary of scheme interests (audited)**

As at 30 June 2021, the Executive Directors had the following beneficial interests in share awards and share options:

##### Stephen Wilson

Grant date	Award	Vesting period	Share price at grant	At 30 June 2020 Number	Granted in year Number	Lapsed in year Number	Exercised in year Number	At 30 June 2021 Number
13 September 2017	PSP	13 September 2017 to 13 September 2020	1,973p	33,443	–	(18,427)	(15,016)	–
13 September 2017	DSBP	13 September 2017 to 13 September 2020	1,973p	10,213	–	–	(10,213)	–
9 October 2018	PSP	9 October 2018 to 9 October 2021	2,317p	29,613	–	–	–	<b>29,613</b>
9 October 2018	DSBP	9 October 2018 to 9 October 2021	2,317p	7,559	–	–	–	<b>7,559</b>
11 September 2019	PSP	11 September 2019 to 11 September 2022	2,832p	41,666	–	–	–	<b>41,666</b>
11 September 2019	DSBP	11 September 2019 to 11 September 2022	2,832p	7,382	–	–	–	<b>7,382</b>
14 September 2020	PSP	14 September 2020 to 14 September 2023	3,898p	–	30,877	–	–	<b>30,877</b>
14 September 2020	DSBP	14 September 2020 to 14 September 2023	3,898p	–	8,079	–	–	<b>8,079</b>
<b>Total</b>				<b>129,876</b>	<b>38,956</b>	<b>(18,427)</b>	<b>(25,229)</b>	<b>125,176</b>

##### Alison Henriksen

Grant date	Award	Vesting period	Share price at grant	At 30 June 2020 Number	Granted in year Number	Lapsed in year Number	Exercised in year Number	At 30 June 2021 Number
7 April 2020	PSP	7 April 2019 to 11 September 2022	3,120p	22,435	–	–	–	<b>22,435</b>
14 September 2020	PSP	14 September 2020 to 14 September 2023	3,898p	–	18,317	–	–	<b>18,317</b>
14 September 2020	DSBP	14 September 2020 to 14 September 2023	3,898p	–	2,536	–	–	<b>2,536</b>
<b>Total</b>				<b>22,435</b>	<b>20,853</b>	<b>–</b>	<b>–</b>	<b>43,288</b>

For the share awards to Stephen Wilson and Alison Henriksen granted on 14 September 2020, the closing average share price over the three days prior to 14 September 2020 (the grant date for the PSP awards) of 3,898p was used to determine the number of shares comprising individual awards.

The performance targets applying to the PSP awards made during the year are as described above. An earnings per share range also applied to awards made in 2019 and 2018 to Stephen Wilson. No further performance conditions apply to DSBP awards other than continued employment with the business.

##### Dilution

The aggregate dilution of all relevant share incentives is 3.57% as at 30 June 2021, which is less than the permissible 10% in ten years dilution limit.

## 7. DETAILS OF THE EXECUTIVE DIRECTORS' CONTRACTS AND NON-EXECUTIVE DIRECTORS' LETTERS OF APPOINTMENT

Director	Appointment date	Current contract date	Expiry date	Notice period (months)
<b>Executives</b>				
Stephen Wilson	12 December 2012	13 September 2019	n/a	12 (from Company), 6 (from Executive)
Alison Henriksen	13 January 2020	14 November 2019	n/a	12 (from Company), 6 (from Executive)
<b>Non-Executives</b>				
Lykele van der Broek	1 July 2014	4 September 2020	1 July 2023	1
Lysanne Gray	1 April 2016	1 April 2019	1 April 2022	1
Lesley Knox	1 June 2018	1 June 2021	1 June 2024	1
Iain Ferguson	1 July 2020	1 July 2020	1 July 2023	6
Jason Chin	1 April 2021	1 April 2021	1 April 2024	1

## SECTION E – SUMMARY OF DIRECTORS' REMUNERATION POLICY

### KEY DESIGN/PHILOSOPHY OF OUR REMUNERATION POLICY APPROVED BY SHAREHOLDERS AT THE 2019 AGM

What we are trying to achieve	How we are looking to achieve it
<ul style="list-style-type: none"> <li>&gt; Continued transformation into a global agricultural biotechnology pioneer</li> <li>&gt; Pursuit of leading-edge technology and focus on long term innovation and opportunity to enable future value creation for shareholders</li> <li>&gt; Sustainable robust short-term delivery of financial performance as we invest in the future</li> <li>&gt; Ability to recognise innovation and progress, which are crucial to securing long-term bottom-line performance</li> <li>&gt; Ability to attract and motivate a high-quality leadership team and drive focus and behaviours on long term achievement in a global market for talent</li> <li>&gt; Recognise expectations of shareholders on reward and governance</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Draw upon the aspects of our current policy that are already working</li> <li>&gt; Include strategic measures within annual bonus assessment whilst increasing the focus on financial metrics</li> <li>&gt; Reduction to pension contribution levels permitted within the policy</li> <li>&gt; Introduction of a post-cessation shareholding requirement and enhanced malus and clawback provisions</li> </ul>

## REMUNERATION COMMITTEE REPORT CONTINUED

### Section E – Summary of Directors' Remuneration Policy

#### **BELOW IS A SUMMARY OF THE REMUNERATION POLICY APPROVED BY SHAREHOLDERS AT THE 2019 AGM**

**Executive Directors' policy table**

Base salary	Benefits	Pension
<b>PURPOSE</b>		
To provide competitive fixed remuneration that will attract and retain employees with the experience necessary to develop and execute our strategy.	To provide a competitive range of benefits to drive engagement and commitment to Genus.	To provide a competitive Company contribution that enables effective retirement planning.
<b>OPERATION</b>		
Payable in cash.  Reviewed annually by the Committee with any change effective from 1 September.  Factors considered when reviewing salary include:  <ul style="list-style-type: none"> <li>&gt; Salary increases awarded to other employees in the country where the individual is based.</li> <li>&gt; Comparable salaries when benchmarked against relevant market comparators (both in the UK and internationally).</li> <li>&gt; The experience of the individual and the nature of the contribution they are making and their responsibilities.</li> <li>&gt; Overall Group performance and wider economic conditions.</li> </ul>	Benefits generally include a car allowance and insured benefits (e.g. life assurance and private medical insurance).  Where additional benefits are offered in a particular location (or across the Group) Executive Directors are typically eligible to receive those benefits on similar terms. These could include access to employee discounts or salary sacrifice benefits.  Directors may participate in a Share Incentive Plan ('SIP') or any other all-employee share scheme on the same terms as other employees.  Where Executive Directors are recruited from overseas or required to relocate (including on an international assignment), benefits such as travel and relocation costs and tax equalisation arrangements may be provided.	Directors may participate in the Company Pension Plan (a defined contribution arrangement) or an alternative pension saving vehicle that the Company may provide.  Alternatively, the Company may provide a cash supplement in lieu of pension contributions into a scheme.  Only base salary is pensionable.
<b>MAXIMUM</b>		
There is no set maximum, but changes are typically in line with the wider workforce.  Individual changes may be made at the discretion of the Committee outside of these levels by exception. This could include the following situations:  <ul style="list-style-type: none"> <li>&gt; Significant change in responsibility.</li> <li>&gt; Change in the Group's size and complexity.</li> <li>&gt; To enable salary progression for newly appointed Directors as they develop in role.</li> </ul>	The car allowance is capped under the Policy at £20,000 per annum.  The value of insured benefits will vary each year, based on the cost of the premiums paid, and will be reflected within the respective single figure table for the year.	An allowance will be made available in line with the rate available to the wider workforce.  Maximum permitted under the Policy will be 10% of salary.

Annual Bonus	Performance Share Plan	Shareholding
To motivate and incentivise delivery of annual performance targets covering a combination of financial and strategic measures.	To incentivise Executives to achieve superior returns to shareholders over a three-year period, to retain key individuals and align with shareholder interests.	To align Executives and shareholders.
<p>One-third of the Annual Bonus is deferred into Company shares for a period of three years, subject to continued service. The remaining award is payable in cash.</p> <p>Malus and clawback provisions exist for awards made under the Annual Bonus.</p> <p>A dividend equivalent provision enables dividends to be paid (in cash or shares) on deferred shares that vest.</p> <p>See explanatory notes for further details on the operation including leaver provisions.</p>	<p>Awards scheduled to vest three years from grant, subject to continued employment and satisfaction of challenging three-year performance targets.</p> <p>Following vesting the post-tax number of vested shares must be held for at least a further two-year period.</p> <p>A dividend equivalent provision enables dividends to be paid (in cash or shares) on shares that vest.</p> <p>Malus and clawback provisions may apply for a period of three years.</p> <p>See explanatory notes for further details on the operation including leaver provisions.</p>	<p>Executives are required to achieve a shareholding of 200% of salary. It is expected that this is achieved within five years of appointment, and that this shareholding is generated through retention of at least half of the shares that vest under the DSBP and PSPs.</p> <p>Once met, individuals are expected to maintain at least this level of shareholding and it will be reviewed by the Committee annually.</p> <p>A post-cessation shareholding policy will apply for Executive Directors that requires 100% of shareholding for 24 months following cessation (or actual applicable shareholding in place at point of leaving if lower).</p> <p>This will apply considering shares awarded in respect of 2020 and beyond (including to any new appointments), and we will not amend existing conditions for current awards. Malus and clawback provisions exist beyond cessation of employment, and in certain leaver situations the expected share treatment would continue to drive ongoing alignment between the individual and share price performance.</p>
Maximum opportunity of 200%.	Maximum annual award of 200% of salary (300% of salary in exceptional circumstances, such as recruitment).	n/a

**REMUNERATION COMMITTEE REPORT CONTINUED**  
Section E – Summary of Directors' Remuneration Policy

Base Salary	Benefits	Pension
<b>PERFORMANCE CONDITIONS</b> n/a	n/a	n/a

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Annual Bonus	Performance Share Plan	Shareholding
<p>Bonus awards are subject to achievement against a sliding scale of challenging financial and strategic objectives, which the Committee sets each year to reflect priorities for the year ahead.</p> <p>The specific performance measures are reviewed every year to ensure they continue to support the Company's strategy.</p> <p>Financial measures govern the majority of the bonus and are typically linked to key performance indicators (e.g. profit and cash generation).</p> <p>Strategic measures reflect key areas of importance identified by the Committee in advance.</p> <p>For financial performance targets are based on a graduated scale. The level of payment at threshold is set annually but will not exceed 25% of maximum. Full awards are for substantial outperformance against targets set.</p> <p>The Committee has discretion to adjust the bonus outcome in light of overall underlying performance. Any adjustment will be disclosed within the following Annual Report on Remuneration.</p> <p>Once set, performance measures and targets are expected to remain unaltered. The exception would be if events were to occur which, in the opinion of the Committee, made it appropriate to make adjustments to ensure that the scheme operates as originally intended.</p>	<p>Awards vest based on three-year performance against a challenging range of targets, aligned with the delivery of the Company's long-term strategy.</p> <p>Financial targets (including adjusted earnings per share growth) will determine the vesting of a majority of awards granted in any year.</p> <p>The threshold level of vesting is 20% of the maximum. For performance between threshold and maximum, awards vest on a straight-line basis.</p> <p>The Committee has discretion to scale back (but not scale up) vesting, if the Group's performance over the period is not considered to reflect the progress made against strategic business targets.</p> <p>The Committee will review performance conditions annually, specifically the range of earnings per share targets and the metrics and weightings applied to each element of the PSP. Any revisions to the metrics and/or weightings will only take place if it is necessary because of developments in the Company's strategy and, where these are material, following dialogue with the Company's major shareholders.</p>	n/a

#### NON-EXECUTIVE DIRECTORS' REMUNERATION POLICY

	Fees
<b>PURPOSE</b>	To provide compensation that attracts high-calibre individuals and reflects their experience and knowledge.
<b>OPERATION</b>	<p>Payable in cash.</p> <p>The Committee determines the Chairman's fee.</p> <p>The Board periodically reviews Non-Executive Directors' fees.</p> <p>Additional fees are paid to Non-Executive Directors who Chair a Board Committee and to the Senior Independent Director ('SID').</p> <p>No Directors take part in meetings where their own remuneration is discussed.</p> <p>Fees are based on the time commitments involved in each role and set with reference to the fees paid in other similarly sized UK listed companies.</p>
<b>MAXIMUM</b>	<p>Any increase in Non-Executive Director fees may be above the level awarded to employees, given that they are only reviewed periodically and may need to reflect any changes to time commitments or responsibilities.</p> <p>The periodic review may result in an increase beyond the fees currently payable.</p> <p>Non-Executive Directors also receive reimbursement of reasonable expenses incurred in connection with Company business and the Company may settle any tax incurred in relation to these. The fees payable for 2021 are stated on page 86.</p>

Approved by the Board and signed on its behalf by:

**Lesley Knox**  
Chair of the Remuneration Committee  
8 September 2021

## DIRECTORS' REPORT



**DAN HARTLEY**  
GROUP GENERAL COUNSEL  
AND COMPANY SECRETARY

### INFORMATION INCORPORATED BY REFERENCE

The following information required to be included in a Directors' Report is provided elsewhere in the Annual Report and is incorporated into the Directors' Report by cross reference.

Content	Location
Directors	Pages 52 to 53
Dividends	Page 33
Financial results	Pages 30 to 33
Greenhouse gas emissions and energy consumption	Page 43
Research and development activities	Pages 26 to 29
Financial risk management	Pages 30 to 33
Future developments in the business	Pages 14 to 29
Directors' interests	Page 87
Engagement with employees, customers, suppliers and others	Pages 12 to 13
Post Balance Sheet events	Note 41

### EQUAL OPPORTUNITIES/EMPLOYEES WITH DISABILITIES

Genus values diversity and aims to make best use of everyone's skills and abilities. We are therefore committed to equal opportunities at every stage of our employees' careers. Our policy on employees with disabilities is to fully and fairly consider people with disabilities for all vacancies.

We interview and recruit people with disabilities and endeavour to retain employees if they become disabled while they work for us. Where possible, we will retrain employees who become disabled and adjust their working environment, so they can maximise their potential.

### POLITICAL CONTRIBUTIONS

The Group does not make political contributions.

### SHARE CAPITAL

Note 31 gives details of the Company's issued share capital and any movements in the issued share capital during the year.

The Directors may only issue shares to the extent authorised by the shareholders in general meeting. The current power to allot shares was granted by shareholder resolution at the 2020 AGM and a new authority is being sought at the 2021 AGM within the limits set out in the notice of meeting, that is up to a nominal value of £4,384,398.40 (representing two-thirds of the Company's current issued share capital).

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

Details of the Company's employee share schemes are set out in note 30. In connection with these schemes, the Genus plc Employee Benefit Trust holds shares in the Company from time to time and abstains from voting in respect of any such shares.

For additional information on capital risk management including financial instruments, see note 26.

### AUTHORITY TO ACQUIRE THE COMPANY'S OWN SHARES

The Directors may only buy back shares to the extent authorised by the shareholders in general meeting. The current power to buy back shares was granted by shareholder resolution at the 2020 AGM and a new authority is being sought at the 2021 AGM within the limits set out in the notice of meeting, that is up to a nominal value of £657,659.70 (representing 10% of the Company's current issued share capital).

The Company did not buy back any shares under the authority granted at the 2020 AGM, from the date of that AGM up to the date of this report.

### SUBSTANTIAL SHAREHOLDINGS

As at 1 September 2021, we were aware of the following material interests in the Company's ordinary shares:

Fund Manager	Shareholding	%
Baillie Gifford & Co	5,416,054	8.24%
Aberdeen Standard Investments	4,543,075	6.91%
BlackRock	3,403,525	5.18%
Vanguard Group	2,971,698	4.52%
Capital Group	2,436,847	3.71%
Columbia Threadneedle Investments	2,289,265	3.48%
Wellington Management	2,163,433	3.29%
Devon Equity Management	2,039,151	3.10%

There have been no material changes in shareholding since 30 June 2021. No other person has notified an interest in the Company's ordinary shares, which is required to be disclosed to us.

### PROVISION OF INFORMATION TO THE COMPANY'S AUDITOR

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

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

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

### APPOINTMENT OF AUDITOR

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

### DIRECTORS' INDEMNITIES

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

### CONFLICTS OF INTEREST

The Company has procedures for managing conflicts of interest. If a Director becomes aware that they or any of their connected parties have an interest in an existing or proposed transaction with Genus, they should notify the Chairman and the Company Secretary in writing or at the next Board meeting. Controls are in place to ensure that any related-party transactions involving Directors, or their connected parties, are conducted on an arm's length basis. Directors have an ongoing duty to update the Board on any changes to these conflicts.

### REQUIREMENTS OF THE LISTING RULES

Details of the Company's long-term incentive schemes can be found in the Directors' Remuneration Report on pages 70 to 93.

Approved by the Board and signed on its behalf by:

**Dan Hartley**  
Group General Counsel  
and Company Secretary  
8 September 2021

## DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. The Directors have chosen to prepare the Parent Company Financial Statements in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

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

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

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

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

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

### DIRECTORS' RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

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

Approved by the Board and signed on its behalf by:

**Stephen Wilson**

Chief Executive  
8 September 2021

**Alison Henriksen**

Chief Financial Officer  
8 September 2021

## INDEPENDENT AUDITOR'S REPORT

To the Members of Genus plc

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### 1. Opinion

##### In our opinion:

- > the financial statements of Genus plc (the 'Parent Company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 June 2021 and of the Group's profit for the year then ended;
- > the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards ('IFRSs') as adopted by the European Union and IFRSs as issued by the International Accounting Standards Board ('IASB');
- > the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 'Reduced Disclosure Framework'; and
- > the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- > the Group Income Statement;
- > the Group Statement of Comprehensive Income;
- > the Group and Parent Company Statements of Changes in Equity;
- > the Group and Parent Company Balance Sheets;
- > the Group Statement of Cash Flows; and
- > the related notes 1 to 42 and C1 to C20.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and IFRSs as adopted by the European Union and IFRSs as issued by the IASB. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

#### 2. Basis for opinion

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

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the Group and Parent Company for the year are disclosed in note 8 to the financial statements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company.

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

#### 3. Summary of our audit approach

<b>Key audit matters</b>	<p>The key audit matter that we identified in the current year was:</p> <ul style="list-style-type: none"> <li>&gt; Valuation of Biological Assets under IAS 41 'Agriculture'.</li> </ul> <p>Within this report, key audit matters are identified as follows:</p> <ul style="list-style-type: none"> <li> Newly identified</li> <li> Increased level of risk</li> <li> Similar level of risk</li> <li> Decreased level of risk</li> </ul>
<b>Materiality</b>	The materiality that we used for the Group financial statements was £3.3m which was determined on the basis of Profit before Tax ('PBT'), excluding the impact of exceptional items and the net IAS 41 valuation movement on biological assets.
<b>Scoping</b>	Our audit scope covered 13 components. Of these, eight were subject to a full scope audit, and five were subject to specified procedures. Our testing achieved coverage of 79% of Revenue, 83% of Net Assets and 88% of PBT, excluding the impact of exceptional items and the net IAS 41 valuation movement on biological assets.
<b>Significant changes in our approach</b>	In the current year we assessed the valuation of goodwill attributed to the ABS cash-generating unit ('ABS CGU') to no longer be a key audit matter, reflecting the continued improvement in the ABS CGU's financial performance.

## INDEPENDENT AUDITOR'S REPORT CONTINUED

To the Members of Genus plc

### 4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the Directors' assessment of the Group's and Parent Company's ability to continue to adopt the going concern basis of accounting included:

- > understanding the Group's process for assessing the going concern assumption including identification and testing of the design and implementation of relevant management review controls underpinning this assessment;
- > understanding the relevant assumptions used in the going concern models, including the Strategic Plan, and challenging them by comparison to our understanding of the business, external information and evidence gathered from other audit procedures, including:
  - reading analyst reports, industry data and other external information inspecting them for corroborative and contradictory evidence in relation to management's assumptions;
  - challenging forecasted profit by comparison to recent historical financial information; and
  - challenging the key underlying data used in forecast scenarios by assessing it for consistency with our understanding of the business;
- > reviewing the terms of the Group's existing financing arrangements consisting of a £150m multi-currency RCF, a US\$125m RCF and a US\$20m bond and guarantee facility, evaluating the associated disclosure provided by management, and reperforming the debt covenant computations over the going concern assessment period; and
- > evaluating the Group's disclosures on going concern against the requirements of IAS 1.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and Parent Company's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

In relation to the reporting on how the Group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

### 5. Key audit matters

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

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

#### Valuation of Biological Assets under IAS 41 'Agriculture'

<b>Key audit matter description</b>	The Group carries biological assets at fair value in line with the requirements of IAS 41 'Agriculture'. Discounted cash flow analyses are performed in determining the valuation. As at 30 June 2021, the Group held total biological assets (excluding those recognised in inventory) of £319.5m (2020: £349.9m). Certain of the assumptions included within management's valuation models are subject to estimation uncertainty, and accordingly, require the exercise of a significant degree of judgement. In planning our audit, we identified the following management assumptions as being the most significant in the determination of the valuation of each species: <ul style="list-style-type: none"> <li><b>Bovine:</b> the future growth rates of proven and genomic semen sales; the Biological Asset Value discount factor; and the discount rate applied.</li> <li><b>Porcine:</b> the percentage of pureline offspring retained, sold or slaughtered and the discount rates applied to the forecast cash flows.</li> </ul> Details of the key source of estimation uncertainty identified, the Group's accounting policy, and the biological assets held are disclosed in notes 4 and 16 to the financial statements. The Audit & Risk Committee has included their assessment of this key audit matter on page 67.
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**How the scope of our audit responded to the key audit matter**

- In responding to the identified key audit matter, we completed the following audit procedures:
- > obtained an understanding of controls relevant to the review and approval of the valuation of biological assets;
  - > assessed the appropriateness of the logic and mechanical accuracy of the valuation models prepared and the methodology applied by management for compliance with the requirements of IAS 41 'Agriculture';
  - > made enquiries of management to understand the rationale applied in the determination of key assumptions and any changes year on year;
  - > challenged the appropriateness of key assumptions applied within the underlying forecasts prepared by management, with consideration given to historical forecasting accuracy, availability of third-party benchmarking data (where appropriate);
  - > substantively tested the underlying transactional data underpinning third-party semen sales and inspected the related contracts (Bovine);
  - > substantively tested the reasonableness of management's forecasts with regard to the percentages of offspring to be retained, sold or slaughtered with reference to historic transaction data, and further, considered the appropriateness of the forward-looking assumption applied (Porcine);
  - > involved our internal valuation specialists in our consideration as to the appropriateness of the discount rate applied by management in determining the fair value of biological assets; and
  - > assessed the completeness and accuracy of disclosures made within the financial statements in accordance with IAS 41 'Agriculture', and IAS 1 'Presentation of Financial Statements'.

**Key observations**

We are satisfied that the valuation of biological assets and the related disclosures are appropriate.

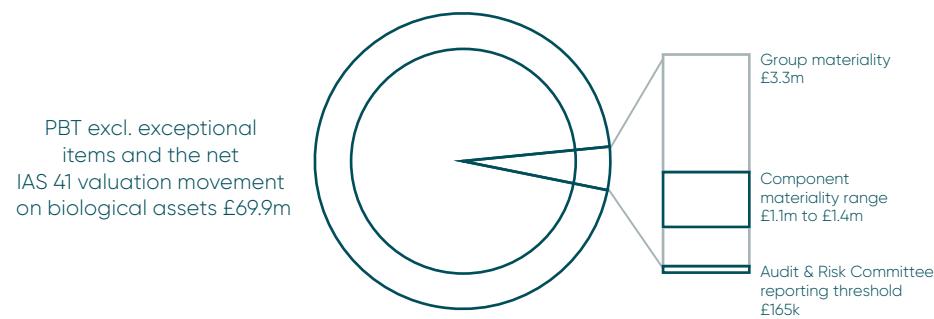
## 6. Our application of materiality

### 6.1. Materiality

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

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

	<b>Group financial statements</b>	<b>Parent Company financial statements</b>
<b>Materiality</b>	£3.3m (2020: £3.0m)	£2.6m (2020: £2.5m)
<b>Basis for determining materiality</b>	5% (2020: 5%) of Profit before Tax excluding the impact of exceptional items (as defined in note 7 and in the Group Income Statement) and the net IAS 41 valuation movement on biological assets.  The increase in materiality reflects the improved trading performance of the Group.	1% (2020: 1%) of net assets.  The increase in materiality is in line with the increase in Parent Company's net assets.
<b>Rationale for the benchmark applied</b>	We have selected this adjusted Profit before Tax measure to determine materiality so as to avoid distortion that could otherwise arise from non-recurring items, highly volatile items or IAS 41 fair value movements.	Net assets were selected as an appropriate benchmark for determining materiality, as the Parent Company acts primarily as a holding company.



**INDEPENDENT AUDITOR'S REPORT CONTINUED**

To the Members of Genus plc

**6.2. Performance materiality**

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	<b>Group financial statements</b>	<b>Parent Company financial statements</b>
<b>Performance materiality</b>	70% (2020: 70%) of Group materiality	70% (2020: 70%) of Parent Company materiality
<b>Basis and rationale for determining performance materiality</b>	In determining performance materiality, we considered the following factors: > our cumulative knowledge of the Group and its internal control environment; > the low turnover in key management personnel; > the high degree of centralisation in the Group's financial reporting controls and processes; and > the low number of corrected and uncorrected misstatements identified in prior periods.	

**6.3. Error reporting threshold**

We agreed with the Audit & Risk Committee that we would report to the Committee all audit differences in excess of £165k (2020: £150k), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit & Risk Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

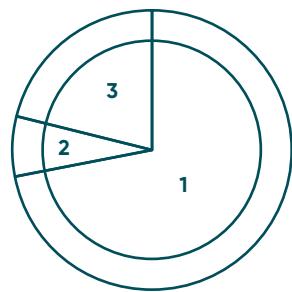
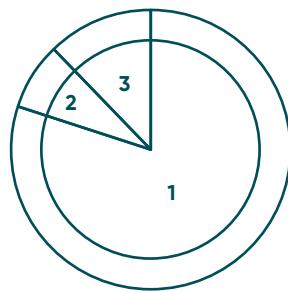
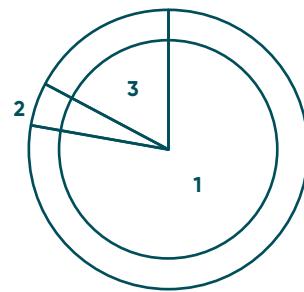
**7. An overview of the scope of our audit****7.1. Identification and scoping of components**

Our audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level.

Components were selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified. Based on that assessment, we identified 13 components of interest for the purposes of the Group audit (2020: 12). Of these components, eight were designated as subject to full scope audit procedures (2020: nine), with the remaining five subject to specified procedures (2020: three). Excluding the Parent Company, our component audits were performed using materiality between £1.1m and £1.4m (2020: £1.0m and £1.4m). These components represent the principal business units and account for 79% of the Group's Revenue (2020: 76%), 83% of the Group's Net Assets (2020: 81%) and 88% of the Group's PBT, excluding the impact of exceptional items and the net IAS 41 valuation movement on biological assets (2020: 83%).

In the current year we performed specified procedures audit in respect of PIC Russia (2020: out of scope), reflecting its growing contribution to the Group. PIC Chile was reduced from a full scope audit to specified procedures, reflecting an overall decline in the component's contribution to the Group.

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

**REVENUE****PROFIT BEFORE TAX<sup>1</sup>****NET ASSETS**

<sup>1</sup> Excluding the impact of exceptional items and the net IAS 41 valuation movement on biological assets.

**7.2. Working with other auditors**

The Group audit team engaged component audit teams to perform the audit procedures as set out in section 7.1. The Group audit team held regular communication with the component auditors in planning for, and throughout, the year-end audit process. Oversight of the component auditors included attending internal planning and status meetings, attending close meetings held with local management, and reviewing relevant audit documentation.

In light of the travel restrictions and widespread lockdowns resulting from the COVID-19 pandemic we were not able to complete our normal programme of planned visits. In response to these restrictions we enhanced our remote oversight through a number of measures, as appropriate to each component, including more frequent dialogue and use of video conferencing and screen-sharing facilities.

## 8. Other information

The other information comprises the information included in the Annual Report other than the financial statements and our auditor's report thereon namely the Strategic Report, Corporate Governance Sections and the Additional Information sections. The Directors are responsible for the other information contained within the Annual Report.

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

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

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

We have nothing to report in this regard.

## 9. Responsibilities of Directors

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

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

## 10. Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## 11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

### 11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- > the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for Directors' remuneration, bonus levels and performance targets;
- > results of our enquiries of management, internal audit, and the Audit & Risk Committee about their own identification and assessment of the risks of irregularities;
- > any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- > the matters discussed among the audit engagement team including significant component audit teams and involving relevant internal specialists, including tax, valuations, pensions, and IT specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud. In common with all audits under ISAs (UK), we are required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules, pensions legislation, and global tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty. These included the Group's compliance with health and safety regulations and environmental regulations.

## INDEPENDENT AUDITOR'S REPORT CONTINUED

To the Members of Genus plc

### 11.2. Audit response to risks identified

As a result of performing the above, we did not identify any key audit matters related to the potential risk of fraud or non-compliance with laws and regulations.

Our procedures to respond to risks identified included the following:

- > reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- > enquiring of management, the Audit & Risk Committee, and in-house and external legal counsel concerning actual and potential litigation and claims;
- > performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- > reading minutes of meetings of those charged with governance, and reviewing internal audit reports; and
- > in addressing the risk of fraud through management override of controls, our procedures included:
  - testing the appropriateness of journal entries and other adjustments which display potential fraudulent risk factors; in performing this work, we specifically applied a broader range of risk factors to manual adjustments to revenue in order to increase the number of selected transactions from revenue;
  - assessing whether the judgements made in making accounting estimates are indicative of a potential bias including, in particular, judgements over forecasting, pensions, revenue recognition, uncertain tax positions and discount rates applied by the business; and
  - evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

#### 12. Opinions on other matters prescribed by the Companies Act 2006

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

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

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

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

#### 13. Corporate Governance Statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- > the Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 49;
- > the Directors' explanation as to its assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on page 49;
- > the Directors' statement on fair, balanced and understandable set out on page 96;
- > the Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 46 to 48;
- > the section of the Annual Report that describes the review of effectiveness of risk management and internal control systems set out on pages 67 to 68; and
- > the section describing the work of the Audit & Risk Committee set out on page 65 to 69.

**14. Matters on which we are required to report by exception****14.1. Adequacy of explanations received and accounting records**

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

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

We have nothing to report in respect of these matters.

**14.2. Directors' remuneration**

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

We have nothing to report in respect of these matters.

**15. Other matters which we are required to address****15.1. Auditor tenure**

Following the recommendation of the Audit & Risk Committee, we were appointed by the Board of Directors on 8 June 2006 to audit the financial statements for the year ending 30 June 2006 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 16 years, covering the years ended 30 June 2006 to 30 June 2021.

**15.2. Consistency of the audit report with the additional report to the Audit & Risk Committee**

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

**16. Use of our report**

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

**Mark Tolley FCA (Senior statutory auditor)**

For and on behalf of Deloitte LLP

Statutory Auditor

Reading, United Kingdom

8 September 2021

**GROUP INCOME STATEMENT**

For the year ended 30 June 2021

	Note	2021 £m	(restated) <sup>1</sup> 2020 £m
<b>REVENUE</b>	5, 6	<b>574.3</b>	551.4
<b>Adjusted operating profit</b>	5	<b>76.9</b>	60.1
<b>Adjusting items:</b>			
– Net IAS 41 valuation movement on biological assets	16	(10.8)	15.8
– Amortisation of acquired intangible assets	15	(7.4)	(8.5)
– Share-based payment expense	30	(7.7)	(5.8)
		<b>(25.9)</b>	1.5
– Exceptional items:	7		
– Litigation		(2.5)	(16.4)
– Acquisition and integration		(0.3)	(2.1)
– Pension related		(2.3)	–
– Other		1.8	(0.7)
Total exceptional items		<b>(3.3)</b>	(19.2)
<b>Total adjusting items</b>		<b>(29.2)</b>	(17.7)
<b>OPERATING PROFIT</b>	8	<b>47.7</b>	42.4
Share of post-tax profit of joint ventures and associates retained	18	<b>13.1</b>	8.9
Finance costs	10	(5.4)	(5.3)
Finance income	10	0.4	0.3
<b>PROFIT BEFORE TAX</b>		<b>55.8</b>	46.3
Taxation	11	(9.0)	(10.6)
<b>PROFIT FOR THE YEAR</b>		<b>46.8</b>	35.7
<b>ATTRIBUTABLE TO:</b>			
Owners of the Company		<b>47.3</b>	35.3
Non-controlling interest		(0.5)	0.4
		<b>46.8</b>	35.7
<b>EARNINGS PER SHARE</b>			
Basic earnings per share	12	<b>72.6p</b>	54.4p
Diluted earnings per share	12	<b>72.0p</b>	54.0p
<b>Alternative Performance Measures</b>			
Adjusted operating profit		<b>76.9</b>	60.1
Adjusted operating profit attributable to non-controlling interest		(0.1)	(0.6)
Pre-tax share of profits from joint ventures and associates excluding net IAS 41 valuation movement		<b>13.0</b>	11.3
Gene editing costs		<b>7.6</b>	5.2
<b>Adjusted operating profit including joint ventures and associates, excluding gene editing costs</b>		<b>97.4</b>	76.0
Gene editing costs		(7.6)	(5.2)
<b>Adjusted operating profit including joint ventures and associates</b>		<b>89.8</b>	70.8
Net finance costs	10	(5.0)	(5.0)
<b>Adjusted profit before tax</b>		<b>84.8</b>	65.8
<b>Adjusted earnings per share</b>			
Basic adjusted earnings per share	12	<b>100.9p</b>	77.3p
Diluted adjusted earnings per share	12	<b>100.1p</b>	76.7p
Adjusted results are the Alternative Performance Measures ('APMs') used by the Board to monitor underlying performance at a Group and operating segment level, which are applied consistently throughout. These APMs should be considered in addition to statutory measures, and not as a substitute for or as superior to them. For more information on APMs, see APM Glossary.			

1 See note 2 for details of the prior period restatement.

**GROUP STATEMENT OF COMPREHENSIVE INCOME**

For the year ended 30 June 2021

	Note	2021 £m	2021 £m	(restated) <sup>1</sup> 2020 £m	(restated) <sup>1</sup> 2020 £m
<b>PROFIT FOR THE YEAR</b>			<b>46.8</b>		35.7
<b>Items that may be reclassified subsequently to profit or loss</b>					
Foreign exchange translation differences		<b>(45.2)</b>		(4.9)	
Fair value movement on net investment hedges	26	<b>0.4</b>		(0.1)	
Fair value movement on cash flow hedges	26	<b>0.2</b>		(0.4)	
Tax relating to components of other comprehensive expense	11	<b>7.6</b>		(1.4)	
			<b>(37.0)</b>		(6.8)
<b>Items that may not be reclassified subsequently to profit or loss</b>					
Actuarial gain/(loss) on retirement benefit obligations	29	<b>22.3</b>		(16.6)	
Movement on pension asset recognition restriction	29	<b>(0.1)</b>		10.4	
(Recognition)/release of additional pension liability	29	<b>(19.9)</b>		4.7	
Gain on equity instruments measured at fair value		<b>6.7</b>		–	
Tax relating to components of other comprehensive income/(expense)	11	<b>(2.0)</b>		0.8	
			<b>7.0</b>		(0.7)
<b>OTHER COMPREHENSIVE EXPENSE FOR THE YEAR</b>			<b>(30.0)</b>		(7.5)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>			<b>16.8</b>		28.2
<b>ATTRIBUTABLE TO:</b>					
Owners of the Company		<b>17.1</b>		27.9	
Non-controlling interest		<b>(0.3)</b>		0.3	
		<b>16.8</b>		28.2	

1 See note 2 for details of the prior period restatement.

**GROUP STATEMENT OF CHANGES IN EQUITY**

For the year ended 30 June 2021

	Note	Called up share capital £m	Share premium account £m	Own shares £m	Trans-lation reserve £m	Hedging reserve £m	Retained earnings £m	Total £m	Non-controlling interest £m	Total equity £m
<b>BALANCE AT 30 JUNE 2019 (as previously reported)</b>		6.5	179.0	(0.1)	35.8	0.2	267.0	488.4	(1.3)	487.1
Prior period restatement	2	–	–	–	–	–	(8.1)	(8.1)	–	(8.1)
<b>BALANCE AT 30 JUNE 2019 (restated)</b>		6.5	179.0	(0.1)	35.8	0.2	258.9	480.3	(1.3)	479.0
Foreign exchange translation differences, net of tax		–	–	–	(6.4)	–	–	(6.4)	(0.1)	(6.5)
Fair value movement on net investment hedges, net of tax		–	–	–	0.1	–	–	0.1	–	0.1
Fair value movement on cash flow hedges, net of tax		–	–	–	–	(0.4)	–	(0.4)	–	(0.4)
Actuarial gain on retirement benefit obligations, net of tax		–	–	–	–	–	(10.4)	(10.4)	–	(10.4)
Movement on pension asset recognition restriction, net of tax		–	–	–	–	–	6.8	6.8	–	6.8
Release of additional pension liability, net of tax		–	–	–	–	–	2.9	2.9	–	2.9
<b>Other comprehensive (expense)/income for the year</b>		–	–	–	(6.3)	(0.4)	(0.7)	(7.4)	(0.1)	(7.5)
Profit for the year		–	–	–	–	–	35.3	35.3	0.4	35.7
<b>Total comprehensive (expense)/income for the year</b>		–	–	–	(6.3)	(0.4)	34.6	27.9	0.3	28.2
Recognition of share-based payments, net of tax		–	–	–	–	–	5.5	5.5	–	5.5
Dividends	13	–	–	–	–	–	(18.3)	(18.3)	–	(18.3)
Issue of ordinary shares		–	0.1	–	–	–	–	0.1	–	0.1
<b>BALANCE AT 30 JUNE 2020 (restated)</b>		6.5	179.1	(0.1)	29.5	(0.2)	280.7	495.5	(1.0)	494.5
Foreign exchange translation differences, net of tax		–	–	–	(37.7)	–	–	(37.7)	0.2	(37.5)
Fair value movement on net investment hedges, net of tax		–	–	–	0.3	–	–	0.3	–	0.3
Fair value movement on cash flow hedges, net of tax		–	–	–	–	0.2	–	0.2	–	0.2
Gain on equity instruments measured at fair value, net of tax		–	–	–	–	–	5.0	5.0	–	5.0
Actuarial gains on retirement benefit obligations, net of tax		–	–	–	–	–	19.8	19.8	–	19.8
Movement on pension asset recognition restriction, net of tax		–	–	–	–	–	(0.1)	(0.1)	–	(0.1)
Recognition of additional pension liability, net of tax		–	–	–	–	–	(17.7)	(17.7)	–	(17.7)
<b>Other comprehensive (expense)/income for the year</b>		–	–	–	(37.4)	0.2	7.0	(30.2)	0.2	(30.0)
Profit/(loss) for the year		–	–	–	–	–	47.3	47.3	(0.5)	46.8
<b>Total comprehensive (expense)/income for the year</b>		–	–	–	(37.4)	0.2	54.3	17.1	(0.3)	16.8
Recognition of share-based payments, net of tax		–	–	–	–	–	4.9	4.9	–	4.9
Dividends	13	–	–	–	–	–	(19.5)	(19.5)	–	(19.5)
Adjustment arising from change in non-controlling interest and written put option		–	–	–	–	–	–	–	(0.2)	(0.2)
Issue of ordinary shares		0.1	–	–	–	–	–	0.1	–	0.1
<b>BALANCE AT 30 JUNE 2021</b>		6.6	179.1	(0.1)	(7.9)	–	320.4	498.1	(1.5)	496.6

**GROUP BALANCE SHEET**

As at 30 June 2021

	Note	2021 £m	(restated) <sup>1</sup> 2020 £m	(restated) <sup>1</sup> 2019 £m
<b>ASSETS</b>				
Goodwill	14	<b>101.5</b>	105.6	106.3
Other intangible assets	15	<b>56.3</b>	62.9	72.0
Biological assets	16	<b>279.9</b>	310.1	287.1
Property, plant and equipment	17	<b>123.0</b>	117.9	86.0
Interests in joint ventures and associates	18	<b>34.1</b>	22.7	23.6
Other investments	19	<b>14.7</b>	6.9	7.4
Derivative financial assets	26	—	—	0.4
Other receivables	21	<b>1.8</b>	1.8	—
Deferred tax assets	11	<b>8.0</b>	3.7	3.5
<b>TOTAL NON-CURRENT ASSETS</b>		<b>619.3</b>	631.6	586.3
Inventories	20	<b>37.0</b>	37.4	36.0
Biological assets	16	<b>39.6</b>	39.8	40.1
Trade and other receivables	21	<b>106.2</b>	100.8	98.0
Cash and cash equivalents	22	<b>46.0</b>	41.3	30.5
Income tax receivable		<b>2.6</b>	3.1	3.3
Derivative financial assets	26	<b>0.1</b>	1.2	1.1
Asset held for sale		<b>0.2</b>	0.2	0.2
<b>TOTAL CURRENT ASSETS</b>		<b>231.7</b>	223.8	209.2
<b>TOTAL ASSETS</b>		<b>851.0</b>	855.4	795.5
<b>LIABILITIES</b>				
Trade and other payables	23	<b>(110.3)</b>	(95.0)	(87.7)
Interest-bearing loans and borrowings	27	<b>(13.9)</b>	(9.2)	(2.1)
Provisions	25	<b>(1.3)</b>	(4.0)	(3.1)
Deferred consideration	38	<b>(1.6)</b>	(7.5)	(2.0)
Obligations under leases	28	<b>(9.0)</b>	(10.0)	(2.2)
Tax liabilities		<b>(6.4)</b>	(4.0)	(6.1)
Derivative financial liabilities	26	—	(0.5)	(1.0)
<b>TOTAL CURRENT LIABILITIES</b>		<b>(142.5)</b>	(130.2)	(104.2)
Trade and other payables	23	<b>(1.4)</b>	(3.3)	—
Interest-bearing loans and borrowings	27	<b>(109.4)</b>	(103.6)	(101.9)
Retirement benefit obligations	29	<b>(11.1)</b>	(18.1)	(24.2)
Provisions	25	<b>(11.1)</b>	(11.8)	(5.7)
Deferred consideration	38	<b>(0.5)</b>	(1.2)	(4.2)
Deferred tax liabilities	11	<b>(53.0)</b>	(65.5)	(66.7)
Derivative financial liabilities	26	<b>(6.1)</b>	(6.1)	(5.7)
Obligations under leases	28	<b>(19.3)</b>	(21.1)	(3.9)
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>(211.9)</b>	(230.7)	(212.3)
<b>TOTAL LIABILITIES</b>		<b>(354.4)</b>	(360.9)	(316.5)
<b>NET ASSETS</b>		<b>496.6</b>	494.5	479.0
<b>EQUITY</b>				
Called up share capital	31	<b>6.6</b>	6.5	6.5
Share premium account		<b>179.1</b>	179.1	179.0
Own shares	31	<b>(0.1)</b>	(0.1)	(0.1)
Translation reserve	31	<b>(7.9)</b>	29.5	35.8
Hedging reserve	31	—	(0.2)	0.2
Retained earnings		<b>320.4</b>	280.7	258.9
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>		<b>498.1</b>	495.5	480.3
Non-controlling interest	39	<b>3.6</b>	4.6	4.2
Put option over non-controlling interest	39	<b>(5.1)</b>	(5.6)	(5.5)
<b>TOTAL NON-CONTROLLING INTEREST</b>		<b>(1.5)</b>	(1.0)	(1.3)
<b>TOTAL EQUITY</b>		<b>496.6</b>	494.5	479.0

1 See note 2 for details of the prior period restatement.

The Financial Statements were approved and authorised for issue by the Board of Directors on 8 September 2021.

Signed on behalf of the Board of Directors

**Stephen Wilson**  
Chief Executive**Alison Henriksen**  
Chief Financial Officer

**GROUP STATEMENT OF CASH FLOWS**

For the year ended 30 June 2021

	Note	2021 £m	(restated) <sup>1</sup> 2020 £m
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	32	<b>67.5</b>	60.1
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Dividends received from joint ventures and associates	18	<b>4.1</b>	2.5
Joint venture and associate loan (payment)/repayment	18	<b>(0.4)</b>	1.2
Disposal of joint venture	18	—	3.8
Acquisition of joint venture and associate	18	<b>(2.4)</b>	(2.2)
Acquisition of trade and assets	42	<b>(6.9)</b>	—
Acquisition of investments		<b>(0.9)</b>	—
Payment of deferred consideration	38	<b>(6.7)</b>	(1.7)
Purchase of property, plant and equipment		<b>(28.7)</b>	(24.6)
Purchase of intangible assets		<b>(5.1)</b>	(5.1)
Proceeds from sale of property, plant and equipment		<b>0.3</b>	1.1
<b>NET CASH OUTFLOW FROM INVESTING ACTIVITIES</b>		<b>(46.7)</b>	(25.0)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Drawdown of borrowings		<b>195.1</b>	80.0
Repayment of borrowings		<b>(176.1)</b>	(73.8)
Payment of lease liabilities		<b>(11.7)</b>	(11.1)
Equity dividends paid		<b>(19.5)</b>	(18.3)
Dividend to non-controlling interest		<b>(0.2)</b>	—
Debt issue costs		<b>(1.9)</b>	—
Issue of ordinary shares		<b>0.1</b>	0.1
<b>NET CASH OUTFLOW FROM FINANCING ACTIVITIES</b>		<b>(14.2)</b>	(23.1)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>6.6</b>	12.0
Cash and cash equivalents at start of the year		<b>41.3</b>	30.5
Net increase in cash and cash equivalents		<b>6.6</b>	12.0
Effect of exchange rate fluctuations on cash and cash equivalents		<b>(1.9)</b>	(1.2)
<b>TOTAL CASH AND CASH EQUIVALENTS AT 30 JUNE</b>	22	<b>46.0</b>	41.3

1 See note 2 for details of the prior period restatement.

## NOTES TO THE GROUP FINANCIAL STATEMENTS

For the year ended 30 June 2021

### 1. REPORTING ENTITY

Genus plc (the 'Company') is a public company limited by shares and incorporated in England, United Kingdom under the Companies Act 2006. Its company number is 02972325 and its registered office is Matrix House, Basing View, Basingstoke, Hampshire RG21 4DZ. The Group Financial Statements for the year ended 30 June 2021 comprise the Company and its subsidiaries (together referred to as the 'Group'). We have used the equity method to account for the Group's interests in joint ventures and associates. Our business model on pages 10 to 11 explains the Group's operations and principal activities.

### 2. BASIS OF PREPARATION

We have prepared the Group Financial Statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards ('IFRSs') adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. The Group Financial Statements have also been prepared in accordance with IFRSs as issued by the IASB.

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

The going concern statement has been included in the Strategic Report on page 49 and forms part of these statements.

#### Functional and presentational currency

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

#### Use of estimates

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

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

#### Alternative Performance Measures ('APMs')

In reporting financial information, the Group presents APMs, which are not defined or specified under the requirements of IFRS and which are not considered to be a substitute for, or superior to, IFRS measures.

The Group believes that these APMs provide stakeholders with additional helpful information on the performance of the business. The APMs are consistent with how we plan our business performance and report on it in our internal management reporting to the Board and GELT. Some of these measures are also used for the purpose of setting remuneration targets.

For a full list of all APMs please see the Alternative Performance Measures section of the Annual Report on pages 180 to 187.

#### Change in accounting policy – Software as a service ('SaaS') arrangements

The Company has changed its accounting policy related to the capitalisation of certain software costs; this change follows the IFRIC Interpretation Committee's agenda decision published in April 2021 and relates to the capitalisation of costs of configuring or customising application software under 'Software as a Service' ('SaaS') arrangements.

The Group's accounting policy has historically been to capitalise costs directly attributable to the configuration and customisation of SaaS arrangements as intangible assets in the Balance Sheet, irrespective of whether the services were performed by the SaaS supplier or third party. Following the adoption of the above IFRIC agenda guidance, current SaaS arrangements were identified and assessed to determine if the Group has control of the software. For those arrangements where we do not have control of the developed software, to the extent that the services were performed by third parties, the Group derecognised the intangible asset previously capitalised. Amounts paid to the supplier in advance of the commencement of the service period, including for configuration or customisation, are treated as a prepayment.

This change in accounting policy led to adjustments amounting to a £13.3m and £8.1m reduction in the intangible assets recognised in the 30 June 2020 and 30 June 2019 Balance Sheets respectively, and to a £5.2m and £5.9m increase in operating expenses within administrative expenses, in those respective years.

Accordingly, the prior period Balance Sheets at 30 June 2020 and 30 June 2019 have been restated in accordance with IAS 8, and, in accordance with IAS 1 (revised), a Balance Sheet at 30 June 2019 is also presented, together with related notes. The tables on the following page show the impact of the change in accounting policy on previously reported financial results.

**NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED**

For the year ended 30 June 2021

**2. BASIS OF PREPARATION CONTINUED****Impact on the Group Balance Sheet**

	(As previously reported) 2020 £m	Impact of restatement £m	(restated) 2020 £m
Intangible assets	76.2	(13.3)	62.9
Other net assets/(liabilities)	431.6	–	431.6
<b>Net assets</b>	<b>507.8</b>	<b>(13.3)</b>	<b>494.5</b>
Retained earnings	294.0	(13.3)	280.7
Other equity balances	213.8	–	213.8
<b>Net equity</b>	<b>507.8</b>	<b>(13.3)</b>	<b>494.5</b>

In segment assets and non-current assets (excluding deferred taxation and financial instruments), the central asset value within the UK is reduced by £13.3m. Additions to central non-current assets reduced by £5.7m and the central amortisation charge reduced by £0.5m.

**Impact on Group's Income Statement and Statement of Comprehensive Income**

	(As previously reported) 2020 £m	Impact of restatement £m	(restated) 2020 £m
Adjusted segment operating profit	80.9	–	80.9
Central	(15.6)	(5.2)	(20.8)
Adjusted operating profit	65.3	(5.2)	60.1
<b>Operating profit</b>	<b>47.6</b>	<b>(5.2)</b>	<b>42.4</b>
<b>Profit before tax</b>	<b>51.5</b>	<b>(5.2)</b>	<b>46.3</b>
Profit for the year	40.9	(5.2)	35.7
Attributable to owners of the Company	40.5	(5.2)	35.3
Non-controlling interest	0.4	–	0.4
<b>Total comprehensive income for the year</b>	<b>33.4</b>	<b>(5.2)</b>	<b>28.2</b>

**Impact on basic and diluted earnings per share and adjusted earnings per share**

	(As previously reported) 2020 Pence	Impact of restatement Pence	(restated) 2020 Pence
Basic EPS	62.4	(8.0)	54.4
Diluted EPS	61.9	(7.9)	54.0
Basic adjusted EPS	85.4	(8.1)	77.3
Diluted adjusted EPS	84.7	(8.0)	76.7

**Impact on statutory tax rate and effective tax rate on adjusted profit**

	(As previously reported) 2020 £m	Impact of restatement £m	(restated) 2020 £m
Profit before tax excluding share of income tax of equity accounted investees	53.8	(5.2)	48.6
Total income tax expense	(12.9)	–	(12.9)
Profit after tax	40.9	(5.2)	35.7
Statutory tax rate (%)	24.0	2.6	26.6
Adjusted profit before tax	71.0	(5.2)	65.8
Adjusted tax charge	(15.6)	–	(15.6)
Adjusted profit after tax	55.4	(5.2)	50.2
Effective tax rate on adjusted profit (%)	22.0	1.7	23.7

## 2. BASIS OF PREPARATION CONTINUED

### Impact on Group's Statement of Cash Flows

	(As previously reported) 2020 £m	Impact of restatement £m	(restated) 2020 £m
Net cash from operating activities	65.8	(5.7)	60.1
Net cash outflow from investing activities	(30.7)	5.7	(25.0)
Net cash outflow from financing activities	(23.1)	–	(23.1)
Net increase in cash and cash equivalents	12.0	–	12.0

No impact on the overall increase in cash and cash equivalent for the year.

## 3. SIGNIFICANT ACCOUNTING POLICIES APPLIED IN THE CURRENT REPORTING PERIOD THAT RELATE TO THE FINANCIAL STATEMENTS AS A WHOLE

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

### Accounting convention

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

### Basis of consolidation

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

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

### Foreign currencies

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

When non-monetary assets and liabilities are measured at historical cost in a foreign currency, we translate them at the exchange rate at the transaction date. When non-monetary assets and liabilities are stated at fair value in a foreign currency, we translate them at the prevailing exchange rate on the date we determined the fair value. We recognise the foreign exchange differences arising on retranslation in the Group Statement of Comprehensive Income.

The assets and liabilities of foreign operations, including goodwill arising on consolidation, are translated into Sterling at the prevailing exchange rates at the balance sheet date. The resulting exchange differences are booked into foreign currency translation reserves and reported in the Group Statement of Comprehensive Income. We translate these operations' revenues and expenses using an average rate for the period.

When exchange differences arise from the fair value movement of related effective hedges, we take them to the foreign currency translation reserve. When we dispose of a foreign operation, we release these differences to the Income Statement. Exchange movements on inter-Company loans considered to be permanent equity are recognised in the Group Statement of Comprehensive Income, together with any related taxation.

The principal exchange rates were as follows:

	Average			Closing		
	2021	2020	2019	2021	2020	2019
US Dollar/£	<b>1.36</b>	1.26	1.29	<b>1.38</b>	1.24	1.27
Euro/£	<b>1.13</b>	1.14	1.13	<b>1.17</b>	1.10	1.12
Brazilian Real/£	<b>7.33</b>	5.74	4.99	<b>6.87</b>	6.77	4.89
Mexican Peso/£	<b>28.15</b>	26.08	25.04	<b>27.57</b>	28.52	24.40
Chinese Yuan/£	<b>8.94</b>	8.89	8.83	<b>8.93</b>	8.75	8.72
Russian Rouble/£	<b>102.04</b>	85.17	84.93	<b>101.10</b>	88.19	80.30

## NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

For the year ended 30 June 2021

### **3. SIGNIFICANT ACCOUNTING POLICIES APPLIED IN THE CURRENT REPORTING PERIOD THAT RELATE TO THE FINANCIAL STATEMENTS AS A WHOLE CONTINUED**

#### **Research and development**

We undertake research with the aim of gaining new scientific or technical knowledge, and recognise this expenditure in the Income Statement as it is incurred.

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

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

We disclose the costs of research and development activities, as required by IAS 38 (see note 8).

#### **Other income and deferred income**

During the year ended 30 June 2019, the Company entered into a strategic collaboration with Beijing Capital Agribusiness ('BCA') under which BCA will establish and fund a collaboration specific entity ('BCA Future Bio-Tech') which will use Genus's intellectual property and know-how to pursue the PRRSv resistance regulatory and development work in China. Genus will receive consideration after meeting certain milestones in the development programme.

Each milestone is considered to be either a separate performance obligation, or a set of groups of separate performance obligations, under this agreement and are unbundled in the contractual arrangement as if they are distinct from one another.

We assess each separate performance obligation relating to the milestone payments, and upon completion of those performance obligations recognise the fair value of amounts earned in other income. Some performance obligations, such as the transfer of know-how, are recognised at a point in time whereas others, such as the provision of technical services, are recognised over time. We recognise any received but unearned consideration as deferred income.

We will apply the same accounting policy to any other comparable agreements.

#### **Reversals of impairment**

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

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

#### **New standards and interpretations**

In the current period, the Group has applied a number of amendments to IFRS issued by the International Accounting Standards Board that are mandatorily effective for an accounting period that begins after 1 January 2020 and have been implemented with effect from 1 July 2020. These are:

- > Amendments to References to the Conceptual Framework in IFRS;
- > Amendments to IAS 1 and IAS 8 – 'Definition of Material';
- > Amendments to IFRS 9, IAS 39 and IFRS 7 – 'Interest Rate Benchmark Reform';
- > Amendments to IFRS 3 – 'Definition of a Business'; and
- > Amendment to IFRS 16 – 'COVID-19-Related Rent Concessions'.

Their addition has not had any material impact on the disclosures, or amounts reported in the Group Financial Statements.

In April 2021, the IFRIC Interpretation Committee published guidance in relation to the capitalisation of costs of configuring or customising application software under 'Software as a Service' ('SaaS') arrangements. See note 2 for the full impact of the new interpretation.

#### **New standards and interpretations not yet adopted**

At the date of the Annual Report, the following standards and interpretations which have not been applied in the report were in issue but not yet effective (and in some cases had not yet been adopted by the UK). The Group will continue to assess the impact of these amendments prior to their adoption. These are:

- > Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – 'Interest Rate Benchmark Reform – Phase 2';
- > Amendment to IFRS 16 – 'COVID-19-Related Rent Concessions beyond 30 June 2021';
- > Amendments to IAS 1 – 'Classification of Liabilities as Current or Non-Current';
- > Amendments to IAS 16 – 'Property, Plant and Equipment – Proceeds before Intended Use';
- > Annual Improvements 2018–2020 Cycle;
- > Amendments to IAS 37 – 'Onerous Contracts – Cost of Fulfilling a Contract';
- > Amendments to IAS 1 and IFRS Practice Statement 2 – 'Disclosure of Accounting Policies';
- > Amendments to IAS 12 – 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction'; and
- > Amendments to IAS 8 – 'Definition of Accounting Estimates'.

#### 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of Consolidated Financial Statements requires the Group to make estimates and judgements that affect the application of policies and reported amounts.

Critical judgements represent key decisions made by management in the application of the Group's accounting policies, where a significant risk of materially different outcomes exists due to management assumptions or sources of estimation uncertainty. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next 12 months are discussed below.

##### **Critical accounting judgements**

###### Adjusting items

The Directors believe that the adjusted profit and earnings per share measures provide additional information to shareholders on the performance of the business. These measures are consistent with how business performance is measured internally by the Board and GELT.

The profit before tax and adjusting items measures are not recognised profit measures under IFRS and may not be directly comparable with adjusted profit measures used by other companies. The classification of adjusting items requires significant judgement, after considering the nature and intentions of a transaction. The Group's definitions of adjusting items are outlined within the Group accounting policies and have been applied consistently year-on-year.

##### **Key sources of estimation uncertainty**

###### Determination of the fair value of biological assets (note 16)

Determining the fair values of our bovine and porcine biological assets requires the application of a number of estimates and assumptions.

Below is a list of these estimates and assumptions, showing whether we consider them to be observable or unobservable inputs to the fair value determination. In addition, we identify those inputs that are 'readily obtainable' transactional data or 'open market prices'. Sensitivities of the estimates and assumptions given below are disclosed in note 16.

	Estimates and assumptions	Observable/Unobservable	Source
<b>Bovine</b>	Long-term dairy volume growth rate	Unobservable	n/a
	Short-term dairy volume growth rate	Unobservable	n/a
	Value at point of production <sup>1</sup>	Unobservable	n/a
	Unit prices	Observable	Readily obtainable
	Animals' useful lifespan	Observable	Readily obtainable
	Percentage of new dairy bulls to be produced internally each year <sup>1</sup>	Unobservable	n/a
	Age profile of bulls <sup>1</sup>	Unobservable	n/a
<b>Porcine (non pure line herds)</b>	Risk-adjusted discount rate <sup>1</sup>	Unobservable	n/a
	Animals' useful lifespan	Observable	Readily obtainable
	The proportion of animals that go to slaughter	Observable	Readily obtainable
	The mix of boars and gilts	Observable	Readily obtainable
<b>Porcine (pure line herds)</b>	Risk-adjusted discount rate	Unobservable	n/a
	Number of future generations attributable to the current herds	Observable	Readily obtainable
	Fair value prices achieved on sales	Observable	Open market prices
	Animals' expected useful lifespan and productivity	Observable	Readily obtainable
	The proportion of animals that go to breeding sales <sup>1</sup>	Observable	Readily obtainable
	Risk-adjusted discount rate <sup>1</sup>	Unobservable	n/a

<sup>1</sup> Key sources of estimation uncertainty.

**NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED**

For the year ended 30 June 2021

**5. SEGMENTAL INFORMATION**

IFRS 8 'Operating Segments' requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Executive and the Board, to allocate resources to the segments and to assess their performance. The Group's operating and reporting structure comprises three operating segments: Genus PIC, Genus ABS and Genus Research and Development. These segments are the basis on which the Group reports its segmental information. The principal activities of each segment are as follows:

- > Genus PIC – our global porcine sales business;
- > Genus ABS – our global bovine sales business; and
- > Genus Research and Development – our global spend on research and development.

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

<b>Revenue</b>	<b>2021 £m</b>	<b>2020 £m</b>
Genus PIC	<b>315.6</b>	298.8
Genus ABS	<b>250.1</b>	237.6
Genus Research and Development		
Porcine product development	<b>7.3</b>	11.7
Bovine product development	<b>1.3</b>	3.3
Gene editing	–	–
Other research and development	–	–
	<b>8.6</b>	15.0
	<b>574.3</b>	551.4

Adjusted operating profit by segment is set out below and reconciled to the Group's adjusted operating profit. A reconciliation of adjusted operating profit to profit for the year is shown on the face of the Group Income Statement.

<b>Adjusted operating profit</b>	<b>2021 £m</b>	<b>(restated)<sup>1</sup> 2020 £m</b>
Genus PIC	<b>122.9</b>	113.3
Genus ABS	<b>36.4</b>	32.5
Genus Research and Development		
Porcine product development	<b>(21.9)</b>	(28.9)
Bovine product development	<b>(19.6)</b>	(20.6)
Gene editing	<b>(7.6)</b>	(5.2)
Other research and development	<b>(13.3)</b>	(10.2)
	<b>(62.4)</b>	(64.9)
<b>Adjusted segment operating profit</b>	<b>96.9</b>	80.9
Central	<b>(20.0)</b>	(20.8)
<b>Adjusted operating profit</b>	<b>76.9</b>	60.1

1 See note 2 for details of the prior period restatement.

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

Exceptional items of £3.3m expense (2020: £19.2m expense) relate to Genus ABS (£2.5m expense), Genus PIC (£0.3m expense) and our central segment (£0.5m expense). Note 7 provides details of these exceptional items.

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

**5. SEGMENTAL INFORMATION CONTINUED****Other segment information**

	Depreciation		Amortisation		Additions to non-current assets (excluding deferred taxation and financial instruments)	
	2021 £m	2020 £m	2021 £m	2020 £m	2021 £m	2020 £m
			(restated) <sup>1</sup>		(restated) <sup>1</sup>	
Genus PIC	<b>3.0</b>	4.5	<b>6.5</b>	7.6	<b>10.0</b>	2.7
Genus ABS	<b>13.3</b>	11.4	<b>2.8</b>	3.2	<b>26.8</b>	24.7
Genus Research and Development						
Research	<b>0.7</b>	0.5	—	0.9	<b>1.7</b>	1.5
Porcine product development	<b>1.9</b>	2.4	—	—	<b>7.1</b>	1.4
Bovine product development	<b>1.8</b>	1.5	<b>0.2</b>	0.2	<b>2.7</b>	4.2
	<b>4.4</b>	4.4	<b>0.2</b>	1.1	<b>11.5</b>	7.1
<b>Segment total</b>	<b>20.7</b>	20.3	<b>9.5</b>	11.9	<b>48.3</b>	34.5
Central	<b>3.3</b>	3.7	<b>1.6</b>	1.0	<b>3.9</b>	4.3
<b>Total</b>	<b>24.0</b>	24.0	<b>11.1</b>	12.9	<b>52.2</b>	38.8
<hr/>						
	Segment assets			Segment liabilities		
	2021 £m	(restated) <sup>1</sup> 2020 £m	(restated) <sup>1</sup> 2019 £m	2021 £m	2020 £m	2019 £m
Genus PIC	<b>261.5</b>	247.6	262.1	<b>(57.4)</b>	(72.6)	(51.6)
Genus ABS	<b>203.1</b>	201.3	157.1	<b>(56.0)</b>	(52.9)	(41.9)
Genus Research and Development						
Research	<b>17.8</b>	7.2	74	<b>(6.1)</b>	(3.5)	(0.6)
Porcine product development	<b>213.6</b>	226.3	180.0	<b>(55.0)</b>	(56.3)	(50.8)
Bovine product development	<b>125.0</b>	146.5	161.5	<b>(25.5)</b>	(33.6)	(32.8)
	<b>356.4</b>	380.0	348.9	<b>(86.6)</b>	(93.4)	(84.2)
<b>Segment total</b>	<b>821.0</b>	828.9	768.1	<b>(200.0)</b>	(218.9)	(177.7)
Central	<b>30.0</b>	26.5	27.4	<b>(154.4)</b>	(142.0)	(138.8)
<b>Total</b>	<b>851.0</b>	855.4	795.5	<b>(354.4)</b>	(360.9)	(316.5)

1 See note 2 for details of the prior period restatement.

**Geographical information**

The Group's revenue by geographical segment is analysed below. This analysis is stated on the basis of where the customer is located.

**Revenue**

	2021 £m	2020 £m
North America	<b>214.7</b>	226.4
Latin America	<b>83.8</b>	81.8
UK	<b>92.2</b>	94.4
Rest of Europe, Middle East, Russia and Africa	<b>82.1</b>	78.0
Asia	<b>101.5</b>	70.8
	<b>574.3</b>	551.4

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

The Group's non-current assets by geographical segment are analysed below and are stated on the basis of where the assets are located.

	2021 £m	(restated) <sup>1</sup> 2020 £m	(restated) <sup>1</sup> 2019 £m
North America	<b>419.5</b>	454.4	400.2
Latin America	<b>46.1</b>	37.3	45.7
UK	<b>73.3</b>	65.5	62.5
Rest of Europe, Middle East, Russia and Africa	<b>44.6</b>	41.5	59.3
Asia	<b>27.8</b>	29.2	14.7
	<b>611.3</b>	627.9	582.4

1 See note 2 for details of the prior period restatement.

## NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

For the year ended 30 June 2021

### 6. REVENUE

#### Accounting policy

The Group recognises revenue from the following sources:

- > sale of bovine and porcine semen, porcine breeding animals, embryos and ancillary products;
- > royalties;
- > consulting;
- > technical services and advice revenues;
- > installation and maintenance of IntelliGen technology;
- > licensing of IntelliGen technology;
- > slaughter animal sales; and
- > bovine partnership contracts.

Revenue is measured based on the consideration the Group expects to be entitled to under a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer.

#### The sale of bovine and porcine semen, porcine breeding animals, embryos and ancillary products

Revenue from the sale of bovine and porcine semen, porcine breeding animals, embryos and ancillary products is recognised when the control of the goods has transferred to the customer or distributor. This is either when we ship to customers or on delivery, depending on the terms of sale. Payment of the transaction price is due immediately, or within a short period of time, from the point the customer or distributor controls the goods.

#### Royalties

Royalties are recognised when the performance obligation is met. We receive royalty payments from certain porcine customers based on key performance variables, such as the number of pigs born per litter, the number of litters born per sow and the average slaughter weight of the animals born. This amount is confirmed directly to Genus by the customer. Payment of the transaction price is due immediately from the customer, or within a short period of time, once the performance obligation is satisfied.

#### Consulting

Revenue from consulting represents the amounts we charged for services we provided during the year, including recoverable expenses. We recognise consulting services provided but not yet billed as revenue, based on a fair value assessment of the work we have delivered and our contractual right to receive payment. Where unbilled revenue is contingent on a future event, we do not recognise any revenue until the event occurs.

#### Technical services and advice revenues

Revenue from technical services and advice revenues represents the amounts we charged for services we provided during the year, including recoverable expenses. We recognise technical services and advice revenues provided but not yet billed as revenue, based on a fair value assessment of the work we have delivered and our contractual right to receive payment. Where unbilled revenue is contingent on a future event, we do not recognise any revenue until the event occurs. Technical services and advice revenues are presented in ancillary services in the following table.

#### Installation and maintenance of IntelliGen technology

Revenue from the installation of IntelliGen technology is recognised by reference to the stage of completion of the installation and is based on milestones being met. Maintenance is provided as a distinct service to customers and is recognised over the period of the service agreement. These revenues are presented in ancillary services in the following table.

#### Licensing of IntelliGen technology

Revenue from the licensing of IntelliGen technology is recognised at a point in time when the licence is granted. In determining the transaction price, any minimum royalties due under the contracts are included in the value apportioned to the grant of the licence, excluding any royalties that arise on units produced in excess of the guaranteed minimums. These additional royalties have been determined to be a usage-based royalty and are recognised as revenue at the point in time that the units are produced. These revenues are presented in ancillary services in the following table.

#### Slaughter of animals

Revenue from the slaughter of animals is recognised when control of the goods has transferred to the slaughterhouse, which is generally on the delivery of animals to the slaughterhouse. Payment of the transaction price is due immediately, or within a short period of time, from the point the slaughterhouse controls the goods.

## 6. REVENUE CONTINUED

### Bovine partnership contracts

Partnership contracts include the provision of multiple bovine products and services for a single price. The contract price is allocated to the individual performance obligations based on their standalone selling prices. The expected revenue is recognised for the products and services once the individual performance obligation has been satisfied. Revenues from partnership contracts are presented in sale of animals, semen, embryos and ancillary products and services.

	2021 £m	2020 £m
Genus PIC	<b>172.6</b>	162.6
Genus ABS	<b>242.2</b>	230.5
Genus Research and Development	<b>8.6</b>	15.0
<b>Sale of animals, semen, embryos and ancillary products and services</b>	<b>423.4</b>	408.1
Genus PIC	<b>143.0</b>	136.0
Genus ABS	<b>0.6</b>	0.2
Genus Research and Development	<b>—</b>	—
<b>Royalties</b>	<b>143.6</b>	136.2
Genus PIC	<b>—</b>	—
Genus ABS	<b>7.3</b>	7.1
Genus Research and Development	<b>—</b>	—
<b>Consulting services</b>	<b>7.3</b>	7.1
<b>Total revenue</b>	<b>574.3</b>	551.4

### Revenue from contracts with customers

The Group's revenue is analysed below by the timing at which it is recognised.

	2021 £m	2020 £m
Genus PIC	<b>312.8</b>	295.5
Genus ABS	<b>229.1</b>	217.7
Genus Research and Development	<b>8.6</b>	14.9
<b>Recognised at a point in time</b>	<b>550.5</b>	528.1
Genus PIC	<b>2.8</b>	3.3
Genus ABS	<b>21.0</b>	19.9
Genus Research and Development	<b>—</b>	0.1
<b>Recognised over time</b>	<b>23.8</b>	23.3
<b>Total revenue</b>	<b>574.3</b>	551.4

An analysis of contract assets and contract liabilities is provided in note 24.

## 7. EXCEPTIONAL ITEMS

### Accounting policy

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

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

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

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

For the tax and cash impact of exceptional items see notes 11 and 32, respectively.

	2021 £m	2020 £m
<b>Operating (expense)/credit</b>		
Litigation and damages	<b>(2.5)</b>	(16.4)
Acquisition and integration	<b>(0.3)</b>	(2.1)
Pension related	<b>(2.3)</b>	—
Other	<b>1.8</b>	(0.7)
	<b>(3.3)</b>	(19.2)

## NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

For the year ended 30 June 2021

### 7. EXCEPTIONAL ITEMS CONTINUED

#### Litigation and damages

Litigation includes legal fees of £2.5m (2020: £5.6m) related to the actions between ABS Global, Inc. and certain affiliates ('ABS') and Inguran, LLC and certain affiliates (aka Sexing Technologies ('ST')) and £nil (2020: £10.8m) for damages and costs related to patent infringement.

#### Material litigation activities during the year ended 30 June 2021

In July 2014, ABS launched a legal action against ST in the US District Court for the Western District of Wisconsin and initiated anti-trust proceedings which ultimately enabled the launch of ABS's IntelliGen sexing technology in the US market ('ABS I'). In June 2017, ST filed proceedings against ABS in the same District Court, where ST alleged that ABS infringed seven patents and asserted trade secret and breach of contract claims ('ABS II'). The ABS I and ABS II proceedings in the periods before the year ended 30 June 2021 are more fully described in the Notes to the Financial Statements in previous Annual Reports.

On 29 January 2020, ST filed a new US complaint against ABS ('ABS III'). ABS has prepared and filed a response to the ABS III complaint, including a motion to dismiss, on the basis that all these issues were fully resolved in either the ABS I or ABS II litigations. The parties await the court's decision.

On 10 March 2020, the USPTO issued patent 10,583,439 (the "439 patent"), and subsequently ST asked the court for permission to file a supplemental complaint in ABS III asserting infringement of the '439 patent. ABS believes that ST's claim for infringement falls short and has filed an opposition to ST's request. On 15 April 2020, ST filed a new complaint ('ABS IV'), asserting the same claim of infringement of the '439 patent alleged in its supplemental complaint and then moved to consolidate the ABS IV and ABS III litigation. ABS has opposed this action and has filed a motion for summary dismissal. On 23 June 2020, the USPTO issued patent 10,689,210 (the '210 patent'), and on 6 July 2020, ST sought a second supplement of ABS III by adding a claim of '210 patent infringement. ABS has opposed this action. The parties await the court's decision.

On 26 October 2020 and 10 December 2020, ABS filed Inter Partes Reviews ('IPR') against the '439 and '210 patents with the USPTO. On 4 May 2021, the Patent Trial and Appeal Board ('PTAB') instituted the '439 patent IPR, finding a likelihood of success on all challenged claims. A hearing and decision in the '439 patent IPR will be completed in the next 12 months. On 7 June 2021, PTAB declined to institute the '210 patent IPR without examining the merits of the case. PTAB's decision was based on its exercise of its discretion, concluding that the prior art referenced in the IPR was cited during the initial examination, therefore ABS could not demonstrate the examiner made a material error, notwithstanding that the relevant prior art was not addressed by the examiner. ABS has filed a rehearing application.

ABS has also sought judgments as a matter of law ('JMOL') in relation to the invalidity of all three of the patents considered in ABS II, JMOLs in relation to the non-infringement of two of those patents, and a reduction in damages awarded by the jury. The parties await the court's decision.

**Indian Litigation:** In September 2019, ST also filed parallel patent infringement proceedings against ABS in India, alleging infringement of the Indian patent 240790 ("790 patent"). The '790 patent is the equivalent of the US patent 7,311,476 asserted in ABS II. ABS had already sought the revocation of the '790 patent in April 2017 before the Indian Patent Office and has now consolidated the revocation petition as a counterclaim in the Indian court proceedings. Progress of these proceedings has been delayed due to the impact of the pandemic.

#### Acquisitions and integration

During the year, £0.3m (2020: £2.1m) of expenses were incurred in relation to acquisitions completed during the year.

#### Pension related

On 20 November 2020, the High Court ruled that individual transfer payments made since 17 May 1990 would need to be equalised for the effects of Guaranteed Minimum Pension ('GMP'). This judgment followed on from the previous judgment on 26 October 2018, where the High Court ruled that schemes had a legal obligation to pay benefits allowing for GMP equalisation, resulting in an additional liability being recognised. The previous judgment had not considered historic transfer values. Genus's pension schemes are also affected by this ruling, resulting in an aggregate past service charge of £2.3m in the period, being £0.9m for the Dalgety Pension Fund ('DPF') and £1.4m for the Milk Pension Fund ('MPF').

#### Other

Included within Other is a £2.0m credit resulting from a share forfeiture exercise, in accordance with the Articles of Association. As a three-year liability period ended during the year, the related provision was no longer needed and was therefore released. Included in the prior year was £0.8m of expenses which relate to the costs of entering into our strategic porcine collaboration in China.

## 8. OPERATING PROFIT

Operating costs comprise:

	2021 £m	(restated) <sup>1</sup> 2020 £m
Cost of sales excluding net IAS 41 valuation movement on biological assets and amortisation of multiplier contract intangible assets	<b>(237.0)</b>	(236.3)
Net IAS 41 valuation movement on biological assets	<b>(10.8)</b>	15.8
Amortisation of multiplier contract intangible assets	<b>(0.2)</b>	(0.3)
<b>Cost of goods sold</b>	<b>(248.0)</b>	(220.8)
Cost of sales (excluding amortisation of acquired intangibles)	<b>(105.1)</b>	(103.5)
Amortisation of customer relationship intangible assets	<b>(4.4)</b>	(5.3)
<b>Cost of sales</b>	<b>(109.5)</b>	(108.8)
Research and Development expenditure	<b>(62.9)</b>	(65.3)
Amortisation and impairment of technology, software and licences and patents	<b>(5.2)</b>	(6.1)
<b>Research and Development costs</b>	<b>(68.1)</b>	(71.4)
Administrative expenses (excluding exceptional items)	<b>(88.7)</b>	(81.8)
Share-based payment expense	<b>(7.7)</b>	(5.8)
Amortisation of software, licences and patents	<b>(1.3)</b>	(1.2)
Exceptional items within administrative expenses	<b>(3.3)</b>	(19.2)
<b>Total administrative expenses</b>	<b>(101.0)</b>	(108.0)
<b>Total operating costs</b>	<b>(526.6)</b>	(509.0)

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

	2021 £m	(restated) <sup>1</sup> 2020 £m
Net foreign exchange losses	<b>0.5</b>	0.9
Depreciation of owned fixed assets	<b>13.0</b>	13.1
Depreciation of right-of-use assets	<b>11.0</b>	10.9
Loss on disposal of fixed assets and right-of-use assets	<b>0.4</b>	3.7
Loss on disposal of intangible fixed assets	<b>0.5</b>	1.2
Rental expense for short-term leases	<b>0.1</b>	1.2
Employee costs (see note 9) – restated <sup>1</sup>	<b>193.3</b>	178.4
Impairment of inventory	<b>1.3</b>	1.2
Cost of inventories recognised as an expense	<b>98.7</b>	87.3

1 See note 2 for details of the prior period restatement.

## Auditor's remuneration is as follows:

	2021 £m	2020 £m
Fees payable to the Company's auditor and its associates for the audit of the Company's Annual Report and Financial Statements	<b>0.4</b>	0.4
Fees payable to the Company's auditor and its associates for the audit of the Company's subsidiaries	<b>0.6</b>	0.5
<b>Total audit fees</b>	<b>1.0</b>	0.9
Tax compliance services	–	0.1
Transaction support services	–	0.2
<b>Total non-audit fees</b>	<b>–</b>	0.3
<b>Total fees to the Group's auditor</b>	<b>1.0</b>	1.2
<b>Fees payable to other auditors of Group companies</b>	<b>–</b>	–

Non-audit tax services principally comprise tax compliance support services and transaction support. These services fall within the non-audit services policy approved by the Company's Audit & Risk Committee at the time of engagement.

**NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED**

For the year ended 30 June 2021

**9. EMPLOYEE COSTS**

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

Employee costs, including Directors' remuneration, amounted to:

	2021 £m	2020 £m
Wages and salaries (including bonuses and sales commission)	<b>166.3</b>	154.3
Social security costs	<b>16.0</b>	15.1
Contributions to defined contribution pension plans	<b>4.9</b>	4.6
Share-based payment expense (excluding National Insurance)	<b>6.5</b>	4.8
	<b>193.7</b>	178.8

The employee costs above include £0.4m (2020: £0.4m) which has been capitalised into intangible assets as part of the development of GenusOne (see note 15).

The average monthly number of employees and full-time equivalent employees, including Directors, was as follows:

	Number of employees		Full-time equivalent	
	2021 Number	(restated) <sup>1</sup> 2020 Number	2021 Number	(restated) <sup>1</sup> 2020 Number
Genus PIC	<b>590</b>	549	<b>567</b>	530
Genus ABS	<b>2,210</b>	2,139	<b>2,102</b>	2,053
Research and Development	<b>401</b>	355	<b>370</b>	334
Central	<b>64</b>	60	<b>57</b>	52
	<b>3,265</b>	3,103	<b>3,096</b>	2,969
Included in the totals above:				
UK	<b>863</b>	843	<b>776</b>	759

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

<sup>1</sup> In the prior year, certain IT employees were previously allocated to central, but have now been allocated to the business units in line with their related costs, to conform with the current year presentation. There is no change to the overall employee numbers reported.

**10. NET FINANCE COSTS**

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

**Accounting policy**

We recognise interest income and interest expense in the Income Statement, as they accrue, based on the effective interest rate method.

Interest income includes income on cash and cash equivalents and income on other financial assets. Finance costs include interest costs in relation to financial liabilities. This includes interest on lease liabilities, which represents the unwinding of the discount rate applied to lease liabilities.

	2021 £m	2020 £m
Interest payable on bank loans and overdrafts	<b>(2.8)</b>	(2.9)
Amortisation of debt issue costs	<b>(0.9)</b>	(0.4)
Other interest payable	—	(0.1)
Unwinding of discount put options	<b>(0.6)</b>	(0.5)
Net interest cost in respect of pension scheme liabilities	<b>(0.3)</b>	(0.4)
Interest on lease liabilities	<b>(0.8)</b>	(1.0)
<b>Total interest expense</b>	<b>(5.4)</b>	(5.3)
Interest income on bank deposits	<b>0.4</b>	0.3
<b>Total interest income</b>	<b>0.4</b>	0.3
<b>Net finance costs</b>	<b>(5.0)</b>	(5.0)

## 11. TAXATION AND DEFERRED TAXATION

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

### Accounting policies

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

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

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

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

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

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

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

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

### Income tax expense

	2021 £m	2020 £m
<b>Current tax expense</b>		
Current period	<b>18.3</b>	13.8
Adjustment for prior periods	<b>1.3</b>	(1.1)
<b>Total current tax expense in the Group Income Statement</b>	<b>19.6</b>	12.7
<b>Deferred tax expense</b>		
Origination and reversal of temporary differences	<b>(10.3)</b>	(2.6)
Adjustment for prior periods	<b>(0.3)</b>	0.5
<b>Total deferred tax credit in the Group Income Statement</b>	<b>(10.6)</b>	(2.1)
<b>Total income tax expense excluding share of income tax of equity accounted investees</b>	<b>9.0</b>	10.6
Share of income tax of equity accounted investees (see note 18)	<b>3.0</b>	2.3
<b>Total income tax expense in the Group Income Statement</b>	<b>12.0</b>	12.9

### Reconciliation of effective tax rate

	2021 %	2021 £m	(restated) <sup>1</sup> 2020 %	(restated) <sup>1</sup> 2020 £m
<b>Profit before tax</b>		<b>55.8</b>		46.3
Add back share of income tax of equity accounted investees		<b>3.0</b>		2.3
<b>Profit before tax excluding share of income tax of equity accounted investees</b>		<b>58.8</b>		48.6
Income tax at UK corporation tax of 19.0% (2020: 19.0%)	<b>19.0</b>	<b>11.2</b>	19.0	9.2
Effect of tax rates in foreign jurisdictions	<b>10.5</b>	<b>6.2</b>	6.8	3.3
Non-deductible expenses	<b>2.0</b>	<b>1.2</b>	3.5	1.7
Tax exempt income and incentives	<b>(8.7)</b>	<b>(5.2)</b>	(5.0)	(2.4)
Change in tax rate	<b>(4.4)</b>	<b>(2.6)</b>	(3.1)	(1.5)
Movements in recognition of tax losses	<b>(1.2)</b>	<b>(0.7)</b>	3.1	1.5
Change in unrecognised temporary differences	<b>2.2</b>	<b>1.3</b>	(0.4)	(0.2)
Tax over provided in prior periods	<b>0.5</b>	<b>0.3</b>	(0.6)	(0.3)
Change in provisions	<b>1.2</b>	<b>0.7</b>	1.6	0.8
Tax on undistributed reserves		<b>(0.7)</b>	<b>(0.4)</b>	1.6
<b>Total income tax expense in the Group Income Statement</b>	<b>20.4</b>	<b>12.0</b>	26.5	12.9

1 See note 2 for details of the prior period restatement.

## NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

For the year ended 30 June 2021

### 11. TAXATION AND DEFERRED TAXATION CONTINUED

The tax rate for the year depends on our mix of profits by country and our ability to recognise deferred tax assets in respect of losses in some of our smaller territories. Tax is calculated using prevailing tax legislation, reliefs and existing interpretations and practice.

The Group's future tax charge and effective tax rate could be affected by factors such as countries reforming their tax legislation to implement the OECD's BEPS recommendations and by European Commission initiatives including state aid investigations.

In October 2017, the European Commission announced that it would be conducting a state aid investigation into the Group Financing Partial Exemption ('Finco exemption') contained within the UK's controlled foreign company ('CFC') legislation. Genus, in common with many other UK companies, has taken advantage of this financing structure to support intra-Group lending to the Group's subsidiaries in the US. The Commission concluded in April 2019 that the exemption contravened EU law and constituted partial state aid, to the extent that the specific people functions ('SPFs') most relevant to managing the financing activities were based in the UK. The UK Government, as well as a number of affected UK taxpayers including Genus, have appealed the EU Commission's conclusions and court hearings for these appeals/annulment requests are currently pending, with a decision expected in the summer of 2022.

Under the EU Commission ruling, the UK Government is required to identify any previous beneficiaries of the CFC Finco reliefs, quantify the associated state aid and recover any identified amounts from UK taxpayers. In March 2021, HMRC issued Genus with a charging notice for £1.2m in respect of its assessment of the amount of unlawful state aid due to be recovered. Genus has paid the assessed amount but has lodged an appeal against this assessment with HMRC, on the basis that the amount charged is not state aid (i.e. the original EU Commission decision is unsound in law) and also on the basis that HMRC's actual assessment is erroneously based on the view that there are no non-UK SPFs in relation to the relevant CFC structure.

Genus has provided £0.4m (2020: £1.0m) in respect of its exposure to the reclaim of previously enjoyed tax benefits under this state aid challenge but will continue to pursue the various avenues of appeal open to it against both the original EU Commission's decision and against HMRC's interpretation of that decision, as calculated in the charging notice received.

The tax credit attributable to exceptional items is a credit of £1.1m (2020: credit of £4.5m).

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

	2021 £m	2020 £m
Financial instruments	–	0.1
Foreign exchange differences on long-term intra-Group currency loans and balances	(0.1)	–
Gain on equity instruments measured at fair value	(1.7)	–
Actuarial movement on retirement benefit obligations	(0.3)	0.8
Foreign exchange differences on translation of biological assets, intangible assets and leases	7.7	(1.5)
	<b>5.6</b>	(0.6)

#### Income tax recognised directly to the Statement of Changes in Equity

Share-based payment expense	1.5	1.1
	<b>1.5</b>	1.1

#### Unrecognised deferred tax assets and liabilities

At the balance sheet date, the Group had unused tax losses which were available for offset against future profits, with a potential tax benefit of £15.2m (2020: £13.6m). We have recognised a deferred tax asset in respect of £7.3m (2020: £3.9m) of these benefits, as we expect these losses to be offset against future profits of the relevant jurisdictions in the near term. We have not recognised a deferred tax asset in respect of the remaining £7.9m (2020: £9.7m), due to uncertainty about the availability of future taxable profits in the relevant jurisdictions.

At 30 June 2021, the expiry dates of deferred tax assets in respect of losses available for the carry forward were as follows:

	Expiring within			Total £m
	1-10 years £m	11-20 years £m	Unlimited £m	
Losses for which a deferred tax asset is recognised	0.2	0.1	7.0	<b>7.3</b>
Losses for which no deferred tax asset is recognised	0.2	–	7.7	<b>7.9</b>
	<b>0.4</b>	<b>0.1</b>	<b>14.7</b>	<b>15.2</b>

In addition, at the balance sheet date, the Group had an unrecognised deferred tax asset in respect of fixed asset timing differences of £3.4m (2020 restated: £2.6m). This unrecognised fixed asset position has arisen as a result of the change in accounting policy for 'Software as a Service' ('SaaS') arrangements as detailed in note 2. These unrecognised fixed asset timing differences have an unlimited expiry date.

## 11. TAXATION AND DEFERRED TAXATION CONTINUED

At 30 June 2020, the expiry dates of deferred tax assets in respect of losses available for the carry forward were as follows:

	Expiring within			Total £m
	1-10 years £m	11-20 years £m	Unlimited £m	
Losses for which a deferred tax asset is recognised	0.2	0.1	3.6	3.9
Losses for which no deferred tax asset is recognised	0.2	–	9.5	9.7
	0.4	0.1	13.1	13.6

The gross value of losses for which deferred tax assets are recognised is £27.4m (2020: £17.9m). The gross value of losses for which deferred tax assets are not recognised is £25.6m (2020: £33.3m).

We have not recognised deferred tax liabilities totalling £2.9m (2020: £2.1m) for the withholding tax and other taxes that would be payable on the unremitted earnings of certain overseas subsidiaries. This is because we can control the timing and reversal of these differences and it is probable that the differences will not reverse in the foreseeable future.

### Recognised deferred tax assets and liabilities

We have offset deferred tax assets and liabilities, to the extent that they arise in the same tax jurisdiction.

The analysis of deferred tax balances is set out below:

	2021 £m	2020 £m
Deferred tax assets	(8.0)	(3.7)
Deferred tax liabilities	53.0	65.5
	45.0	61.8

The Finance Bill 2021, which was substantively enacted on 24 May 2021, introduced a new rate of UK corporation tax of 25% for large companies, with effect from 1 April 2023. UK deferred tax assets of £1.6m relating to short-term timing differences and pension liabilities that are expected to unwind in the period to 31 March 2023 have continued to be recognised at 19% and the remaining UK deferred tax assets of £11.9m relating to fixed assets, share-based payments and losses forward that will likely unwind post 31 March 2023 have been recognised at the new forward tax rate of 25%.

### Movement in net deferred tax liabilities during the year

	As at 1 July 2020 £m	Recognised in Income Statement £m	Changes in tax rate recognised in Income Statement £m	Prior year adjustments recognised in Income Statement £m	Recognised in equity £m	Transfers £m	Foreign exchange difference £m	As at 30 June 2021 £m
								As at 30 June 2021 £m
Property, plant and equipment	5.2	(1.0)	(0.3)	0.1	0.1	–	(0.5)	3.6
Intangible assets	8.8	(0.9)	1.1	0.2	(0.3)	(0.4)	(0.3)	8.2
Biological assets	74.4	(3.5)	0.8	–	(7.9)	–	(0.1)	63.7
Retirement benefit obligations	(3.5)	1.0	(0.1)	–	0.3	–	0.2	(2.1)
Share-based payment expense	(3.7)	0.4	(0.9)	–	(0.5)	–	–	(4.7)
Short-term timing differences	(15.5)	(2.3)	(1.6)	(0.2)	2.1	–	1.1	(16.4)
Tax loss carry-forwards	(3.9)	(1.4)	(1.6)	(0.4)	–	–	–	(7.3)
	61.8	(7.7)	(2.6)	(0.3)	(6.2)	(0.4)	0.4	45.0

	As at 1 July 2019 £m	Recognised in Income Statement £m	Changes in tax rate recognised in Income Statement £m	Prior year adjustments recognised in Income Statement £m	Recognised in equity £m	Transfers £m	Foreign exchange difference £m	As at 30 June 2020 £m
								As at 30 June 2020 £m
Property, plant and equipment	4.5	(0.5)	(0.8)	1.9	–	–	0.1	5.2
Intangible assets	10.7	(1.6)	(0.1)	(0.2)	0.1	–	(0.1)	8.8
Biological assets	66.6	4.2	(0.3)	2.6	1.3	–	–	74.4
Retirement benefit obligations	(4.4)	1.4	0.2	–	(0.7)	–	–	(3.5)
Share-based payment expense	(2.7)	0.2	(0.4)	(0.1)	(0.7)	–	–	(3.7)
Short-term timing differences	(8.7)	(5.1)	0.2	(2.4)	–	0.6	(0.1)	(15.5)
Tax loss carry-forwards	(2.8)	0.3	(0.3)	(1.3)	–	0.2	–	(3.9)
	63.2	(1.1)	(1.5)	0.5	–	0.8	(0.1)	61.8

**NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED**

For the year ended 30 June 2021

**12. EARNINGS PER SHARE**

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

**Basic earnings per share from continuing operations**

	2021 (pence)	(restated) <sup>1</sup> 2020 (pence)
<b>Basic earnings per share</b>	<b>72.6</b>	54.4

The calculation of basic earnings per share from continuing operations is based on the net profit attributable to owners of the Company from continuing operations of £47.3m (2020 restated: £35.3m) and a weighted average number of ordinary shares outstanding of 65,108,000 (2020: 64,908,000), which is calculated as follows:

**Weighted average number of ordinary shares (basic)**

	2021 000s	2020 000s
Issued ordinary shares at the start of the year	65,092	65,055
Effect of own shares held	(180)	(168)
Shares issued on exercise of stock options	9	21
Shares issued in relation to Employee Benefit Trust	187	–
<b>Weighted average number of ordinary shares in year</b>	<b>65,108</b>	64,908

**Diluted earnings per share from continuing operations**

	2021 (pence)	(restated) <sup>1</sup> 2020 (pence)
<b>Diluted earnings per share</b>	<b>72.0</b>	54.0

The calculation of diluted earnings per share from continuing operations is based on the net profit attributable to owners of the Company from continuing operations of £47.3m (2020 restated: £35.3m) and a weighted average number of ordinary shares outstanding, after adjusting for the effects of all potential dilutive ordinary shares, of 65,662,000 (2020: 65,427,000), which is calculated as follows:

**Weighted average number of ordinary shares (diluted)**

	2021 000s	2020 000s
Weighted average number of ordinary shares (basic)	65,108	64,908
Dilutive effect of share awards and options	554	519
<b>Weighted average number of ordinary shares for the purposes of diluted earnings per share</b>	<b>65,662</b>	65,427

**Adjusted earnings per share from continuing operations**

	2021 (pence)	(restated) <sup>1</sup> 2020 (pence)
<b>Adjusted earnings per share</b>	<b>100.9</b>	77.3
<b>Diluted adjusted earnings per share</b>	<b>100.1</b>	76.7

Adjusted earnings per share is calculated on profit before the net IAS 41 valuation movement on biological assets, amortisation of acquired intangible assets, share-based payment expense and exceptional items, after charging taxation associated with those profits, of £65.7m (2020 restated: £50.2m), which is calculated as follows:

	2021 £m	(restated) <sup>1</sup> 2020 £m
<b>Profit before tax from continuing operations</b>	<b>55.8</b>	46.3
Add/(deduct):		
Net IAS 41 valuation movement on biological assets	10.8	(15.8)
Amortisation of acquired intangible assets	7.4	8.5
Share-based payment expense	7.7	5.8
Exceptional items (see note 7)	3.3	19.2
Net IAS 41 valuation movement on biological assets in joint ventures	(3.1)	0.1
Tax on joint ventures and associates	3.0	2.3
Attributable to non-controlling interest	(0.1)	(0.6)
<b>Adjusted profit before tax</b>	<b>84.8</b>	65.8
Adjusted tax charge	(19.1)	(15.6)
<b>Adjusted profit after tax</b>	<b>65.7</b>	50.2
<b>Effective tax rate on adjusted profit</b>	<b>22.5%</b>	23.7%

<sup>1</sup> See note 2 for details on prior period restatement.

**12. EARNINGS PER SHARE CONTINUED****Reconciliation of effective tax rate**

	2021 Profit £m	2021 Tax £m	2021 %
<b>Profit before tax excluding share of income tax of equity accounted investees</b>	<b>58.8</b>	<b>12.0</b>	<b>20.4</b>
Net IAS 41 valuation movement on biological assets	10.8	2.9	26.9
Amortisation of acquired intangible assets	7.4	1.5	20.3
Share-based payment expense	7.7	1.6	20.8
Exceptional items (see note 7)	3.3	1.1	33.3
Net IAS 41 valuation movement on biological assets in joint ventures	(3.1)	–	–
Attributable to non-controlling interest	(0.1)	–	–
<b>Adjusted profit before tax</b>	<b>84.8</b>	<b>19.1</b>	<b>22.5</b>
	(restated) <sup>1</sup>		
	2020 Profit £m	2020 Tax £m	(restated) <sup>1</sup> 2020 %
<b>Profit before tax excluding share of income tax of equity accounted investees</b>	<b>48.6</b>	<b>12.9</b>	<b>26.6</b>
Net IAS 41 valuation movement on biological assets	(15.8)	(4.7)	29.7
Amortisation of acquired intangible assets	8.5	1.8	21.2
Share-based payment expense	5.8	1.1	19.0
Exceptional items (see note 7)	19.2	4.5	23.4
Net IAS 41 valuation movement on biological assets in joint ventures	0.1	–	–
Attributable to non-controlling interest	(0.6)	–	–
<b>Adjusted profit before tax</b>	<b>65.8</b>	<b>15.6</b>	<b>23.7</b>

1 See note 2 for details on prior period restatement.

**13. DIVIDENDS**

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

**Amounts recognised as distributions to equity holders in the year**

	2021 £m	2020 £m
<b>Final dividend</b>		
Final dividend for the year ended 30 June 2020 of 19.7 pence per share	<b>12.8</b>	–
Final dividend for the year ended 30 June 2019 of 18.8 pence per share	–	12.2
<b>Interim dividend</b>		
Interim dividend for the year ended 30 June 2021 of 10.3 pence per share	<b>6.7</b>	–
Interim dividend for the year ended 30 June 2020 of 9.4 pence per share	–	6.1
	<b>19.5</b>	18.3

The Directors have proposed a final dividend of 21.7 pence per share for 2021. This is subject to shareholders' approval at the AGM and we have therefore not included it as a liability in these Financial Statements. The total proposed and paid dividend for year ended 30 June 2021 is 32.0 pence per share (2020: 29.1 pence per share).

**14. GOODWILL****Accounting policies**

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

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

IAS 21 'The Effects of Changes in Foreign Exchange Rates' requires us to treat the following as assets and liabilities of the acquired entity, rather than of the acquiring entity:

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

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

## NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

For the year ended 30 June 2021

### 14. GOODWILL CONTINUED

#### Impairment

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

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

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

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

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

	Genus PIC £m	Genus ABS £m	Total £m
<b>Cost</b>			
Balance at 1 July 2019	73.0	33.3	106.3
Effect of movements in exchange rates	1.1	(1.8)	(0.7)
<b>Balance at 30 June 2020</b>			
Business combination (see note 42)	<b>3.5</b>	–	<b>3.5</b>
Effect of movements in exchange rates	(5.1)	(2.5)	(7.6)
<b>Balance at 30 June 2021</b>			
	<b>72.5</b>	<b>29.0</b>	<b>101.5</b>
<b>Amortisation and impairment losses</b>			
<b>Balance at 1 July 2019, 30 June 2020 and 30 June 2021</b>	–	–	–
<b>Carrying amounts</b>			
<b>At 30 June 2021</b>	<b>72.5</b>	<b>29.0</b>	<b>101.5</b>
<b>At 30 June 2020</b>	74.1	31.5	105.6

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

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

We have estimated the pre-tax discount rate using the Group's WACC. We risk-adjusted the discount rate for risks specific to each market, adding between nil and 29% (2020: nil and 24%) to the WACC as appropriate. The pre-tax discount rate of 11% (2020: 11%) we applied to our cash flow projections equates to a post-tax rate of 9.6% (2020: 9.3%). Our estimates of changes in selling prices and direct costs are based on past experience and our expectations of future changes in the market.

The annual impairment test is performed on 31 March (2020: 31 May). There have been no additional indicators of impairment identified after this date that would require the impairment test to be reperformed. It is based on cash flows derived from our most recent financial and strategic plans approved by management, over the next five years. A growth rate of 2.5% (2020: 2.5%) has been used to extrapolate cash flows beyond this period. Short-term profitability and growth rates are based on past experience, current trading conditions and our expectations of future changes in the market.

#### 14. GOODWILL CONTINUED

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

	Risk premium used to adjust discount rate		Short-term growth rates (CAGR)		Long-term growth rates	
	2021	2020	2021	2020	2021	2020
Genus PIC	<b>nil-11%</b>	nil-24%	<b>nil-43%</b>	nil-47%	<b>2.5%</b>	2.5%
Genus ABS	<b>nil-29%</b>	nil-24%	<b>3%-48%</b>	(7%)-44%	<b>2.5%</b>	2.5%
		Weighted average risk adjusted discount rate		Weighted average short-term growth rates (CAGR)		
		2021	2020	2021	2020	
Genus PIC		<b>10%</b>	9%	<b>13%</b>	13%	
Genus ABS		<b>10%</b>	9%	<b>24%</b>	23%	

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

#### Sensitivity to changes in assumptions

Management has performed the following sensitivity analysis:

- > changing the key assumptions, with other variables held constant;
- > simultaneously changing the key assumptions; and
- > incorporating the potential impact of the principal risks and uncertainties outlined on pages 46 to 48, in particular the impacts of biosecurity, market downturns, continuity of supply, increased competition and the impact of the global COVID-19 pandemic, taking into account the likely degree of available mitigating actions.

Management has concluded that there are no reasonably possible changes in any one of the key assumptions that would cause the carrying amounts of goodwill to exceed the value in use of PIC and ABS.

#### 15. INTANGIBLE ASSETS

Our Group Balance Sheet contains significant intangible assets, including acquired technology, customer relationships, software and our IntelliGen development project.

#### Accounting policies

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

For 'Software as a Service' ('SaaS') arrangements, we capitalise costs only relating to the configuration and customisation of SaaS arrangements as intangible assets where control of the software exists.

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

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

The estimated useful lives for intangible assets are as follows:

- |  |                             |
|--|-----------------------------|
| > Porcine and bovine genetics technology | 20 years                    |
| > Multiplier contracts                   | 15 years                    |
| > Brands                                 | 10 to 15 years              |
| > Customer relationships                 | 10 to 17 years              |
| > IntelliGen                             | 10 years                    |
| > Patents and licences                   | term of agreement (4 years) |
| > Software                               | 2 to 10 years               |

**NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED**

For the year ended 30 June 2021

**15. INTANGIBLE ASSETS CONTINUED****Intangible assets acquired separately**

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

	<b>Brands, multiplier contracts and customer relationships</b> £m	<b>Separately identified acquired intangible assets</b> £m	<b>(restated)<sup>1</sup></b> <b>Software</b> £m	<b>(restated)<sup>1</sup></b> <b>Assets under construction</b> £m	<b>IntelliGen</b> £m	<b>Patents, licences and other</b> £m	<b>(restated)<sup>1</sup></b> <b>Total</b> £m
<b>Cost</b>							
Balance at 1 July 2019 (restated)	53.0	85.1	138.1	14.8	2.8	24.0	4.4
Additions	–	–	–	0.1	3.2	1.8	–
Disposals	–	–	–	(0.6)	–	(1.0)	–
Transfers	–	–	–	4.0	(4.0)	–	–
Effect of movements in exchange rates	(1.0)	0.8	(0.2)	0.1	–	0.6	–
<b>Balance at 30 June 2020 (restated)</b>	<b>52.0</b>	<b>85.9</b>	<b>137.9</b>	<b>18.4</b>	<b>2.0</b>	<b>25.4</b>	<b>4.4</b>
Additions	–	–	–	0.4	3.8	0.9	–
Acquisition (note 42)	–	3.7	3.7	–	–	–	3.7
Disposals	–	–	–	(1.1)	–	–	(1.1)
Transfers	–	–	–	3.1	(3.1)	–	–
Effect of movements in exchange rates	(0.3)	(8.0)	(8.3)	(0.8)	–	(2.7)	(0.1)
<b>Balance at 30 June 2021</b>	<b>51.7</b>	<b>81.6</b>	<b>133.3</b>	<b>20.0</b>	<b>2.7</b>	<b>23.6</b>	<b>4.3</b>
<b>Amortisation and impairment losses</b>							
Balance at 1 July 2019 (restated)	30.8	61.8	92.6	11.6	–	5.0	2.9
Impairment	–	–	–	0.2	–	–	0.2
Disposals	–	–	–	–	–	(0.4)	–
Amortisation for the year	2.9	5.6	8.5	1.1	–	2.3	1.0
Effect of movements in exchange rates	(0.5)	0.8	0.3	0.1	–	–	0.4
<b>Balance at 30 June 2020 (restated)</b>	<b>33.2</b>	<b>68.2</b>	<b>101.4</b>	<b>13.0</b>	<b>–</b>	<b>6.9</b>	<b>3.9</b>
Disposals	–	–	–	(0.6)	–	–	(0.6)
Amortisation for the year	2.8	4.6	7.4	1.4	–	2.2	0.1
Effect of movements in exchange rates	–	(6.6)	(6.6)	(0.8)	–	(0.7)	–
<b>Balance at 30 June 2021</b>	<b>36.0</b>	<b>66.2</b>	<b>102.2</b>	<b>13.0</b>	<b>–</b>	<b>8.4</b>	<b>4.0</b>
<b>Carrying amounts</b>							
<b>At 30 June 2021</b>	<b>15.7</b>	<b>15.4</b>	<b>31.1</b>	<b>7.0</b>	<b>2.7</b>	<b>15.2</b>	<b>0.3</b>
<b>At 30 June 2020 (restated)</b>	<b>18.8</b>	<b>17.7</b>	<b>36.5</b>	<b>5.4</b>	<b>2.0</b>	<b>18.5</b>	<b>0.5</b>
<b>At 30 June 2019 (restated)</b>	<b>22.2</b>	<b>23.3</b>	<b>45.5</b>	<b>3.2</b>	<b>2.8</b>	<b>19.0</b>	<b>1.5</b>
							<b>72.0</b>

Included within brands, multiplier contracts and customer relationships are carrying amounts for brands of £0.7m (2020: £0.8m), multiplier contracts of £0.3m (2020: £0.5m) and customer relationships of £14.4m (2020: £16.4m).

Included within the software class of assets is £5.4m (2020 restated<sup>1</sup>: £2.9m) and included in assets in the course of construction is £1.1m (2020 restated<sup>1</sup>: £1.6m) that relate to the ongoing development costs of GenusOne, our single global enterprise system.

<sup>1</sup> See note 2 for details of the prior period restatement.

## 16. BIOLOGICAL ASSETS

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

### Accounting policies

#### Biological assets and inventories

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

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

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

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

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

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

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

We classify the porcine biological assets we are using as breeding animals as non-current assets and carry them at fair value. The porcine biological assets we are holding for resale, which are the offspring of the breeding herd, are carried at fair value and classified as current assets.

#### Determination of fair values – biological assets

IAS 41 'Agriculture' requires us to show the carrying value of biological assets in the Group Balance Sheet. We determine this carrying value according to IAS 41's provisions and show the net valuation movement in the Income Statement. There are important differences in how we value our bovine and porcine assets, as explained below.

Bovine – we base the fair value of all bulls on the net cash flows we expect to receive from selling their semen, discounted at a current risk-adjusted market-determined rate. The significant assumptions determining the fair values are the expected future demand for semen, the estimated biological value and the marketable life of bulls. The biological value is the estimated value at the point of production. We adjust the fair value of the bovine herd and semen inventory where a third party earns a royalty from semen sales from a particular bull. Females are valued by reference to market prices and published independent genetic evaluations. The net cash flows include any expected impact of the COVID-19 pandemic.

Porcine – the fair value of porcine biological assets includes the animals we own entirely and our retained interest in the genetics of animals we have sold under royalty arrangements. The fair value of animals we own is calculated using the animals' average live weights, plus a premium where we believe that their genetics make them saleable. We base the live weight value and the genetic premium on recent transaction prices we have achieved. The significant assumptions in determining fair values are the breeding animals' expected life, the percentage of production animals that are saleable as breeding animals and the expected sales prices. For our retained interest in the genetics of animals sold under royalty contracts, we base the initial fair value on the fair values we achieved in recent direct sales of similar animals, less the amount we received upfront for the carcass element. We then remeasure the fair value of our retained interest at each reporting date. The significant assumption in determining the fair value of the retained interest is the animals' expected life. The assumptions used include any expected impact of the COVID-19 pandemic.

We value the pigs in our pure line herds, which are the repository of our proprietary genetics, as a single unit of account. We do this using a discounted cash flow model, applied to the herds' future outputs at current prices. The significant assumptions we make are the number of future generations attributable to the current herds, the fair value prices we achieve on sales, the animals' expected useful lifespan and productivity, and the risk-adjusted discount rate.

**NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED**

For the year ended 30 June 2021

**16. BIOLOGICAL ASSETS CONTINUED**

Non-recognition of porcine multiplier contracts where the Group does not retain a contractual interest

To manage commercial risk, a very large part of our porcine business model involves selling pigs to farmers ('multipliers') who produce piglets on farms we neither manage nor control. We have the option, but not the obligation, to buy the offspring at slaughter market value plus a premium. Because the offspring have superior genetics, we can then sell them to other farmers at a premium.

We do not recognise the right to purchase offspring on the Group Balance Sheet, as we enter into the contracts and continue to hold them for the purpose of receiving non-financial items (the offspring), in accordance with our expected purchase requirements. This means the option is outside the scope of IFRS 9. We do not recognise the offspring as biological assets under IAS 41, as we do not own or control them.

Fair value of biological assets	Bovine £m	Porcine £m	Total £m
Non-current biological assets	98.7	188.4	287.1
Current biological assets	–	40.1	40.1
<b>Balance at 30 June 2019</b>	<b>98.7</b>	<b>228.5</b>	<b>327.2</b>
Increases due to purchases	17.5	118.7	136.2
Decreases attributable to sales	–	(217.3)	(217.3)
Decrease due to harvest	(24.5)	(22.7)	(47.2)
Changes in fair value less estimated sale costs	13.5	130.6	144.1
Effect of movements in exchange rates	2.0	4.9	6.9
<b>Balance at 30 June 2020</b>	<b>107.2</b>	<b>242.7</b>	<b>349.9</b>
Non-current biological assets	107.2	202.9	310.1
Current biological assets	–	39.8	39.8
<b>Balance at 30 June 2020</b>	<b>107.2</b>	<b>242.7</b>	<b>349.9</b>
Increases due to purchases	15.2	134.8	150.0
Decreases attributable to sales	–	(223.0)	(223.0)
Decrease due to harvest	(24.4)	(21.4)	(45.8)
Business combination (see note 42)	–	0.3	0.3
Changes in fair value less estimated sale costs	3.9	118.4	122.3
Effect of movements in exchange rates	(9.9)	(24.3)	(34.2)
<b>Balance at 30 June 2021</b>	<b>92.0</b>	<b>227.5</b>	<b>319.5</b>
Non-current biological assets	92.0	187.9	279.9
Current biological assets	–	39.6	39.6
<b>Balance at 30 June 2021</b>	<b>92.0</b>	<b>227.5</b>	<b>319.5</b>

Bovine biological assets include £7.4m (2020: £5.5m) representing the fair value of bulls owned by third parties but managed by the Group, net of expected future payments to such third parties, which are therefore treated as assets held under finance leases.

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

A risk-adjusted rate of 8.8% (2020: 8.8%) has been used to discount future net cash flows from the sale of bull semen.

Decreases due to harvest represent the semen extracted from the biological assets. Inventories of such semen are shown as biological asset harvest in note 20.

In porcine, included in increases due to purchases is the aggregate increase arising during the year on initial recognition of biological assets in respect of multiplier purchases, other than parent gilts, of £47.5m (2020: £46.3m).

Decreases attributable to sales during the year of £223.0m (2020: £217.3m) include £67.4m (2020: £68.1m) in respect of the reduction in fair value of the retained interest in the genetics of animals, other than parent gilts, transferred under royalty contracts.

Also included is £97.9m (2020: £101.6m) relating to the fair value of the retained interest in the genetics in respect of animals, other than parent gilts, sold to customers under royalty contracts in the year.

Total revenue in the year, including parent gilts, includes £206.9m (2020: £205.8m) in respect of these contracts, comprising £63.9m (2020: £69.8m) on initial transfer of animals and semen to customers and £143.0m (2020: £136.0m) in respect of royalties received.

A risk-adjusted rate of 9.3% (2020: 9.3%) has been used to discount future net cash flows from the expected output of the pure line porcine herds. The number of future generations which have been taken into account is seven (2020: seven) and their estimated useful lifespan is 1.4 years (2020: 1.4 years).

**16. BIOLOGICAL ASSETS CONTINUED****Year ended 30 June 2021**

	Bovine £m	Porcine £m	Total £m
Net IAS 41 valuation movement on biological assets <sup>1</sup>			
Changes in fair value of biological assets	3.9	118.4	122.3
Inventory transferred to cost of sales at fair value	(21.1)	(21.4)	(42.5)
Biological assets transferred to cost of sales at fair value	–	(90.0)	(90.0)
	(17.2)	7.0	(10.2)
Fair value movement in related financial derivative	–	(0.6)	(0.6)
	(17.2)	6.4	(10.8)

**Year ended 30 June 2020**

	Bovine £m	Porcine £m	Total £m
Net IAS 41 valuation movement on biological assets <sup>1</sup>			
Changes in fair value of biological assets	13.5	130.6	144.1
Inventory transferred to cost of sales at fair value	(10.9)	(22.7)	(33.6)
Biological assets transferred to cost of sales at fair value	–	(95.1)	(95.1)
	2.6	12.8	15.4
Fair value movement in related financial derivative	–	0.4	0.4
	2.6	13.2	15.8

1 This represents the difference between operating profit prepared under IAS 41 and operating profit prepared under historical cost accounting, which forms part of the reconciliation to adjusted operating profit (see APMs).

**Fair value measurement**

All of the biological assets inputs fall under Level 3 of the hierarchy defined in IFRS 13. Significant increases/(decreases) in any of these inputs in isolation would result in a significantly lower or higher fair value measurement.

**NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED**

For the year ended 30 June 2021

**16. BIOLOGICAL ASSETS CONTINUED****Unobservable inputs and key sources of estimation uncertainty**

	2021	2020	Sensitivity
<b>Bovine</b>			
Risk-adjusted discount rate <sup>1</sup>	<b>8.8%</b>	8.8%	1 percentage point increase in the discount rate would result in approximately a £2.7m (2020: £3.2m) reduction in value.
Value at point of production <sup>1</sup>	<b>32.7%</b>	36.2%	1 percentage point decrease in the rate would result in approximately a £4.6m (2020: £4.8m) reduction in value.
Percentage of new dairy bulls to be produced internally in future years <sup>1</sup>	<b>FY22 67% FY23 78% FY24 80% FY25 and thereafter 82%</b>	FY21 68% FY22 78% FY23 81%	If percentage remained at FY21 level of 66% (2020: 36%) there would be a decrease in value of approximately £2.2m (2020: £12.4m).
Age profile of Holstein bulls generating future sales <sup>1</sup>	<b>FY22 – avg age 3.9 yrs FY23 – avg age 3.9 yrs FY24 – avg age 3.9 yrs FY25 and thereafter – avg age 3.8 yrs</b>	FY21 – avg age 3.9 yrs FY22 – avg age 3.9 yrs FY23 – avg age 3.9 yrs FY24 and thereafter – avg age 3.8 yrs	If age profile remains at FY21 average age of 4.1 years (2020: 4.0 years), there would be an increase in value of approximately £2.1m (2020: £2.4m).
Age profile of US beef-on-dairy bulls generating future sales <sup>1</sup>	<b>FY22 – avg age 4.9 yrs FY23 – avg age 4.8 yrs FY24 – avg age 4.8 yrs FY25 and thereafter – avg age 4.8 yrs</b>	FY21 – avg age 5.0 yrs FY22 – avg age 4.8 yrs FY23 – avg age 4.8 yrs FY24 and thereafter – avg age 4.8 yrs	If age profile remains at FY21 average age of 5.4 years (2020: 5.2 years), there would be a decrease in value of approximately £2.9m (2020: £1.4m).
Long-term dairy volume growth rate	<b>1.2%</b>	2.0%	1 percentage point decrease in the growth rate would result in approximately a £0.2m (2020: £0.2m) reduction in value.
Short-term dairy volume growth rate	<b>3.2%</b>	4.8%	1 percentage point decrease in the growth rate would result in approximately a £1.3m (2020: £1.7m) reduction in value.
<b>Porcine</b>			
Risk-adjusted discount rate – upfront prices	<b>7.5%</b>	8.8%	1 percentage point increase in the discount rate would result in approximately a £0.3m (2020: £0.3m) reduction in value.
Risk-adjusted discount rate – pure line herd <sup>1</sup>	<b>9.3%</b>	9.3%	1 percentage point increase in the discount rate would result in approximately a £2.6m (2020: £3.1m) reduction in value. Any additional increase in the percentage would lead to a linear impact.
Proportion of animals that go to breeding sales <sup>1</sup>	<b>Gilts – 7.6% Boars – 8.5%</b>	Gilts – 6.8% Boars – 9.0%	1 percentage point increase in the go to breeding sales would result in approximately £8.4m (2020: £8.8m) increase in value.

1 Key sources of estimation uncertainty.

	2021	2020
<b>Additional information</b>		
<b>Bovine</b>		
<b>Quantities at period end</b>		
Number of bulls in production	<b>921</b>	808
Number of bulls under development (including calves)	<b>775</b>	652
Total number of bulls	<b>1,696</b>	1,460
Number of doses of semen valued in inventory	<b>15.1m</b>	12.4m
<b>Amounts during the year</b>		
Fair value of agricultural produce – semen harvested during the period	<b>£24.4m</b>	£24.5m
<b>Porcine</b>		
<b>Quantities at period end</b>		
Number of pigs (own farms)	<b>98,677</b>	93,316
Number of pigs, excluding parent gilts, despatched on a royalty basis and valued at fair value	<b>84,386</b>	89,337
<b>Amounts during the year</b>		
Fair value of agricultural produce – semen harvested during the period	<b>£21.4m</b>	£22.7m

## 17. PROPERTY, PLANT AND EQUIPMENT

We make significant investments in our property, plant and equipment. All assets are depreciated over their useful economic lives.

### Accounting policies

We state property, plant and equipment at cost, together with any directly attributable acquisition expenses, or at their latest valuation, less depreciation and any impairment losses. Where parts of an item of property, plant and equipment have different useful lives, we account for them separately.

We charge depreciation to the Income Statement on a straight-line basis, over the estimated useful lives of each part of an asset.

The estimated useful lives are as follows:

- > Freehold buildings 10 to 40 years
- > Leasehold buildings over the term of the lease
- > Plant and equipment 3 to 20 years
- > Motor vehicles 3 to 5 years

We do not depreciate land or assets under construction.

### Right-of-use assets

Right-of-use assets are measured initially at cost, based on the value of the associated lease liability, adjusted for any payments made before inception, initial direct costs and an estimate of the dismantling, removal and restoration costs required in the terms of the lease. Subsequent to initial recognition, we record an interest charge in respect of the lease liability. The related right-of-use asset is depreciated over the term of the lease or, if shorter, the useful economic life of the leased asset. The lease term shall include the period of an extension option where it is reasonably certain that the option will be exercised. Where the lease contains a purchase option, the asset is written off over the useful life of the asset when it is reasonably certain that the purchase option will be exercised.

	Land and buildings £m	Plant, motor vehicles and equipment £m	Assets under construction £m	Total owned assets £m	Land and buildings £m	Plant, motor vehicles and equipment £m	Total right-of-use assets £m	Total £m
<b>Cost or deemed cost</b>								
Balance at 1 July 2019	62.1	91.3	4.7	158.1	—	—	—	158.1
Recognised on the adoption of IFRS 16	—	—	—	—	19.7	6.9	26.6	26.6
Transfers on adoption of IFRS 16	—	(12.2)	—	(12.2)	—	12.2	12.2	—
Additions	0.4	9.4	14.8	24.6	1.9	7.2	9.1	33.7
Transfers	6.6	4.7	(11.3)	—	—	—	—	—
Disposals	(1.6)	(5.4)	—	(7.0)	—	(2.7)	(2.7)	(9.7)
Effect of movements in exchange rates	0.4	—	—	0.4	0.3	0.4	0.7	1.1
<b>Balance at 30 June 2020</b>	<b>67.9</b>	<b>87.8</b>	<b>8.2</b>	<b>163.9</b>	<b>21.9</b>	<b>24.0</b>	<b>45.9</b>	<b>209.8</b>
Additions	<b>1.1</b>	<b>5.9</b>	<b>22.3</b>	<b>29.3</b>	<b>2.3</b>	<b>8.1</b>	<b>10.4</b>	<b>39.7</b>
Business combination (see note 42)	—	0.2	—	0.2	—	—	—	0.2
Transfers	<b>4.3</b>	<b>3.5</b>	<b>(7.8)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
Disposals	(0.3)	(2.1)	—	(2.4)	(1.9)	(4.7)	(6.6)	(9.0)
Effect of movements in exchange rates	(6.4)	(7.3)	(0.6)	(14.3)	(1.6)	(1.4)	(3.0)	(17.3)
<b>Balance at 30 June 2021</b>	<b>66.6</b>	<b>88.0</b>	<b>22.1</b>	<b>176.7</b>	<b>20.7</b>	<b>26.0</b>	<b>46.7</b>	<b>223.4</b>
<b>Depreciation and impairment losses</b>								
Balance at 1 July 2019	20.8	51.3	—	72.1	—	—	—	72.1
Transfers on the adoption of IFRS 16	—	(4.8)	—	(4.8)	—	4.8	4.8	—
Depreciation for the year	3.8	9.3	—	13.1	4.4	6.5	10.9	24.0
Disposals	(0.7)	(2.7)	—	(3.4)	—	(1.5)	(1.5)	(4.9)
Effect of movements in exchange rates	0.4	—	—	0.4	—	0.3	0.3	0.7
<b>Balance at 30 June 2020</b>	<b>24.3</b>	<b>53.1</b>	<b>—</b>	<b>77.4</b>	<b>4.4</b>	<b>10.1</b>	<b>14.5</b>	<b>91.9</b>
Depreciation for the year	<b>3.2</b>	<b>9.8</b>	<b>—</b>	<b>13.0</b>	<b>3.7</b>	<b>7.3</b>	<b>11.0</b>	<b>24.0</b>
Disposals	(0.3)	(1.5)	—	(1.8)	(1.3)	(4.2)	(5.5)	(7.3)
Effect of movements in exchange rates	(2.7)	(4.5)	—	(7.2)	(0.3)	(0.7)	(1.0)	(8.2)
<b>Balance at 30 June 2021</b>	<b>24.5</b>	<b>56.9</b>	<b>—</b>	<b>81.4</b>	<b>6.5</b>	<b>12.5</b>	<b>19.0</b>	<b>100.4</b>
<b>Carrying amounts</b>								
<b>At 30 June 2021</b>	<b>42.1</b>	<b>31.1</b>	<b>22.1</b>	<b>95.3</b>	<b>14.2</b>	<b>13.5</b>	<b>27.7</b>	<b>123.0</b>
<b>At 30 June 2020</b>	43.6	34.7	8.2	86.5	17.5	13.9	31.4	117.9

## NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

For the year ended 30 June 2021

### 18. EQUITY ACCOUNTED INVESTEES

We hold interests in several joint ventures and associates where we have significant influence.

#### Accounting policies

Joint ventures are entities over whose activities we have joint control, under a contractual agreement. The Group Financial Statements include the Group's share of profit or loss arising from joint ventures.

Associates are entities in which the Group has significant influence, but not control, over the financial and operating policies. The Group Financial Statements include the Group's share of the total recognised income and expense of associates on an equity accounted basis, from the date that significant influence commences until the date it ceases. When our share of losses exceeds our interest in an associate, we reduce the carrying amount to nil and stop recognising further losses, except to the extent that the Group has incurred legal or constructive obligations or made payments on an associate's behalf.

Under the equity method, investments in joint ventures or associates are initially recognised in the Group Balance Sheet at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint ventures and associates. Related-party transactions with the Group's joint ventures and associates primarily comprise the sale of products and services. As each arrangement is a separate legal entity and control rights are substantially equal with the other parties, no significant judgements are required.

The Group's share of profit after tax in its equity accounted investees for the year was £13.1m (2020: £8.9m).

The carrying value of the investments is reconciled as follows:

	2021 £m	2020 £m
<b>Balance at 1 July</b>	<b>22.7</b>	23.6
Share of post-tax retained profits of joint ventures and associates	13.1	8.9
Additions	2.4	2.2
Disposal proceeds	–	(3.8)
Dividends received from Agroceres – PIC Genética de Suínos Ltda (Brazil)	(2.5)	(2.2)
Dividends received from HY-CO Hybridschweine-Cooperations GmbH (Germany)	–	(0.3)
Dividends received from Inner Mongolia Haoxiang Pig Breeding Co. Ltd. (China)	(1.6)	–
Loan investment/(repayment)	0.4	(1.2)
Effect of other movements including exchange rates	(0.4)	(4.5)
<b>Balance at 30 June</b>	<b>34.1</b>	22.7

During the year we purchased a 39% shareholding for £2.4m in Xelect Limited, an aquaculture genetic services company, and retain a call option to purchase the remaining shares in Xelect Limited in 2023. We also made an investment of £0.4m in Società Agricola GENEETIC S.r.l., primarily through a shareholder's loan.

During the prior year, we invested £2.2m in a new associate, Inner Mongolia Haoxiang Pig Breeding Co. Ltd., and disposed of its entire holding of Xianyang Yongxiang Agriculture Technology Co. Ltd., receiving a return of loan capital and equity totalling £5.0m.

There are no significant restrictions on the ability of the joint ventures and associates to transfer funds to the parent, other than those imposed by the Companies Act 2006 or equivalent government rules within the joint venture's jurisdiction.

#### Related-party transactions with joint ventures and associates

	Transaction value		Balance outstanding	
	2021 £m	2020 £m	2021 £m	2020 £m
Sale of goods and services to joint ventures and associates	(1.8)	(1.2)	0.4	–
Purchase of goods and services from joint ventures and associates	5.0	3.1	(0.4)	(1.6)

All outstanding balances with joint ventures and associates are priced on an arm's length basis and are to be settled in cash within six months of the reporting date. None of the balances are secured.

Summary financial information for equity accounted investees, adjusted for the Group's percentage ownership, is shown on the following page.

**18. EQUITY ACCOUNTED INVESTEES CONTINUED**  
**Joint ventures and associates – year ended 30 June 2021**

Net assets	Ownership	Cash and cash equivalent £m	Other current assets £m	Non-current assets £m	Biological assets £m	Total assets £m	Current liabilities £m	Total liabilities £m	Net assets £m
Agroceres – PIC Genética de Suínos Ltda (Brazil)	49%	<b>4.8</b>	<b>9.3</b>	<b>10.6</b>	<b>6.9</b>	<b>31.6</b>	<b>(5.1)</b>	<b>(5.1)</b>	<b>26.5</b>
HY-CO Hybridschweine-Cooperations GmbH (Germany)	50%	–	<b>0.1</b>	–	–	<b>0.1</b>	–	–	<b>0.1</b>
Inner Mongolia Haoxiang Pig Breeding Co. Ltd. (China) <sup>1</sup>	49%	<b>3.0</b>	<b>0.9</b>	<b>0.8</b>	<b>(0.9)</b>	<b>3.8</b>	<b>(0.4)</b>	<b>(0.4)</b>	<b>3.4</b>
Chitale Genus ABS (India) Private Limited (India)	50%	–	<b>0.3</b>	<b>1.4</b>	–	<b>1.7</b>	<b>(0.1)</b>	<b>(0.5)</b>	<b>1.2</b>
Avlscenter Møllevang A/S <sup>1</sup>	49%	–	–	–	–	–	–	–	–
Xselect Limited (United Kingdom) <sup>1</sup>	39%	<b>0.1</b>	<b>0.1</b>	<b>2.4</b>	–	<b>2.6</b>	<b>(0.2)</b>	<b>(0.2)</b>	<b>2.4</b>
Società Agricola GENEETIC S.r.l. (Italy) <sup>1</sup>	33%	–	<b>0.2</b>	<b>0.4</b>	–	<b>0.6</b>	<b>(0.1)</b>	<b>(0.1)</b>	<b>0.5</b>
Società Agricola GENEETIC Service S.r.l. (Italy) <sup>1</sup>	33%	–	–	–	–	–	–	–	–
		<b>7.9</b>	<b>10.9</b>	<b>15.6</b>	<b>6.0</b>	<b>40.4</b>	<b>(5.9)</b>	<b>(6.3)</b>	<b>34.1</b>

1 Classified as an associate. All other investments are classified as joint ventures.

Income Statement	Ownership	Revenue £m	Net IAS 41 valuation movement on biological assets £m	Profit after tax £m			
				Expenses £m	Operating profit £m	Taxation £m	Profit after tax £m
Agroceres – PIC Genética de Suínos Ltda (Brazil)	49%	<b>31.5</b>	<b>3.9</b>	<b>(21.2)</b>	<b>14.2</b>	<b>(3.0)</b>	<b>11.2</b>
HY-CO Hybridschweine-Cooperations GmbH (Germany)	50%	–	–	–	–	–	–
Inner Mongolia Haoxiang Pig Breeding Co. Ltd. (China) <sup>1</sup>	49%	<b>6.0</b>	<b>(0.8)</b>	<b>(3.3)</b>	<b>1.9</b>	–	<b>1.9</b>
Chitale Genus ABS (India) Private Limited (India)	50%	<b>0.4</b>	–	<b>(0.3)</b>	<b>0.1</b>	–	<b>0.1</b>
Avlscenter Møllevang A/S <sup>1</sup>	49%	–	–	<b>(0.2)</b>	<b>(0.2)</b>	–	<b>(0.2)</b>
Xselect Limited (United Kingdom) <sup>1</sup>	39%	<b>0.2</b>	–	<b>(0.2)</b>	–	–	–
Società Agricola GENEETIC S.r.l. (Italy) <sup>1</sup>	33%	<b>0.8</b>	–	<b>(0.7)</b>	<b>0.1</b>	–	<b>0.1</b>
Società Agricola GENEETIC Service S.r.l. (Italy) <sup>1</sup>	33%	–	–	–	–	–	–
		<b>38.9</b>	<b>3.1</b>	<b>(25.9)</b>	<b>16.1</b>	<b>(3.0)</b>	<b>13.1</b>

1 Classified as an associate. All other investments are classified as joint ventures.

Joint ventures and associates have a December year end, except Chitale Genus ABS (India) Private Limited, which has a March year end, and Xselect Limited, which has a June year end. Where the year end differs from the year of the Group this is due to local regulatory requirements.

**NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED**

For the year ended 30 June 2021

**18. EQUITY ACCOUNTED INVESTEES CONTINUED****Joint ventures and associates – year ended 30 June 2020**

Net assets	Ownership	Cash and cash equivalent £m	Other current assets £m	Non-current assets £m	Biological assets £m	Total assets £m	Current liabilities £m	Total liabilities £m	Net assets £m
Agroceres – PIC Genética de Suínos Ltda (Brazil)	49%	2.9	6.1	8.1	3.5	20.6	(2.4)	(2.4)	18.2
HY-CO Hybridschweine-Cooperations GmbH (Germany)	50%	–	0.2	–	–	0.2	(0.1)	(0.1)	0.1
Inner Mongolia Haoxiang Pig Breeding Co. Ltd. (China) <sup>1</sup>	49%	2.0	1.2	0.3	(0.1)	3.4	(0.3)	(0.3)	3.1
Chitale Genus ABS (India) Private Limited (India)	50%	–	0.4	1.1	–	1.5	–	(0.4)	1.1
Avlscenter Møllevang A/S <sup>1</sup>	49%	–	0.2	–	–	0.2	–	–	0.2
		4.9	8.1	9.5	3.4	25.9	(2.8)	(3.2)	22.7

Income Statement	Ownership	Revenue £m	Net IAS 41 valuation movement on biological assets £m	Operating profit £m			Taxation £m	Profit after tax £m
				Expenses £m	Operating profit £m	Taxation £m		
Agroceres – PIC Genética de Suínos Ltda (Brazil)	49%	28.1	–	(18.9)	9.2	(2.3)	6.9	
HY-CO Hybridschweine-Cooperations GmbH (Germany)	50%	0.9	–	(0.7)	0.2	–	0.2	
Xianyang Yongxiang Agriculture Technology Co., Ltd. (China) <sup>1</sup>	49%	1.4	–	(0.7)	0.7	–	0.7	
Inner Mongolia Haoxiang Pig Breeding Co. Ltd. (China) <sup>1</sup>	49%	2.6	(0.1)	(1.6)	0.9	–	0.9	
Chitale Genus ABS (India) Private Limited (India)	50%	0.3	–	(0.3)	–	–	–	–
Avlscenter Møllevang A/S <sup>1</sup>	49%	0.2	–	–	0.2	–	–	0.2
		33.5	(0.1)	(22.2)	11.2	(2.3)	8.9	

<sup>1</sup> Classified as an associate. All other investments are classified as joint ventures.

Joint ventures and associates have a December year end, except Chitale Genus ABS (India) Private Limited, which has a March year end.

**19. OTHER INVESTMENTS**

We hold a number of unlisted and listed investments, mainly comprising our strategic investment in Caribou Biosciences, Inc. ('Caribou') and shares in listed entity National Milk Records plc ('NMR').

**Accounting policies**

Financial assets at fair value through other comprehensive income ('FVOCI') comprise equity securities which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognise as FVOCI. The Group considers this classification relevant as these are strategic investments.

Financial assets at FVOCI are adjusted to the fair value of the asset at the balance sheet date, with any gain or loss being recognised in other comprehensive income and held as part of other reserves. On disposal any gain or loss is recognised in other comprehensive income and the cumulative gains or losses are transferred from other reserves to retained earnings.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through income statement, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through income statement are expensed in the Income Statement.

Other investments may include equity investments (where the Group does not have control, joint control or significant influence in the investee), short-term deposits with banks and other investments with original maturities of more than three months. Any dividends received are recognised in the Income Statement.

Investments carried at fair value	2021 £m	2020 £m
Unlisted equity shares – Caribou Biosciences, Inc.	<b>10.4</b>	3.7
Unlisted equity shares – Other	<b>2.3</b>	1.4
Listed equity shares – NMR	<b>2.0</b>	1.8
	<b>14.7</b>	6.9

**19. OTHER INVESTMENTS** CONTINUED

We hold a strategic non-controlling interest in Caribou, which is measured at fair value using the valuation basis of a Level 2 classification. In July 2021, Caribou shares started publicly trading on NASDAQ. Given the proximity of the transaction to the balance sheet date, our holding has been valued at the average price expected to be achieved on listing.

NMR ordinary shares were acquired as part of the NMR pension agreement, and are measured at fair value. The valuation basis is Level 1 classification, where fair value techniques are quoted (unadjusted) prices in active markets for identical assets and liabilities.

Other unlisted equity investments primarily consist of strategic non-controlling interests in bovine technology companies, which are measured at fair value and the valuation basis is Level 3 classification, where fair value techniques use inputs which have a significant effect on the recorded fair value and are not based on observable market data.

**20. INVENTORIES**

Our inventory primarily consists of bovine semen, raw materials and ancillary products.

**Accounting policies**

Inventory (excluding biological assets' harvest) is stated at the lower of cost and net realisable value. Cost is determined on the basis of weighted average costs and comprises direct materials and, where appropriate, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition.

For our biological assets accounting policies, see note 16.

	2021 £m	2020 £m
Biological assets' harvest classed as inventories	<b>17.8</b>	20.3
Raw materials and consumables	<b>2.9</b>	0.7
Goods held for resale	<b>16.3</b>	16.4
	<b>37.0</b>	37.4

**21. TRADE AND OTHER RECEIVABLES**

Our trade and other receivables mainly consist of amounts owed to us by customers and amounts we pay to our suppliers in advance.

**Accounting policies**

We state trade and other receivables at their amortised cost less any impairment losses.

	2021 £m	2020 £m
Trade receivables	<b>87.2</b>	83.7
Less expected credit loss allowance	<b>(5.0)</b>	(3.4)
Trade receivables net of impairment	<b>82.2</b>	80.3
Other debtors	<b>6.4</b>	6.3
Prepayments	<b>6.6</b>	6.6
Contract assets (note 24)	<b>7.7</b>	5.1
Other taxes and social security	<b>3.3</b>	2.5
Current trade and other receivables	<b>106.2</b>	100.8
Non-current other receivables	<b>1.8</b>	1.8
	<b>108.0</b>	102.6

## NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

For the year ended 30 June 2021

### 21. TRADE AND OTHER RECEIVABLES CONTINUED

#### Trade receivables

The average credit period our customers take on the sales of goods is 53 days (2020: 53 days). We do not charge interest on receivables for the first 30 days from the date of the invoice.

The Group always measures the loss allowance for trade receivables at an amount equal to lifetime expected credit losses ('ECLs'). The ECLs on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the general economic conditions of the industry and country in which the debtor operates and an assessment of both the current and the forecast direction of conditions at the reporting date. The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, such as when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

The Group recognises ECLs with reference to the following matrix, in accordance with the simplified approach permitted in IFRS 9. There has been no change in the estimation techniques during the current reporting period. A component of the calculation is the risk premium of the countries in which our customers operate. The risk premiums are updated on each reporting date, to reflect changes in the global economy.

	North America	Latin America	EMEA	Asia
<b>2021</b>	<b>1.6%</b>	<b>4.6%</b>	<b>3.1%</b>	<b>12.9%</b>
2020	1.6%	6.3%	2.6%	12.2%

The following table shows the movement in lifetime ECLs that has been recognised for trade receivables, in accordance with the simplified approach set out in IFRS 9.

	2021 £m	2020 £m
Balance at the start of the year	<b>3.4</b>	2.6
Change in loss allowance due to new trade and other receivables originated net of those derecognised due to settlement	<b>3.4</b>	2.5
Amounts written off as uncollectable	(0.3)	(0.3)
Impairment losses reversed	(1.4)	(1.3)
Effect of movements in exchange rates	(0.1)	(0.1)
<b>Balance at the end of the year</b>	<b>5.0</b>	3.4

The aging of trade receivables is presented below:

Days past due	Trade receivables		Trade receivables net of impairment	
	2021 £m	2020 £m	2021 £m	2020 £m
Not yet due	<b>67.8</b>	65.4	<b>65.3</b>	62.9
0–30 days	<b>9.6</b>	8.7	<b>9.1</b>	8.3
31–90 days	<b>6.5</b>	5.9	<b>5.1</b>	5.5
91–180 days	<b>1.8</b>	1.5	<b>1.7</b>	1.5
Over 180 days	<b>1.5</b>	2.2	<b>1.0</b>	2.1
	<b>87.2</b>	83.7	<b>82.2</b>	80.3

No customer represents more than 5% of the total balance of trade receivables (2020: no more than 5%).

The Directors consider that the carrying amount of trade and other receivables approximates their fair value.

Receivables denominated in currencies other than Sterling comprise £35.7m denominated in US Dollars (2020: £34.7m), £11.8m denominated in Euros (2020: £13.2m) and £37.9m denominated in other currencies (2020: £32.1m).

## 22. CASH AND CASH EQUIVALENTS

We hold cash and bank deposits which have a maturity of three months or less, to enable us to meet our short-term liquidity requirements.

### Accounting policies

Cash and cash equivalents comprise cash balances. Bank overdrafts that are repayable on demand form an integral part of our cash management and are included in interest-bearing loans and borrowings less than one year.

	2021 £m	2020 £m
Cash at bank and in hand	<b>46.0</b>	41.3

The carrying amount of these assets approximates to their fair value.

The credit quality of cash and cash equivalents can be assessed by reference to external credit ratings of the counterparty where the account or deposit is placed.

Counterparties with external credit ratings	2021 £m	2020 £m
A to AA-	<b>34.2</b>	31.0
BBB- to BBB	<b>6.4</b>	5.1
B- to BB+	<b>5.0</b>	5.2
CCC to CCC-	<b>0.4</b>	–
	<b>46.0</b>	41.3

## 23. TRADE AND OTHER PAYABLES

Our trade and other payables mainly consist of amounts we owe to our suppliers that have been invoiced or are accrued. They also include taxes and social security amounts due in relation to our role as an employer.

### Accounting policies

Trade payables are not interest bearing and are stated at their nominal value.

	2021 £m	2020 £m
Trade payables	<b>23.7</b>	18.5
Other payables	<b>7.6</b>	4.9
Accrued expenses	<b>60.2</b>	57.2
Contract liabilities (note 24)	<b>10.6</b>	8.2
Other taxes and social security	<b>8.2</b>	6.2
Current trade and other payables	<b>110.3</b>	95.0
Contract liabilities (note 24)	<b>1.4</b>	3.3
Non-current trade and other payables	<b>1.4</b>	3.3

The average credit period taken for trade purchases is 27 days (2020: 21 days).

Payables denominated in currencies other than Sterling comprise £43.8m denominated in US Dollars (2020: £39.1m), £10.5m denominated in Euros (2020: £11.1m) and £32.6m denominated in other currencies (2020: £27.6m).

The carrying values of these liabilities are a reasonable approximation of their fair values.

## 24. CONTRACT BALANCES

### Accounting policy

A contract asset is recognised when the Group's right to consideration is conditional on something other than the passage of time, for example the completion of future performance obligations under the terms of the contract with the customer. In some instances, the Group receives payments from customers based on a billing schedule, as established in the contract, which may not match with the pattern of performance under the contract.

Where payment is received ahead of performance a contract liability will be created, and where performance obligations are satisfied ahead of billing, then a contract asset will be recognised.

	2021 £m	2020 £m
Contract assets (note 21)	<b>7.7</b>	5.1
Current contract liabilities	<b>(10.6)</b>	(8.2)
Non-current contract liabilities	<b>(1.4)</b>	(3.3)
Contract liabilities (note 23)	<b>(12.0)</b>	(11.5)

**NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED**

For the year ended 30 June 2021

**24. CONTRACT BALANCES CONTINUED**

	Contract assets £m	Contract liabilities £m
Balance at 1 July 2019	2.9	(6.9)
Increases as a result of performance in advance of billing	27.3	–
Transfers to receivables during the year	(25.1)	–
Increases as a result of billing ahead of performance	–	(82.0)
Decreases as a result of revenue recognised in the year	–	77.1
Effect of movements in exchange rates	–	0.3
<b>Balance at 30 June 2020</b>	<b>5.1</b>	<b>(11.5)</b>
Increases as a result of performance in advance of billing	<b>35.8</b>	–
Transfers to receivables during the year	<b>(32.7)</b>	–
Increases as a result of billing ahead of performance	–	<b>(109.3)</b>
Decreases as a result of revenue recognised in the year	–	<b>108.1</b>
Effect of movements in exchange rates	<b>(0.5)</b>	<b>0.7</b>
<b>Balance at 30 June 2021</b>	<b>7.7</b>	<b>(12.0)</b>

In some cases, the Group receives payments from customers based on a billing schedule, as established in our contracts. The contract assets relate to revenue recognised for performance in advance of scheduled billing and have increased as the Group has provided more services ahead of the agreed payment schedules for certain contracts. The contract liability relates to payments received in advance of performance under contract and varies based on performance under these contracts.

The transaction price allocated to partially unsatisfied performance obligations at 30 June 2021 is £3.6m (2020: £6.8m). It is expected that the Group will recognise this revenue over the next four years.

**25. PROVISIONS**

A provision is a liability recorded in the Group Balance Sheet, where there is uncertainty over the timing or amount that will be paid, and is therefore estimated. The main provisions we hold relate to litigation damages, legal provisions, customer claims and share forfeiture.

**Accounting policies**

We recognise a provision in the Balance Sheet when an event results in the Group having a current legal or constructive obligation, and it is probable that we will have to settle the obligation through an outflow of economic benefits. If the effect is material, we discount provisions to their present value.

	ST litigation £m	Contingent deferred consideration £m	Share forfeiture £m	Other provisions £m	Total £m
Balance at 1 July 2019	–	4.5	2.0	2.3	8.8
Additional provision in the year	10.2	–	0.3	2.5	13.0
Utilisation of provision	–	–	–	(1.6)	(1.6)
Release of provision	–	–	–	(0.2)	(0.2)
Reclassified to deferred consideration <sup>1</sup>	–	(4.5)	–	–	(4.5)
Effect of movement in exchange rates	0.3	–	–	–	0.3
<b>Balance at 30 June 2020</b>	<b>10.5</b>	<b>–</b>	<b>2.3</b>	<b>3.0</b>	<b>15.8</b>
Additional provision in the year	<b>0.2</b>	–	–	<b>2.7</b>	<b>2.9</b>
Utilisation of provision	<b>(0.2)</b>	–	–	<b>(2.3)</b>	<b>(2.5)</b>
Release of provision	–	–	<b>(2.0)</b>	<b>(0.4)</b>	<b>(2.4)</b>
Effect of movement in exchange rates	<b>(1.1)</b>	–	–	<b>(0.3)</b>	<b>(1.4)</b>
<b>Balance at 30 June 2021</b>	<b>9.4</b>	<b>–</b>	<b>0.3</b>	<b>2.7</b>	<b>12.4</b>

<sup>1</sup> Contingent deferred consideration has been reclassified to be disclosed within deferred consideration, as the balances are recorded at fair value and not estimated.

	2021 £m	2020 £m
<b>Current</b>		
<b>Non-current</b>	<b>1.3</b>	4.0
	<b>11.1</b>	11.8
	<b>12.4</b>	15.8

ST litigation relates specifically to our litigation only with Sexing Technologies, as described in note 7.

The share forfeiture provision of £0.3m relates to potential claims that could be made by untraced members over the next two years, relating to the resale proceeds of shares that were identified during the prior year as being forfeited.

Other provisions mainly relate to legal provisions (excluding ST litigation) and customers' claims. The timing and cash flows associated with the majority of legal claims are expected to be less than one year. However, for some legal claims the timing of cash flows may be long term in nature and are disclosed as such.

## 26. FINANCIAL INSTRUMENTS

This note details our treasury management and financial risk management objectives and policies, as well as the Group's exposure and sensitivity to credit, liquidity, interest and foreign exchange rate risk, and the policies in place to monitor and manage these risks.

### Financial risk management objectives

The Group's corporate treasury function provides services to the business, coordinates our access to domestic and international financial markets, and monitors and manages the financial risks relating to the Group's operations, through internal risk reports that analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

We seek to minimise the effects of these risks by hedging them using derivative financial instruments. Our use of financial derivatives is governed by policies approved by the Board of Directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. The Board of Directors regularly reviews our compliance with policies and exposure limits. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Key financial risks and exposures are monitored through a monthly report to the Board of Directors, together with an annual Board review of corporate treasury matters.

### Financial risk

The principal financial risks our activities expose us to are the risks of changes in foreign currency exchange rates, interest rates and commodity prices. We use derivative financial instruments to manage our exposure to interest rate, foreign currency and commodity price risks, including:

- > forward foreign exchange contracts, to hedge the exchange rate risk arising on the sale of goods and purchase of supplies in foreign currencies;
- > interest rate swaps, to mitigate the risk of rising interest rates; and
- > forward commodity contracts, to hedge commodity price risk.

### Accounting policies

#### Financial instruments

Financial assets and liabilities in respect of financial instruments are recognised on the Group Balance Sheet when the Group becomes a party to the instrument's contractual provisions.

#### Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that provides a residual interest in the Group's assets after deducting all of its liabilities and includes no obligation to deliver cash or other financial assets. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

#### Put option arrangements over non-controlling interest

The potential cash payments related to put options issued by the Group over the equity of subsidiary companies are accounted for as financial liabilities.

The amount that may become payable under the option on exercise is initially recognised at present value within financial liabilities, with a corresponding charge directly to equity. The charge to equity is recognised separately as written put options over non-controlling interest, adjacent to non-controlling interest in the net assets of consolidated subsidiaries.

Such options are subsequently measured at amortised cost, using the effective interest rate method, in order to accrete the liability up to the amount payable under the option at the date at which it first becomes exercisable. The charge arising is recorded as a financing cost. If the option expires unexercised, the liability is derecognised, with a corresponding adjustment to equity.

#### Derivative financial instruments

Derivatives are recognised initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in the Income Statement immediately, unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the Income Statement depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements, unless the Group has both a legally enforceable right and intention to offset. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not due to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

The fair value of interest rate swaps is the estimated amount that we would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the creditworthiness of the swap counterparties.

The fair values of forward exchange contracts and forward commodity contracts are their quoted market price at the balance sheet date, which is the present value of the quoted forward price.

#### Hedging activities

The Group designates certain derivatives as hedging instruments in respect of foreign exchange risk, interest rate risk and commodity risk in fair value hedges, cash flow hedges, or hedges of net investments in foreign operations.

## NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

For the year ended 30 June 2021

### 26. FINANCIAL INSTRUMENTS CONTINUED

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationship meets all of the following hedge effectiveness requirements:

- > there is an economic relationship between the hedged item and the hedging instrument;
- > the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- > the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

The Group designates the full change in the fair value of a forward contract (i.e. including the forward elements) as the hedging instrument for all of its hedging relationships involving forward contracts.

The Group designates only the intrinsic value of option contracts as a hedged item, i.e. excluding the time value of the option. The changes in the fair value of the aligned time value of the option are recognised in Other Comprehensive Income and accumulated in the cost of hedging reserve. If the hedged item is transaction related, the time value is reclassified to the Income Statement when the hedged item affects the Income Statement. If the hedged item is time-period related, then the amount accumulated in the cost of hedging reserve is reclassified to the Income Statement on a rational basis, applying straight-line amortisation. Those reclassified amounts are recognised in the Income Statement in the same line as the hedged item. If the hedged item is a non-financial item, then the amount accumulated in the cost of hedging reserve is removed directly from equity and included in the initial carrying amount of the recognised non-financial item. Furthermore, if the Group expects that some or all of the loss accumulated in cost of hedging reserve will not be recovered in the future, that amount is immediately reclassified to the Income Statement.

#### Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in Other Comprehensive Income and accumulated under the heading of cash flow hedging reserve, and limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in the Income Statement and is included in the 'other gains and losses' line item.

Amounts previously recognised in Other Comprehensive Income and accumulated in equity are reclassified to the Income Statement in the periods when the hedged item affects the Income Statement, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect Other Comprehensive Income. Furthermore, if the Group expects that some or all of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to the Income Statement.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in Other Comprehensive Income and accumulated in cash flow hedge reserve at that time remains in equity and is reclassified to the Income Statement when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in the cash flow hedge reserve is reclassified immediately to the Income Statement.

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on the fair value of issued fixed-rate debt held and the cash flow exposures on the issued variable-rate debt held. The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the yield curves at the reporting date and the credit risk inherent in the contract. The average interest rate is based on the outstanding balances at the end of the financial year.

As the critical terms of the interest rate swap contracts and their corresponding hedged items are the same, the Group performs a qualitative assessment of effectiveness and it is expected that the value of the interest rate swap contracts and the value of the corresponding hedged items will systematically change in opposite directions, in response to movements in the underlying interest rates. The main source of hedge ineffectiveness in these hedge relationships is the effect of the counterparty and the Group's own credit risk on the fair value of the interest rate swap contracts, which is not reflected in the fair value of the hedged item attributable to the change in interest rates. No other sources of ineffectiveness emerged from these hedging relationships.

#### Net investment hedges

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the foreign currency forward contracts relating to the effective portion of the hedge is recognised in Other Comprehensive Income and accumulated in the foreign currency translation reserve. The gain or loss relating to the ineffective portion is recognised immediately in the Income Statement, and is included in the 'other gains and losses' line item.

Gains and losses on the hedging instrument accumulated in the foreign currency translation reserve are reclassified to the Income Statement on the disposal or partial disposal of the foreign operation.

We only apply net investment hedge accounting in the Group Financial Statements.

## 26. FINANCIAL INSTRUMENTS CONTINUED

### Capital risk management

The Group manages its capital to ensure that Group entities can continue as going concerns, while maximising the return to shareholders by optimising our debt and equity balance. The Group's capital structure consists of debt, which includes the borrowings disclosed in note 27, cash and cash equivalents, and equity attributable to equity holders of the Parent, comprising issued capital, reserves and retained earnings, as disclosed in note 31.

### Gearing ratio

The Group keeps its capital structure under review and monitors it monthly to ensure the gearing ratio remains below 60%. The Group is not subject to externally imposed capital requirements. The gearing ratio at the year end was as follows:

	2021 £m	(restated) <sup>1</sup> 2020 £m
Debt (see note 27)	<b>151.6</b>	143.9
Cash and cash equivalents (see note 22)	<b>(46.0)</b>	(41.3)
Net debt (see note 32)	<b>105.6</b>	102.6
Equity <sup>1</sup>	<b>496.6</b>	494.5
Net debt to equity ratio	<b>21%</b>	21%

1 See note 2 for details of prior period restatement.

Debt is defined as long and short-term borrowings, including lease obligations as detailed in note 27.

Equity includes all capital and reserves of the Group attributable to equity holders of the Parent.

### Categories of financial instruments

We have categorised financial instruments held at valuation into a three-level fair value hierarchy, based on the priority of the inputs to the valuation technique in accordance with IFRS 13. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure fair value fall within different levels of the hierarchy, we base the category level on the lowest priority level input that is significant to the fair value measurement of the instrument in its entirety. We have estimated the fair values of the Group's outstanding interest rate swaps by calculating the present value of future cash flows, using appropriate market discount rates, representing Level 2 fair value measurements as defined by IFRS 13.

	2021 Carrying value				2020 Carrying value			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
<b>Financial assets</b>								
Other investments	<b>2.0</b>	<b>10.4</b>	<b>2.3</b>	<b>14.7</b>	1.8	–	5.1	6.9
Trade receivables and other debtors, excluding prepayments and accrued income (see note 21)	–	<b>91.9</b>	–	<b>91.9</b>	–	89.1	–	89.1
Cash and cash equivalents	–	<b>46.0</b>	–	<b>46.0</b>	–	41.3	–	41.3
Derivative instruments in non-designated hedge accounting relationships	–	<b>0.1</b>	–	<b>0.1</b>	–	1.2	–	1.2
Derivative instruments in designated hedge accounting relationships	–	–	–	–	–	–	–	–
	<b>2.0</b>	<b>148.4</b>	<b>2.3</b>	<b>152.7</b>	1.8	131.6	5.1	138.5
<b>Financial liabilities</b>								
Trade and other payables, excluding other taxes and social security (see note 23)	–	<b>(102.1)</b>	–	<b>(102.1)</b>	–	(92.1)	–	(92.1)
Loans and overdrafts (see note 27)	–	<b>(123.3)</b>	–	<b>(123.3)</b>	–	(112.8)	–	(112.8)
Leasing obligations (see note 28)	–	<b>(28.3)</b>	–	<b>(28.3)</b>	–	(31.1)	–	(31.1)
Derivative instruments in non-designated hedge accounting relationships	–	–	–	–	–	(0.3)	–	(0.3)
Derivative instruments in designated hedge accounting relationships	–	–	–	–	–	(0.2)	–	(0.2)
Put option over non-controlling interest	–	<b>(6.1)</b>	–	<b>(6.1)</b>	–	(6.1)	–	(6.1)
Deferred consideration (see note 38)	–	<b>(0.4)</b>	<b>(1.7)</b>	<b>(2.1)</b>	–	(5.1)	(3.6)	(8.7)
	<b>–</b>	<b>(260.2)</b>	<b>(1.7)</b>	<b>(261.9)</b>	–	(247.7)	(3.6)	(251.3)

We hold a strategic non-controlling interest in Caribou Biosciences, Inc ('Caribou'), presented above within Other Investments (note 19). In July 2021, Caribou shares started publicly trading on the NASDAQ, and was reclassified from a Level 3 instrument to Level 2. There have been no transfers between levels during the prior year.

## **NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED**

For the year ended 30 June 2021

## **26. FINANCIAL INSTRUMENTS** CONTINUED

## Foreign currency risk management

We undertake transactions denominated in foreign currencies.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date were as follows:

	Liabilities		Assets	
	2021 £m	2020 £m	2021 £m	2020 £m
US Dollar	(67.7)	(76.2)	2.1	1.2
Euro	(12.1)	(5.5)	0.5	–
Chinese Yuan	–	–	–	0.2

## Foreign currency Income Statement sensitivity analysis

The Group is mainly exposed to movements in the US Dollar, Euro, Brazilian Real, Mexican Peso, Chinese Yuan and Russian Rouble exchange rates.

The following table details the Group's sensitivity to a 10% and 20% increase and decrease in Sterling against these currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management and represents our assessment of a significant change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% or 20% change in foreign currency rates. It includes external loans, as well as loans to foreign operations within the Group where the loan is denominated in a currency other than the lender or borrower's currency. A positive number below indicates an increase in profit when Sterling weakens against the relevant currency. A strengthening of Sterling against the relevant currency would produce an equal but opposite reduction in profit, and the balances below would be negative.

	20% currency movement		10% currency movement	
	2021 £m	2020 £m	2021 £m	2020 £m
Euro	<b>2.4</b>	2.2	<b>1.2</b>	1.1
US Dollar	<b>1.2</b>	1.5	<b>0.6</b>	0.8
Brazilian Real	<b>2.8</b>	2.2	<b>1.4</b>	1.1
Mexican Peso	<b>2.8</b>	2.8	<b>1.4</b>	1.4
Chinese Yuan	<b>7.0</b>	4.3	<b>3.5</b>	2.2
Russian Rouble	<b>1.3</b>	1.0	<b>0.6</b>	0.5

## **Forward foreign exchange contracts**

The Group's policy is to enter into forward foreign exchange contracts, to cover specific foreign currency payments and receipts. The following table details the forward foreign currency contracts outstanding as at the year end:

## 26. FINANCIAL INSTRUMENTS CONTINUED

### Interest rate risk management

The Group is exposed to interest rate risk, as Group entities borrow funds at both fixed and floating interest rates. We manage this risk centrally, by maintaining an appropriate mix between fixed and floating rate borrowings, using interest rate swaps. We regularly review our hedging activities, to align with our interest rate views and defined risk appetite, thereby ensuring we apply optimal hedging strategies to minimise the adverse impact of fluctuations in interest expense through different interest rate cycles.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

### Interest rate sensitivity analysis

We have determined the sensitivity analyses below, based on the Group's exposure to interest rates for both derivatives and non-derivative instruments, at the balance sheet date. For floating rate liabilities, we prepared the analysis assuming the liability outstanding at the balance sheet date was outstanding for the whole year. A 1.0 percentage point increase or decrease is used when reporting interest rate risk internally to key management and is our assessment of a significant change in interest rates.

If interest rates had been 1.0 percentage point higher or lower and all other variables were held constant, the Group's profit would have decreased or increased by £1.2m (2020: decrease/increase by £0.7m). This impact is smaller than would otherwise be the case, due to our fixed-rate hedging.

### Interest rate swap contracts

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts, calculated on agreed notional principal amounts. These contracts enable us to mitigate the risk of changing interest rates on the cash flow exposures on the variable-rate debt we hold. We determine the fair value of interest rate swaps at the reporting date by discounting the future cash flows, using the yield curves at the reporting date and the credit risk inherent in the contract. This fair value is disclosed on the following page. The average interest rate is based on the outstanding balances at the end of the financial year.

### Cash flow hedges

The following table details the notional principal amounts and remaining terms of interest rate swap contracts outstanding, as at the reporting date:

	Average contract fixed interest rate		Notional principal amount		Fair value	
	2021 %	2020 %	2021 £m	2020 £m	2021 £m	2020 £m
<b>Outstanding receive floating pay fixed contracts</b>						
<b>USD interest rate swaps</b>						
Less than one year	–	1.22	–	36.3	–	–
One to five years	–	–	–	–	–	–
			–	36.3	–	–
<b>GBP interest rate swaps</b>						
One to five years	<b>1.13</b>	1.61	<b>5.0</b>	25.0	–	(0.2)

The interest rate swaps settle on a quarterly basis. The corresponding floating rate on the interest rate swaps is three-month LIBOR. We settle the difference between the fixed and floating interest rate on a net basis.

Interest rate swap contracts that exchange floating-rate interest amounts for fixed-rate interest amounts are designated as cash flow hedges, to reduce our cash flow exposure resulting from variable interest rates on borrowings. The interest rate swaps and the interest payments on the loan occur simultaneously and we recognise the amount deferred in equity in the Income Statement, over the period that the floating rate interest payments on debt affect the Income Statement.

Since LIBOR will cease as a reference rate after December 2021, the Group has migrated to similar but more robust market standard rates of SONIA as the reference rate for GBP and SOFR as the reference rate for USD. All of the existing interest rate swaps expire before 31 December 2021 and as such there is no assumed impact from LIBOR reform in assessing whether these swaps continue to meet the documented hedging criteria.

### Commodity hedges

The Group hedges both feed and slaughter exposures using Chicago Mercantile Exchange lean hog, corn and soybean meal commodity futures contracts.

	Average price		Notional principal amount		Fair value	
	2021 US\$	2020 US\$	2021 £m	2020 £m	2021 £m	2020 £m
<b>Commodity hedge</b>						
Open commodity contracts as at June 2021						
Lean hog	<b>0.79</b>	0.58	<b>7.6</b>	4.7	<b>(0.8)</b>	0.9
Corn	<b>4.78</b>	3.82	<b>(4.3)</b>	(2.0)	<b>1.0</b>	(0.1)
Soybean meal	<b>382</b>	300	<b>(3.5)</b>	(2.1)	<b>(0.1)</b>	–
			<b>(0.2)</b>	0.6	<b>0.1</b>	0.8

**NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED**

For the year ended 30 June 2021

**26. FINANCIAL INSTRUMENTS CONTINUED****Net investment hedges**

The Group policy is to hedge no more than 70% of its wholly owned subsidiaries. The Group has designated EUR 12.5 million of Pig Improvement Company España, S.A. and Bovec S.A. as a hedged item using EUR 12.5 million of the revolving credit facility as a net investment hedge.

The table below shows a reconciliation of the gains or loss deferred in equity:

	2021 £m	2020 £m
Loss at the start of the year	<b>(0.5)</b>	(0.4)
Effective gains/(losses) recognised in equity in period	<b>0.4</b>	(0.1)
Balance carried forward in equity as effective losses	<b>(0.1)</b>	(0.5)

**Credit risk management**

Credit risk is the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the Group. We have a policy of only dealing with creditworthy counterparties. We regularly monitor our exposure and the credit ratings of our counterparties, and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure on financial instruments is controlled by counterparty limits that the Board reviews and approves annually.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. We carry out ongoing credit evaluation of the financial condition of accounts receivable.

**Liquidity risk management**

The Board of Directors has ultimate responsibility for managing liquidity risk. We manage this risk by maintaining adequate reserves and banking facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

**Liquidity and interest risk tables**

For non-derivative financial liabilities, see notes 27, 28 and 38.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities, excluding trade payables and other creditors which are short term and, as disclosed in note 23, have an average credit period of 27 days (2020: 21 days). We have drawn up the table based on the undiscounted cash flows of financial liabilities, using the earliest date on which we can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate %						Total £m
		Less than 1 month £m	1–3 months £m	3 months– 1 year £m	1–5 years £m	5+ years £m	
<b>2021</b>							
Loans and borrowings	<b>1.13</b>	<b>6.9</b>	<b>0.4</b>	<b>9.9</b>	<b>111.5</b>	–	<b>128.7</b>
Lease liabilities	<b>2.81</b>	–	<b>2.4</b>	<b>7.1</b>	<b>21.3</b>	<b>2.8</b>	<b>33.6</b>
Deferred consideration	–	–	<b>0.1</b>	<b>1.2</b>	<b>0.4</b>	–	<b>1.7</b>
Variable interest rate instruments	<b>1.66</b>	<b>6.9</b>	<b>2.9</b>	<b>18.2</b>	<b>133.2</b>	<b>2.8</b>	<b>164.0</b>
<b>2020</b>							
Loans and borrowings	0.92	9.8	0.2	0.2	106.5	–	116.7
Lease liabilities	3.00	–	2.8	8.4	19.7	3.9	34.8
Deferred consideration	–	–	4.6	2.9	1.2	–	8.7
Variable interest rate instruments	1.53	9.8	7.6	11.5	127.4	3.9	160.2

The following table details the Group's expected maturity for other non-derivative financial assets, excluding trade receivables and other debtors. We have drawn up this table based on the undiscounted contractual maturities of the assets, including interest we will earn on them, except where we expect the cash flow to occur in a different period.

	Weighted average effective interest rate %						Total £m
		Less than 1 month £m	1–3 months £m	3 months– 1 year £m	1–5 years £m	5+ years £m	
<b>2021</b>							
Variable interest rate instruments	<b>1.03</b>	<b>38.2</b>	–	<b>7.8</b>	–	–	<b>46.0</b>
<b>2020</b>							
Variable interest rate instruments	1.10	41.3	–	–	–	–	41.3

The Group has financing facilities with a total unused amount of £129.3m (2020: £125.4m) at the balance sheet date. We expect to meet our other obligations from operating cash flows and the proceeds of maturing financial assets. We expect to reduce the debt to equity ratio, as borrowings decrease through repayment from operating cash flows.

## 26. FINANCIAL INSTRUMENTS CONTINUED

The following table details the Group's liquidity analysis for its derivative financial instruments. We have drawn up the table based on the undiscounted net cash outflows on derivative instruments that settle on a net basis and the undiscounted gross outflows on derivatives that require gross settlement. When the amount payable or receivable is not fixed, we have determined the amount disclosed by reference to the projected interest and foreign currency rates, as illustrated by the yield curves at the reporting date.

	Less than 1 month £m	1–3 months £m	3 months– 1 year £m	1–5 years £m	5+ years £m	Total £m
<b>2021</b>						
Foreign exchange contracts	–	–	–	–	–	–
Commodity swaps	0.3	(0.1)	(0.1)	–	–	0.1
Interest rate swaps	–	–	–	–	–	–
<b>2020</b>						
Foreign exchange contracts	0.2	–	–	–	–	0.2
Commodity swaps	0.3	0.5	–	–	–	0.8
Interest rate swaps	–	0.1	0.1	–	–	0.2

Commodity swaps and interest rate swaps are always settled on a net basis. Foreign exchange contracts can be settled on a net or gross basis; the net cash flows presented in the table above reflect an inflow of £88.4m and outflow of £88.4m (2020: inflow of £70.3m and outflow of £70.1m).

## 27. LOANS AND BORROWINGS

The Group's borrowing for funding and liquidity purposes comes from a range of committed bank facilities.

### Interest-bearing loans and borrowings

We initially recognise interest-bearing loans and borrowings at their fair value, less attributable transaction costs. After this initial recognition, we state them at amortised cost and recognise any difference between the cost and redemption value in the Income Statement over the borrowings' expected life, on an effective interest rate basis. The carrying values of these liabilities are a reasonable approximation of their fair values.

	2021 £m	2020 £m
<b>Non-current liabilities</b>		
Unsecured bank loans	109.4	103.6
Obligations under leases (see note 28)	19.3	21.1
	<b>128.7</b>	124.7
<b>Current liabilities</b>		
Unsecured bank loans and overdrafts	13.9	9.2
Obligations under leases (see note 28)	9.0	10.0
	<b>22.9</b>	19.2
<b>Total interest-bearing liabilities</b>	<b>151.6</b>	143.9

### Terms and debt repayment schedule

Terms and conditions of outstanding loans and overdrafts were as follows:

	Currency	2021 Interest rate	2021 £m	2020 £m
Revolving credit facility and overdraft	GBP	1.5%	<b>43.2</b>	28.6
Revolving credit facility, term loan and overdraft	USD	1.5%	<b>59.7</b>	68.5
Revolving credit facility and overdraft	EUR	1.4%	<b>10.7</b>	6.8
Obligations under leases	USD	2.8%	<b>28.3</b>	31.1
Other unsecured bank borrowings	Other	0.8%	<b>9.7</b>	8.9
<b>Total interest-bearing liabilities</b>			<b>151.6</b>	143.9

The above revolving credit facilities are unsecured. Information about the Group's exposure to interest rate and foreign currency risks is shown in note 26.

**NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED**

For the year ended 30 June 2021

**27. LOANS AND BORROWINGS CONTINUED**

	2021 £m	2020 £m
<b>Loans and borrowings (excluding leases) comprise amounts falling due:</b>		
In one year or less or on demand	<b>14.7</b>	9.5
In more than one year but not more than two years	—	103.6
In more than two years but not more than five years	<b>109.9</b>	—
	<b>124.6</b>	113.1
Less: unamortised issue costs	<b>(1.3)</b>	(0.3)
	<b>123.3</b>	112.8
<b>Current liabilities</b>		<b>(13.9)</b>
<b>Non-current liabilities</b>		<b>109.4</b>
		103.6

At the balance sheet date, the Group's credit facilities comprised a £150m multi-currency revolving credit facility ('RCF'), a USD125 million RCF and a USD20 million bond and guarantee facility. The original term of the facility is for three years with two years remaining at the balance sheet date. There is an option to extend the maturity date for a further year before the first and second anniversaries of the signing date. The first extension has been requested to 24 August 2024 and approved by all participating banks, extending the credit facility by a further 12 months. The facility also includes an uncommitted £100m accordion option, which can be requested on a maximum of three occasions over the lifetime of the facility to fund the Group's business development plans.

As part of its interest rate strategy, the Group has entered into interest rate swaps to hedge floating LIBOR rates. As a result, bank loan and overdrafts include borrowings of £5m fixed at 1.13%, excluding applicable bank margin.

**28. OBLIGATIONS UNDER LEASES**

A lease is a commitment to make a payment in the future, primarily in relation to property, plant and machinery and motor vehicles.

**Accounting policies**

In accordance with IFRS 16, we recognise as an expense any payments made in respect of short-term leases (those with a term of less than 12 months) and leases for low-value items on a straight-line basis over the life of the lease.

For all other leases we recognise a liability at the date at which the leased asset is made available for use, and a corresponding right-of-use asset is recognised and depreciated over the term of the lease (see note 17).

Lease liabilities are measured at the present value of the future lease payments, excluding any payments relating to non-lease components. Future lease payments include fixed payments, in-substance fixed payments, and variable lease payments that are based on an index or a rate, less any lease incentives receivable. Lease liabilities also take into account amounts payable under residual value guarantees and payments to exercise options, to the extent that it is reasonably certain that such payments will be made. The payments are discounted at the rate implicit in the lease or, where that cannot be measured, at an incremental borrowing rate.

We remeasure the lease liability (and make a corresponding adjustment to the related right-of-use asset) whenever:

- > The lease term has changed or there is a change in the assessment of the exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- > The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- > A lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The Group did not make any such adjustments during the periods presented.

The changes in the lease liabilities are as follows:

	2021 £m	2020 £m
Balance at the start of the year	<b>31.1</b>	6.1
Recognised on the adoption of IFRS 16	—	26.6
Leases entered into during the year	<b>10.4</b>	9.1
Leases terminated early	<b>(1.0)</b>	—
Payments made	<b>(12.5)</b>	(12.1)
Interest	<b>0.8</b>	1.0
Effect of movements in exchange rates	<b>(0.5)</b>	0.4
<b>Balance at the end of the year</b>	<b>28.3</b>	31.1

At 30 June 2021, the Group is committed to £0.1m (2020: £0.1m) for short-term leases.

## 28. OBLIGATIONS UNDER LEASES CONTINUED

The maturity of the obligations under leases are as follows

	2021 £m	2020 £m
FY21	-	10.0
FY22	<b>9.0</b>	7.8
FY23	<b>6.8</b>	5.2
FY24	<b>4.7</b>	3.2
FY25	<b>2.8</b>	1.6
FY26	<b>2.0</b>	1.2
FY27	<b>1.3</b>	1.2
FY28	<b>0.8</b>	0.7
After FY28	<b>0.9</b>	0.2
	<b>28.3</b>	31.1
Presented as:		
Current	<b>9.0</b>	10.0
Non-current	<b>19.3</b>	21.1
	<b>28.3</b>	31.1

Lease obligations denominated in currencies other than Sterling comprise £15.9m denominated in US Dollars (2020: £18.0m), £2.7m denominated in Euros (2020: £3.3m) and £3.0m denominated in other currencies (2020: £2.6m).

## 29. RETIREMENT BENEFIT OBLIGATIONS

The Group operates a number of defined contribution and defined benefit pension schemes covering many of its employees. The principal funds are the Milk Pension Fund ('MPF') and the Dalgety Pension Fund ('DPF') in the UK, which are defined benefit schemes. The assets of these funds are held separately from the Group's assets, are administered by trustees and managed professionally.

### Accounting policies

#### Defined contribution pension schemes

A number of our employees are members of defined contribution pension schemes. We charge contributions to the Income Statement as they become payable under the scheme rules. We show differences between the contributions payable and the amount we have paid as either accruals or prepayments in the Balance Sheet. The schemes' assets are held separately from the Group's assets.

#### Defined benefit pension schemes

The Group operates defined benefit pension schemes for some of its employees. These schemes are closed to new members and to further accrual. We calculate our net obligation separately for each scheme, by estimating the amount of future benefit that employees have earned, in return for their service to date. We discount that benefit to determine its present value and deduct the fair value of the plan's assets (at bid price). The liability discount rate we use is the market yield at the balance sheet date on high-quality corporate bonds, with terms to maturity approximating our pension liabilities. Qualified actuaries perform the calculations, using the projected unit method.

We recognise actuarial gains and losses in equity in the period in which they occur, through the Group Statement of Comprehensive Income. Actuarial gains and losses include the difference between the expected and actual return on scheme assets and experience gains and losses on scheme liabilities.

Genus and the other participating employers are jointly and severally liable for the MPF's obligations. We account for our section of the scheme and our share of any orphan assets and liabilities, and provide for any amounts we believe we will have to pay under our joint and several liability. The joint and several liability also means we have a contingent liability for the scheme's obligations that we have not accounted for.

Under the joint and several liability, we initially recognise any changes in our share of orphan assets and liabilities in the Income Statement. After this initial recognition, any actuarial gains and losses on the orphan assets and liabilities are recognised directly in equity through the Group Statement of Changes in Equity, in the period in which they occur.

During the year, the DPF defined benefit pension scheme purchased annuities in order to hedge longevity risk for pensioners within the scheme. As permitted by IAS 19, the Group has opted to recognise the difference between the fair value of the plan assets and the cost of the policy as an actuarial loss in Other Comprehensive Income.

We measure the fair value of our qualifying insurance policy assets to be the deemed present value of the related obligation.

**NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED**

For the year ended 30 June 2021

**29. RETIREMENT BENEFIT OBLIGATIONS CONTINUED**

## Retirement benefit obligations

The financial positions of the defined benefit schemes, as recorded in accordance with IAS 19 and IFRIC 14, are aggregated for disclosure purposes. The liability split by principal scheme is set out below.

	2021 £m	2020 £m
The Milk Pension Fund – Genus's share	<b>2.2</b>	7.5
The Dalgety Pension Fund	–	–
National Pig Development Pension Fund	<b>0.3</b>	0.7
Post-retirement healthcare	<b>0.6</b>	0.6
Other unfunded schemes	<b>8.0</b>	9.3
<b>Overall net pension liability</b>	<b>11.1</b>	18.1

Overall, we expect to pay £4.1m (2021: £8.0m) in contributions to defined benefit plans in the 2022 financial year.

The defined benefit plans are administered by trustee boards that are legally separated from the Group. The trustee board of each pension fund consists of representatives who are employees, former employees or are independent from the Company. The boards of the pension funds are required by law to act in the best interest of the plan participants and are responsible for setting certain policies, such as investment and contribution policies, and for the governance of the fund.

The defined benefit pension schemes expose the Group to actuarial risks such as greater than expected longevity of members, lower than expected return on investments and higher than expected inflation, which may increase the plans' liabilities or reduce the value of their assets.

UK pensions are regulated by The Pensions Regulator, a non-departmental public body established under the Pensions Act 2004 and sponsored by the Department for Work and Pensions, operating within a legal regulatory framework set by the UK Parliament. The Pensions Regulator has statutory objectives set out in legislation, which include promoting and improving understanding of the good administration of work-based pensions, protecting member benefits and regulating occupational defined benefit and contribution schemes. The Pensions Regulator's statutory objectives and regulatory powers are described on its website at [thepensionsregulator.gov.uk](http://thepensionsregulator.gov.uk).

All defined benefit schemes are registered as an occupational pension plan with HMRC and are subject to UK legislation and oversight from The Pensions Regulator. UK legislation requires that pension schemes are funded prudently and valued at least every three years. Separate valuations are required for each scheme. Within 15 months of each valuation date, the plan trustees and the Group must agree any contributions required to ensure that the plan is fully funded over time, on a suitably prudent measure.

Funding plans are individually agreed with the respective trustees for each of the Group's defined benefit pension schemes, taking into account local regulatory requirements.

On 20 November 2020, the High Court ruled that individual transfer payments made since 17 May 1990 would need to be equalised for the effects of GMP. This judgment followed on from the previous judgment on 26 October 2018, where the High Court ruled that schemes had a legal obligation to pay benefits allowing for GMP equalisation, resulting in an additional liability being recognised. The previous judgment had not considered historic transfer values. Genus's pension schemes are also affected by this ruling, resulting in an aggregate past service charge of £2.3m in the period, being £0.9m for the DPF and £1.4m for the MPF.

**The Milk Pension Fund ('MPF')**

The MPF was previously operated by the Milk Marketing Board and was also open to staff working for Milk Marque Ltd (the principal employer, now known as Community Foods Group Limited), National Milk Records plc, First Milk Ltd, hauliers associated to First Milk Ltd, Dairy Farmers of Britain Ltd (which went into receivership in June 2009) and Milk Link Ltd.

We have accounted for our section of the scheme and our share of any orphan assets and liabilities, which together represent approximately 86% of the MPF (2020: 86%). Although the MPF is managed on a sectionalised basis, it is a 'last man standing scheme', which means that all participating employers are jointly and severally liable for all of the fund's liabilities. With effect from 30 June 2013, Genus's remaining active members ceased accruing benefits in the fund and became deferred pensioners.

The most recent actuarial triennial valuation of the MPF was at 31 March 2018 and was carried out by qualified actuaries. The valuation has been agreed by the trustees.

The principal actuarial assumptions adopted in the 2018 valuation were that:

- > investment returns on existing assets would exceed fixed-interest gilt yields by 1.6% per annum until 31 March 2030, then by 0.5% per annum thereafter;
- > Consumer Price Index ('CPI') price inflation is expected to be 0.9% per annum lower than Retail Price Index ('RPI') price inflation; and
- > pensions in payment and pensions in deferment would increase in future in line with CPI price inflation, subject to various minimum and maximum increases.

At 31 March 2018, the market value of the fund's assets was £454m. This represented approximately 95% of the value of the uninsured liabilities, which were £480m at that date.

## **29. RETIREMENT BENEFIT OBLIGATIONS CONTINUED**

The deficit in the fund as a whole, by reference to the 31 March 2018 valuation, was £26m (of which Genus's notional share was £22m). This shortfall is being addressed by additional contributions from the participating employers. Under the trustee prepared schedule of contributions, Genus is required to make deficit repair contributions of £6.0m per annum commencing 1 April 2018, and rising thereafter by 3.4% per annum until 30 September 2021, in addition to funding the scheme's operating expenses.

The disclosures required under IAS 19 have been calculated by an independent actuary, based on accurate calculations carried out as at 31 March 2018 and updated to 30 June 2021.

Genus has assessed its additional pension liability under IFRIC 14 by reference to this schedule of contributions, resulting in an amount of £42.9m (2020: £22.6m) being recognised in the Group Statement of Comprehensive Income.

### Dalgety Pension Fund ('DPF')

The most recent actuarial valuation of the DPF was at 31 March 2018 and was carried out by qualified actuaries.

The principal actuarial assumptions adopted in the 2018 valuation were that:

- > investment returns on existing assets would exceed fixed-interest gilt yields by 1.6% per annum until 31 March 2018, then equal the gilt yield per annum thereafter;
- > CPI price inflation is expected to be 0.7% per annum lower than RPI price inflation; and
- > pensions in payment and pensions in deferment would increase in future in line with CPI price inflation, subject to various minimum and maximum increases.

The market value of the available assets at 31 March 2018 was £32.9m. The value of those assets represented approximately 109% of the value of the uninsured liabilities, which were £30.2m at 31 March 2018. Under the funding agreement, the Company will not have to make deficit repair contributions.

The disclosures required under IAS 19 have been calculated by an independent actuary, based on accurate calculations carried out as at 31 March 2018 and updated to 30 June 2021.

As at 30 June 2021 the DPF, which includes a £20.5m separate reserve held against future unknown liabilities materialising, was in an overall net pension asset position of £8.8m. However, the Company does not have the unilateral right to this surplus and therefore in line with IFRIC 14, the recognition of this asset is restricted.

In August 2019, the trustees purchased an additional bulk buy-in annuity policy with Legal and General in respect of the remaining deferred and pensioner members, at a cost of £38m. This reflected a £15m premium over an estimated IAS 19 liability of £23m, reducing the restriction on the recognition of assets.

The primary bulk annuity policy was secured with an insurance company in July 1999, which matched the benefit entitlement of almost all of the fund's current and deferred pension liabilities at that time. The value of the policy and related liabilities at 30 June 2021 was £654m (2020: £691m). We do not have any legal rights to any surplus relating to these bulk annuity policies.

### National Pig Development Company Pension Fund ('NPD')

The Group operates a closed defined benefit scheme for a small number of former employees of the National Pig Development Company Limited. The total market value of scheme assets and liabilities at 30 June 2021, under the provisions of IAS 19, were £6.3m (2020: £6.1m) and £6.6m (2020: £6.8m), respectively.

The most recent actuarial triennial valuation of the NPD was at 30 June 2017 and was carried out by qualified actuaries. The valuation has been agreed by the trustees.

The principal actuarial assumptions adopted in the 2017 valuation were that:

- > investment returns on existing assets would exceed fixed-interest gilt yields by 1.7% per annum;
- > CPI price inflation is expected to be 1.0% per annum lower than RPI price inflation; and
- > pensions in payment and pensions in deferment would increase in future in line with CPI price inflation, subject to various minimum and maximum increases.

The market value of the available assets at 30 June 2017 was £5.2m. The value of those assets represented approximately 78% of the value of the uninsured liabilities, which were £6.7m at 30 June 2017. Under the trustee prepared schedule of contributions, Genus is required to make deficit repair contributions of £250,000 per annum commencing 1 July 2017.

The disclosures required under IAS 19 have been calculated by an independent actuary, based on accurate calculations carried out as at 30 June 2017 and updated to 30 June 2021.

### Other unfunded schemes

When the Group acquired Sygen International plc in 2005, it also acquired three unfunded defined benefit schemes and an unfunded retirement health benefit plan, which it now operates for the benefit of the previous Group's senior employees and executives.

### Unfunded defined benefits schemes

The scheme liabilities for the three unfunded defined benefit schemes amounted to £6.6m (2020: £8.4m), based on IAS 19's methods and assumptions. This amount is included within pension liabilities in the Group Balance Sheet. It also operates several unfunded defined benefits which amounted to £1.4m (2020: £0.9m). Interest on pension scheme liabilities amounted to £0.2m (2020: £0.2m). The disclosures required under IAS 19 have been calculated by an independent actuary, using the principal assumptions used to calculate the scheme liabilities as for the defined benefit schemes.

## NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

For the year ended 30 June 2021

### 29. RETIREMENT BENEFIT OBLIGATIONS CONTINUED

#### *Post-retirement healthcare*

The scheme liabilities for the unfunded retirement health benefit plan amounted to £0.6m (2020: £0.6m), based on IAS 19's methods and assumptions. This amount is included within retirement benefit obligations in the Group Balance Sheet. Interest on plan liabilities amounted to £nil (2020: £nil).

The principal assumptions used to calculate the plan liabilities were that the discount rate would be 1.90% (2020: 1.65%) and that the long-term rate of medical expense inflation would be 6.9% (2020: 6.8%).

#### Aggregated position of defined benefit schemes

	2021 £m	2020 £m
Present value of funded obligations (includes Genus's 86% share of MPF (2020: 86%))	<b>1,097.7</b>	1,159.5
Present value of unfunded obligations	<b>8.9</b>	9.8
Total present value of obligations	<b>1,106.6</b>	1,169.3
Fair value of plan assets (includes Genus's 86% share of MPF (2020: 86%))	<b>(1,147.2)</b>	(1,182.5)
Restricted recognition of asset (DPF)	<b>8.8</b>	8.7
Recognition of additional liability (MPF)	<b>42.9</b>	22.6
<b>Recognised liability for defined benefit obligations</b>	<b>11.1</b>	18.1

Each of the defined benefit schemes manages risks through a variety of methods and strategies, including equity protection, to limit the downside risk of falls in equity markets, as well as inflation and interest rate hedging. By funding its defined benefits schemes, the Group is exposed to the risk that the cost of meeting its obligations is higher than anticipated. This could occur for several reasons, for example:

- > Investment returns on the schemes' assets may be lower than anticipated, especially if falls in asset values are not matched by similar falls in the value of the schemes' liabilities.
- > The level of price inflation may be higher than that assumed, resulting in higher payments from the schemes.
- > Scheme members may live longer than assumed, for example due to advances in healthcare. Members may also exercise (or not exercise) options in a way that leads to increases in the schemes' liabilities, for example through early retirement or commutation of pension for cash.
- > Legislative changes could also lead to an increase in the schemes' liabilities.

#### Aggregated position of defined benefit schemes

The fair value of the total plan assets at the end of the reporting period for each category is as follows:

	Level 1 £m	Level 2 £m	Level 3 £m	2021 £m	Level 1 £m	Level 2 £m	Level 3 £m	2020 £m
Equities	–	<b>58.5</b>	–	<b>58.5</b>	–	50.6	–	50.6
Diversified growth funds	<b>0.2</b>	<b>98.0</b>	–	<b>98.2</b>	0.2	91.5	–	91.7
Liability driven investments	–	<b>116.8</b>	–	<b>116.8</b>	–	145.4	–	145.4
Gilts and corporate bonds	–	<b>121.1</b>	–	<b>121.1</b>	–	115.5	–	115.5
Cash	<b>1.6</b>	<b>4.1</b>	–	<b>5.7</b>	1.6	7.4	–	9.0
Property	<b>3.9</b>	–	<b>34.4</b>	<b>38.3</b>	3.3	–	33.6	36.9
Direct lending	–	<b>3.7</b>	<b>27.4</b>	<b>31.1</b>	–	2.8	14.8	17.6
Bulk annuity policy	–	–	<b>677.5</b>	<b>677.5</b>	–	–	714.6	714.6
Other	–	–	–	–	1.2	–	–	1.2
	<b>5.7</b>	<b>402.2</b>	<b>739.3</b>	<b>1,147.2</b>	6.3	413.2	763.0	1,182.5

Note:

Level 1: valued using unadjusted quoted prices in active markets for identical financial instruments.

Level 2: valued using techniques based on information that can be obtained from observable market data.

Level 3: valued using techniques incorporating information other than observable market data.

**29. RETIREMENT BENEFIT OBLIGATIONS CONTINUED**

Movement in the liability for defined benefit obligations

	2021 £m	2020 £m
Liability for defined benefit obligations at the start of the year (including the bulk annuity policy (DPF))	<b>1,169.3</b>	1,179.5
Benefits paid by the plans	<b>(57.8)</b>	(58.1)
Current service costs and interest	<b>18.8</b>	27.1
Actuarial gains recognised on fund liabilities arising from changes in demographic assumptions	<b>(2.7)</b>	(23.0)
Actuarial (gains)/losses recognised on fund liabilities arising from changes in financial assumptions	<b>(22.4)</b>	85.4
Actuarial gains recognised on fund liabilities arising from experience (other)	<b>(0.9)</b>	(41.5)
Reclassified from accruals	<b>0.7</b>	–
Past service cost	<b>2.3</b>	–
Exchange rate adjustment	<b>(0.7)</b>	(0.1)
<b>Liability for defined benefit obligations at the end of year</b>	<b>1,106.6</b>	1,169.3

Movement in plan assets

	2021 £m	2020 £m
Fair value of plan assets at the start of the year (including the bulk annuity policy (DPF))	<b>1,182.5</b>	1,201.1
Administration expenses	<b>(0.4)</b>	(0.5)
Reclassified from accruals	<b>0.3</b>	–
Contributions paid into the plans	<b>7.4</b>	8.4
Benefits paid by the plans	<b>(57.8)</b>	(58.1)
Interest income on plan assets	<b>18.9</b>	27.3
Actuarial (losses)/gains recognised in equity	<b>(3.7)</b>	4.3
<b>Fair value of plan assets at the end of the year</b>	<b>1,147.2</b>	1,182.5

**Aggregated position of defined benefit schemes**

Summary of movements in Group deficit during the year

	2021 £m	2020 £m
Deficit in schemes at the start of the year	<b>(18.1)</b>	(24.2)
Administration expenses	<b>(0.4)</b>	(0.5)
Exceptional cost of GMP equalisation	<b>(2.3)</b>	–
Reclassified from accruals	<b>(0.4)</b>	–
Contributions paid into the plans	<b>7.4</b>	8.4
Net pension finance cost	<b>(0.3)</b>	(0.4)
Actuarial gains/(losses) recognised during the year	<b>22.3</b>	(16.6)
Movement in restriction of assets	<b>(0.1)</b>	10.4
(Recognition)/release of additional liability	<b>(19.9)</b>	4.7
Exchange rate adjustment	<b>0.7</b>	0.1
<b>Deficit in schemes at the end of the year</b>	<b>(11.1)</b>	(18.1)

Amounts recognised in the Group Income Statement

	2021 £m	2020 £m
Administrative expenses	<b>0.4</b>	0.5
Interest obligation	<b>18.8</b>	27.1
Interest income on plan assets	<b>(18.9)</b>	(27.3)
Interest on additional liability	<b>0.4</b>	0.6
Exceptional cost of GMP equalisation	<b>2.3</b>	–
	<b>3.0</b>	0.9

**NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED**

For the year ended 30 June 2021

**29. RETIREMENT BENEFIT OBLIGATIONS CONTINUED**

The expense is recognised in the following line items in the Group Income Statement

	2021 £m	2020 £m
Administrative expenses	<b>0.4</b>	0.5
Exceptional cost of GMP equalisation	<b>2.3</b>	–
Net finance charge	<b>0.3</b>	0.4
	<b>3.0</b>	0.9

Actuarial losses/(gains) recognised in the Group Statement of Comprehensive Income

	2021 £m	2020 £m
Cumulative loss at the start of the year	<b>63.3</b>	61.9
Actuarial (gains)/losses recognised during the year	<b>(22.3)</b>	16.6
Movement in restriction of assets	<b>0.1</b>	(10.4)
Recognition/(release) of additional liability	<b>19.9</b>	(4.7)
Exchange rate adjustment	<b>(0.7)</b>	(0.1)
<b>Cumulative loss at the end of the year</b>	<b>60.3</b>	63.3

## Actuarial assumptions and sensitivity analysis

Principal actuarial assumptions (expressed as weighted averages) are:

	2021	2020
Discount rate	<b>1.90%</b>	1.65%
Consumer Price Index	<b>2.10%</b>	2.10%
Retail Price Index	<b>2.85%</b>	2.80%

The mortality assumptions used are consistent with those recommended by the schemes' actuaries and reflect the latest available tables, adjusted for the experience of the scheme where appropriate. For 2021, the mortality tables used are 97% of the S2NA tables, with birth year and 2021 CMI projections with a smoothing parameter of  $S_k = 7.0$ , subject to a long-term rate of improvement of 1.25% for males and females and 2019 the mortality tables used are 97% of the S2NA tables, with birth year and 2019 CMI projections with a smoothing parameter of  $S_k = 7.0$ , subject to a long-term rate of improvement of 1.25% for males and females.

**Aggregated position of defined benefit schemes**

The following table shows the assumptions used for all schemes and illustrates the life expectancy of an average member retiring at age 65 at the balance sheet date and a member reaching age 65 in 20 years' time.

	2021 Years	2020 Years
Retiring at balance sheet date at age 65		
Male	<b>22.0</b>	22.0
Female	<b>24.4</b>	24.3
Retiring at age 65 in 20 years' time		
Male	<b>23.3</b>	23.3
Female	<b>25.9</b>	25.8

**Duration of benefit obligations**

	2021 Years	2020 Years
Weighted average duration of the defined benefit obligations	<b>13.8</b>	13.9
Weighted average duration of the defined benefit obligations, excluding defined benefit obligations backed by purchased annuities	<b>17.1</b>	17.1

**Sensitivity analysis**

Measurement of the Group's defined benefit obligation is sensitive to changes in certain key assumptions. The sensitivity analysis below shows how a reasonably possible increase or decrease in a particular assumption would, in isolation, result in an increase or decrease in the present value of the defined benefit obligation as at 30 June 2021. We have included additional sensitivity analysis, which excludes the value of our defined benefit obligations backed by purchased annuities, as the asset value is the deemed present value of obligations, with no movement to the overall scheme deficits. Given recent market volatility due to the impact of COVID-19, we continue to use a sensitivity analysis of 0.5%.

	Discount rate		Rate of inflation		Life expectancy	
	Decrease by 0.5% £m	Increase by 0.5% £m	Decrease by 0.5% £m	Increase by 0.5% £m	Decrease by 1 year £m	Increase by 1 year £m
Increase/(decrease) in present value of defined obligation	88.7	(84.3)	(60.0)	68.8	(44.6)	44.6
Excluding purchased annuity obligations increase/(decrease) in present value of defined obligation	34.4	(32.7)	(23.2)	26.7	(17.3)	17.3

The sensitivity analysis may not be representative of an actual change in the defined benefit obligation, as it is unlikely that changes in assumptions would occur in isolation from one another.

## 29. RETIREMENT BENEFIT OBLIGATIONS CONTINUED

The sensitivities assume the funds' assets remain unchanged. However, in practice changes in interest rates and inflation will also affect the value of the funds' assets. The funds' investment strategy is to hold matching assets with values that move in line with the liabilities of the fund, to protect against changes in interest rates and inflation.

This sensitivity analysis has been prepared using the same method adopted when adjusting results of the latest funding valuation to the balance sheet date. This is the same approach adopted in previous periods.

The history of experience adjustment is as follows:

	2021 £m	2020 £m	2019 £m	2018 £m	2017 £m
Present value of the defined benefit obligation	<b>1,106.6</b>	1,169.3	1,179.5	1,094.7	1,141.2
Fair value of plan assets	( <b>1,147.2</b> )	(1,182.5)	(1,201.1)	(1,129.3)	(1,126.4)
Restrict recognition of asset and recognition of additional liability	<b>51.7</b>	31.3	45.8	68.5	26.1
<b>Deficit in the plans</b>	<b>11.1</b>	18.1	24.2	33.9	40.9
Experience adjustments arising on plan liabilities (%)	<b>2.1</b>	1.8	4.8	2.7	2.7
Experience adjustments arising on plan assets (%)	<b>2.4</b>	1.6	2.5	1.0	2.8

## 30. SHARE-BASED PAYMENTS

We have a number of share plans used to award shares to Directors and senior management as part of their remuneration. To record the cost of these, a charge is recognised over the vesting period in the Group Income Statement, based on the fair value of the award on the date of grant.

### Accounting policies

We recognise the fair value of share awards and options granted as an employee expense, with a corresponding increase in equity. We measure the fair value at the grant date and spread it over the vesting period of each option. We use a binomial valuation model to measure the fair value of options and a Black-Scholes valuation model to measure the fair value of share awards. We adjust the amount we recognise as an expense, to reflect the estimated performance against non-market related conditions and the number of share awards and options that actually vest at the end of the vesting period.

The Group recognised a total share-based payment expense of £7.7m (2020: £5.8m), including National Insurance contributions of £1.2m (2020: £1.0m).

### Share awards

There were 665,522 conditional share awards outstanding at 30 June 2021. These conditional shares were awarded to Executive Directors and senior management under the 2014 Performance Share Plan on 20 November 2014, 14 September 2015, 14 September 2016, 13 September 2017, 9 October 2018, 11 September 2019, 7 April 2020 and 14 September 2020. In accordance with the plan's terms, participants have received a conditional annual award of shares or nil cost option awards, which will normally vest after three years, with the proportion of the award vesting depending on growth in the Group's adjusted earnings per share. Further details of the plan's performance conditions are given in the Directors' Remuneration Report.

During the year ended 30 June 2021:

- > 185,386 awards were granted on 14 September 2020, with an aggregate fair value of £7139,000. The fair value of services received in return for share awards granted is based on the fair value of share awards granted, measured using a Black-Scholes valuation model. At the date of grant, the fair value of a share awarded was £38.51, based on an expected dividend yield of 0.90%.
- > 6,219 awards in total were granted on 8 September 2020, 5 October 2020, 12 October 2020, 25 February 2021, 13 April 2021 and 19 April 2021, with an aggregate fair value of £287,000. The fair value of services received in return for share awards granted is based on the fair value of share awards granted, measured using a Black-Scholes valuation model. At the date of grant, the aggregate fair value of a share awarded was £46.15, based on an expected dividend yield of 0.76%.

	Number of awards 2021	Number of awards 2020
Outstanding at the start of year	<b>770,690</b>	933,772
Exercised during the year	( <b>193,601</b> )	(203,438)
Forfeited during the year	( <b>103,172</b> )	(210,326)
Granted during the year	<b>191,605</b>	250,682
<b>Outstanding at 30 June</b>	<b>665,522</b>	770,690
<b>Exercisable at 30 June</b>	<b>9,108</b>	14,694

### Bonus and restricted stock share awards

In addition to the outstanding share awards above, there were 72,466 bonus and restricted stock share awards outstanding at 30 June 2021. The bonus shares were awarded to Executive Directors and senior management as part of the compulsory deferred bonus, and restricted stock share awards were granted to senior management in connection with recruitment. In accordance with the awards' terms, participants have received a conditional annual bonus award of shares or nil cost option awards, which will normally vest between one and three years after award, providing the participant is employed by the Group at that time.

In the year ended 30 June 2021, 22,383 bonus share awards were granted on 14 September 2020, with an aggregate fair value of £862,000.

**NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED**

For the year ended 30 June 2021

**30. SHARE-BASED PAYMENTS CONTINUED**

	Number of awards 2021	Number of awards 2020
Outstanding at the start of year	<b>84,061</b>	138,633
Exercised during the year	<b>(32,654)</b>	(33,269)
Forfeited during the year	<b>(1,324)</b>	(42,041)
Granted during the year	<b>22,383</b>	20,738
<b>Outstanding at 30 June</b>	<b>72,466</b>	84,061
<b>Exercisable at 30 June</b>	<b>—</b>	—

**Share options**

On 12 August 2004, the Group established a share option programme that entitles key management and other senior employees to purchase shares in the Company. Further grants on similar terms were offered to these employee groups as set out below. The terms and conditions of the grants are as set out below. All options are to be settled by physical delivery of shares and meet the criteria for being treated as equity settled.

Employees entitled	Grant date	Number of instruments	Vesting conditions	Option exercise price	Contractual life of options
2004 Company share plan	9 September 2011	3,398	Exercisable	977.83p	10 years
2004 Company share plan	7 September 2012	15,245	Exercisable	1,334.00p	10 years
2004 Company share plan	26 September 2013	13,990	Exercisable	1,413.00p	10 years
<b>Total share options</b>		<b>32,633</b>			

**Share options**

The number and weighted average exercise prices of share options are as follows:

	Weighted average exercise price 2021	Number of options 2021	Weighted average exercise price 2020	Number of options 2020
Outstanding at the start of year	<b>1,173p</b>	<b>67,131</b>	1,137p	120,688
Forfeited during the year	<b>915p</b>	<b>(9,489)</b>	—	—
Share appreciation rights effected during the year	<b>1,059p</b>	<b>(5,134)</b>	1,184p	(16,491)
Exercised during the year	<b>981p</b>	<b>(19,875)</b>	1,021p	(37,066)
<b>Outstanding at 30 June</b>	<b>1,331p</b>	<b>32,633</b>	1,173p	67,131
<b>Exercisable at 30 June</b>	<b>1,331p</b>	<b>32,633</b>	1,173p	67,131

The options at 30 June 2021 had a weighted average remaining contractual life of 1.6 years (2020: 2.0 years). No share options were granted during the year (2020: nil). The weighted average share price at the date of exercise during the year was £44.73p (2020: £31.34p).

**31. CAPITAL AND RESERVES**

Called up share capital is the number of shares in issue at their par value. A number of shares were issued in the year, in relation to the employee share schemes.

**Accounting policies**

Equity instruments issued by the Group are recorded at the amounts of the proceeds received, net of direct issuance costs.

**Own shares**

We include the transactions, assets and liabilities of the Group-sponsored Qualifying Employee Share Ownership Trust ('QUEST') in the Group Financial Statements. In particular, the trust's purchases of the Company's shares are deducted from shareholders' funds until they vest unconditionally with employees.

**Share capital**

	2021 Number	2020 Number	2021 £m	2020 £m
<b>Issued and fully paid</b>				
Ordinary shares of 10 pence	<b>65,761,500</b>	65,091,625	<b>6.6</b>	6.5

There is no authorised share capital limit.

The holders of ordinary shares are entitled to receive dividends, as declared from time to time.

The movement in share capital for the period was as follows:

	2021 Number	2020 Number	2021 £m	2020 £m
Issued under the Executive Share Option Plan	<b>19,875</b>	37,066	—	—
Issued to Employee Benefit Trust	<b>650,000</b>	—	<b>0.1</b>	—
	<b>669,875</b>	37,066	<b>0.1</b>	—

**31. CAPITAL AND RESERVES** CONTINUED

Shares issued under the Executive Share Option Plan were issued at option prices as follows:

	2021 Number	2021 Price	2020 Number	2020 Price
<b>Executive Share Option Plan</b>	—	—	6,097	654.50p
6,599	729.83p	9,213	729.83p	
9,032	977.83p	7,175	977.83p	
1,738	1334.00p	6,209	1334.00p	
2,506	1413.00p	8,372	1413.00p	
<b>19,875</b>		<b>37,066</b>		

**Reserve for own shares**

The Company's shares are held by a QUEST, which is an employee benefit trust established to facilitate the operation of our long-term incentive scheme for senior management. The reserve amount represents the deduction in arriving at shareholders' funds for the consideration the trust paid for the Company's shares, which had not vested unconditionally at the balance sheet date. The number and market value of the ordinary shares held by the Employee Benefit Trust and the QUEST were:

	2021 Number	2020 Number	2021 £m	2020 £m
Shares allocated but not vested	509,269	75,184	25.2	2.6
Unallocated shares	92,334	92,334	4.6	3.3
<b>601,603</b>		<b>167,518</b>	<b>29.8</b>	<b>5.9</b>

The shares have a nominal value of £60,160 (2020: £16,752).

**Translation reserve**

The translation reserve comprises all foreign currency differences arising from translating the financial statements of our foreign operations.

The Group uses foreign currency denominated borrowings of £10.7m (2020: £6.8m) as a hedge against the translation exposure on the Group's net investment in overseas companies. Where the hedge is fully effective at hedging the variability in the net assets of such companies caused by changes in exchange rates, the changes in value of the borrowings are recognised in the Consolidated Statement of Comprehensive Income and accumulated in the hedging and translation reserves. The ineffective part of any change in value caused by changes in exchange rates is recognised in the Consolidated Income Statement.

**Hedging reserve**

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments, net of taxation.

Hedging and translation reserves

	Hedging reserve £m	Translation reserve £m
<b>Balance at 30 June 2019</b>	0.2	35.8
Exchange differences on translation of overseas operations	—	(4.8)
Gain recognised on net investment hedges	—	(0.1)
Gain recognised on cash flow hedges – interest rate swaps	(0.4)	—
Income tax related to net gains recognised in other comprehensive income	—	(1.4)
<b>Balance at 30 June 2020</b>	(0.2)	29.5
Exchange differences on translation of overseas operations	—	(45.4)
Loss recognised on net investment hedges	—	0.4
Loss recognised on cash flow hedges – interest rate swaps	0.2	—
Income tax related to net losses recognised in other comprehensive income	—	7.6
<b>Balance at 30 June 2021</b>	—	(7.9)

**NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED**

For the year ended 30 June 2021

**32. NOTES TO THE CASH FLOW STATEMENT**

	2021 £m	(restated) 2020 £m
Profit for the year	<b>46.8</b>	35.7
Adjustment for:		
Net IAS 41 valuation movement on biological assets	<b>10.8</b>	(15.8)
Amortisation of acquired intangible assets	<b>7.4</b>	8.5
Share-based payment expense	<b>7.7</b>	5.8
Share of profit of joint ventures and associates	<b>(13.1)</b>	(8.9)
Finance costs (net)	<b>5.0</b>	5.0
Income tax expense	<b>9.0</b>	10.6
Exceptional items	<b>3.3</b>	19.2
Adjusted operating profit from continuing operations	<b>76.9</b>	60.1
Depreciation of property, plant and equipment	<b>24.0</b>	24.0
Loss on disposal of plant and equipment	<b>0.4</b>	3.7
Loss on disposal of intangible assets	<b>0.5</b>	1.2
Amortisation and impairment of intangible assets	<b>3.7</b>	4.6
Adjusted earnings before interest, tax, depreciation and amortisation	<b>105.5</b>	93.6
Cash impact of exceptional items	<b>(3.0)</b>	(5.8)
Other movements in biological assets and harvested produce	<b>(12.8)</b>	(2.9)
Decrease in provisions and release in deferred consideration	<b>(0.4)</b>	(2.2)
Additional pension contributions in excess of pension charge	<b>(7.0)</b>	(7.9)
Other	<b>(1.3)</b>	(0.9)
Operating cash flows before movement in working capital	<b>81.0</b>	73.9
(Increase)/decrease in inventories	<b>(1.3)</b>	0.1
Increase in receivables	<b>(11.0)</b>	(8.8)
Increase in payables	<b>17.9</b>	12.0
Cash generated by operations	<b>86.6</b>	77.2
Interest received	<b>0.4</b>	0.3
Interest and other finance costs paid	<b>(2.8)</b>	(3.4)
Interest on leased assets	<b>(0.8)</b>	(1.0)
Cash flow from derivative financial instruments	<b>0.2</b>	0.5
Income taxes paid	<b>(16.1)</b>	(13.5)
<b>Net cash from operating activities</b>	<b>67.5</b>	60.1

1 See note 2 for details of the prior period restatement.

**Analysis of net debt**

Total changes in liabilities due to financing activities are as follows:

	At 1 July 2020 £m	Net cash flows £m	Foreign exchange £m	Other non-cash movements £m	At 30 June 2021 £m
<b>Cash and cash equivalents</b> (see note 22)	41.3	<b>6.6</b>	<b>(1.9)</b>	–	<b>46.0</b>
Interest-bearing loans – current (see note 27)	(9.2)	<b>(4.4)</b>	<b>0.6</b>	<b>(0.9)</b>	<b>(13.9)</b>
Lease liabilities – current (see note 28)	(10.0)	<b>11.7</b>	<b>0.2</b>	<b>(10.9)</b>	<b>(9.0)</b>
	(19.2)	<b>7.3</b>	<b>0.8</b>	<b>(11.8)</b>	<b>(22.9)</b>
Interest-bearing loans – non-current (see note 27)	(103.6)	<b>(12.7)</b>	<b>6.9</b>	–	<b>(109.4)</b>
Lease liabilities – non-current (see note 28)	(21.1)	–	<b>0.3</b>	<b>1.5</b>	<b>(19.3)</b>
	(124.7)	<b>(12.7)</b>	<b>7.2</b>	<b>1.5</b>	<b>(128.7)</b>
<b>Total debt financing</b>	(143.9)	<b>(5.4)</b>	<b>8.0</b>	<b>(10.3)</b>	<b>(151.6)</b>
<b>Net debt</b>	(102.6)	<b>1.2</b>	<b>6.1</b>	<b>(10.3)</b>	<b>(105.6)</b>

Included within non-cash movements is £9.4m in relation to net new leases and £0.9m in the unwinding of debt issue costs.

### 33. OPERATING LEASES

#### Accounting policies

For short-term leases (those with a term of less than 12 months) and low-value items, we charge the rentals payable to the Income Statement on a straight-line basis over the lease term.

The Company has elected not to apply IFRS 16 to contracts where the right-of-use asset would be recognised as an intangible asset (e.g. software licences).

Total of future minimum lease payments under non-cancellable operating leases which expire:

	2021 £m	2020 £m
In less than one year	<b>0.8</b>	0.8
Between one and five years	–	0.8
In more than five years	–	–
	<b>0.8</b>	1.6

### 34. CAPITAL AND OTHER COMMITMENTS

At 30 June 2021, outstanding contracted capital expenditure amounted to £1.2m and related to the purchase of property, plant and equipment (2020: £13.2m).

### 35. CONTINGENCIES AND BANK GUARANTEES

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

The retirement benefit obligations referred to in note 29 include obligations relating to the MPF defined benefit scheme. Genus, together with other participating employers, is joint and severally liable for the scheme's obligations. Genus has accounted for its section and its share of any orphan assets and liabilities, collectively representing approximately 86% (2020: 86%) of the MPF. As a result of the joint and several liability, Genus has a contingent liability for the scheme's obligations that it has not accounted for. The total deficit of the MPF from the most recent triennial valuation can be found in note 29.

The Group has widespread global operations and is consequently a defendant in many legal, tax and customs proceedings incidental to those operations. In addition, there are contingent liabilities arising in the normal course of business in respect of indemnities, warranties and guarantees. These contingent liabilities are not considered to be unusual in the context of the normal operating activities of the Group. Provisions have been recognised in accordance with the Group accounting policies where required. None of these claims are expected to result in a material gain or loss to the Group.

As described in note 7, the Group is involved in ongoing litigation proceedings and investigations with ST that are at various legal stages. The Group makes a provision for amounts to the extent where an outflow of economic benefit is probable and can be reliably estimated. However, there are specific claims identified in the litigation which the Group considers the outcome of the claim is not probable and will not result in the outflow of economic benefit.

The Group's future tax charge and effective tax rate could be affected by factors such as countries reforming their tax legislation to implement the OECD's BEPS recommendations and by European Commission initiatives including state aid investigations. Further information can be found in note 11.

At 30 June 2021, we had entered into bank guarantees totalling £19.1m (2020: £5.9m).

### 36. DIRECTORS AND KEY MANAGEMENT COMPENSATION

In accordance with IAS 24 'Related Party Disclosures', key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. Key management personnel comprise the Directors and the other members of the Executive Management Committee.

	2021 £m	2020 £m
Salaries and short-term employee benefits	<b>8.0</b>	7.2
Post-employment benefits	<b>0.2</b>	0.3
Share-based payment expense	<b>4.1</b>	2.0
	<b>12.3</b>	9.5

#### Directors

Further details of Directors' compensation are included in the Directors' Remuneration Report.

#### Other transactions with key management personnel

Other than remuneration, there were no transactions with key management personnel.

**NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED**

For the year ended 30 June 2021

**37. GROUP ENTITIES**

In accordance with section 409 of the Companies Act 2006, a list of subsidiaries and joint ventures and associates as at 30 June 2021 is set out below. All subsidiary undertakings are subsidiary undertakings of their immediate parent undertaking(s), unless otherwise indicated.

**Nature of business**

Bovine

Name of undertaking	Registered address	Country of incorporation	Direct/ indirect Group interest	Share class	% of share capital/ voting rights held by Group companies
ABS Argentina S.A.	A. Castellanos 1169, (3080) Esperanza, Sante Fe, Argentina	Argentina	Direct	ARS1 Ordinary	100%
ABS Chile Limitada	Avenida del Parque #4161 office #601, Huechuraba, Santiago, Chile	Chile	Direct	CLP1 Common Stock	100%
ABS Genetics South Africa (Pty) Ltd	Prestige Park Block B, Unit No. 5B, Pastorale Street, Durbanville Industrial Park, Durbanville, 7550, South Africa	South Africa	Indirect	ZAR1 Ordinary	100%
ABS Global (Canada) Inc.	1525 Floradale Road, Elmira ON N3B 2Z1, Canada	Canada	Indirect	CAD1 Ordinary	100%
ABS Global, Inc.	1525 River Road, De Forest WI 53532, United States	United States	Indirect	USD0.01 Common	100%
ABS Italia S.r.l.	Via Bastida nr. 6, loc. Cavatigozzi, 26020, Cremona, Italy	Italy	Indirect	€1 Quota	100%
ABS México, S.A. de C.V.	Kansas No. 2028, Quintas Campestre, 31214, Chihuahua, Chih., Mexico	Mexico	Direct	MXN10 Class 1 MXN10 Class 2	100%
ABS Polska Sp. z o.o.	Szafirowa 22A, 82-300 Gronowo Górnne, Poland	Poland	Indirect	PLN1,000 Ordinary	100%
ABS Progen Ireland Unlimited Company	Suite 6, Rineanna House, Shannon Free Zone, Co. Clare, Ireland	Ireland	Indirect	€0.001 Ordinary	100%
Bovec SASU	69 Chemin des Molieres, 69210, Lentilly, France	France	Indirect	€10 Ordinary	100%
Chitale Genus ABS (India) Private Limited	Amar Neptune, Office No.406, off Baner Road, S. No.6/1/1, Village Baner, Tal. Haveli, Pune, Maharashtra, India	India	Indirect	INR100 Ordinary	50% <sup>1</sup>
De Novo Genetics LLC	1286 Oriole Drive, New Albin IA 52160, United States	United States	Indirect	No Par Value LLC Units	51%
Genus ABS Colombia SAS	Avenida Carrera 70, No. 105 – 51, Bogota, Colombia	Colombia	Indirect	COP10,000 Ordinary	100%
Genus Australia Pty Ltd	15 Scholar drive, Bundoora VIC 3063, Australia	Australia	Indirect	AUD1.388 Ordinary	100%
Genus (Beijing) International Trade Co., Ltd.	B1608, Lucky Tower, East5 3rd Ring Road, Chaoyang District, Beijing, 100027, China	China	Indirect	No Par Value Common Stock	100%
Genus Breeding India Private Limited	Amar Neptune, Office No.406, off Baner Road, S. No.6/1/1, Village Baner, Tal. Haveli, Pune, Maharashtra, India	India	Indirect	INR1 Ordinary	100%
Genus Breeding Limited (01192037) <sup>2</sup>	Matrix House, Basing View, Basingstoke, Hampshire, RG21 4DZ, United Kingdom	UK	Direct	£1 Ordinary	100%
'Genus Ukraine' LLC	Pidlisna str, 1, KYIV 03164, Ukraine	Ukraine	Indirect	No Par Value Common Stock	100%
Inimex Genetics Limited	Matrix House, Basing View, Basingstoke, Hampshire, RG21 4DZ, United Kingdom	UK	Indirect	£1 Ordinary	100%
In Vitro Brasil México, S.A. de C.V.	Plaza Comercial Punto Colorines, Boulevard Independencia #746, Interior 6, CP. 27140, Cidade Torreon – Estado, Coahuila, Mexico	Mexico	Indirect	MXN1 Ordinary	99%
LLC Genus ABS Rus	Zheleznodorozhnaya Street, House 51, Letter Zh, Premises 2, 300062, Tula, Russian Federation	Russia	Indirect	RUB1 Ordinary	100%
Pecplan ABS Imp. e Exp. Ltda.	Rod. BR 050 Km 196 + 150metros, Zona Rural, Delta, MG – 38108-000, Brazil	Brazil	Indirect	BRL1 Ordinary	100%
St Jacobs Animal Breeding Corp.	1525 River Road, De Forest WI 53532, United States	United States	Indirect	No Par Value Common	100%
Zitery S.A.	Maximo Tajes 7189, Uruguay	Uruguay	Indirect	No Par Value Common	100%

**37. GROUP ENTITIES CONTINUED****Nature of business**

Porcine

Name of undertaking	Registered address	Country of incorporation	Direct/ indirect Group interest	Share class	% of share capital/voting rights held by Group companies
Agroceres PIC Genética de Suínos Ltda	Rua 1 JN, nº 1411, Sala 16 – Jardim Novo, Rio Claro/SP – CEP, 13.502-741, Brazil	Brazil	Indirect	BRL1 Ordinary	49% <sup>1</sup>
Agroceres PIC Suínos Ltda	Rua 1 JN, nº 1411, Sala 17 – Jardim Novo, Rio Claro/SP – CEP, 13.502-741, Brazil	Brazil	Indirect	BRL1 Ordinary	49% <sup>1</sup>
Avlscenter Møllevang A/S	Mollevej 3, 6670 Holsted, Denmark	Denmark	Indirect	DKK 1 Ordinary	49% <sup>1</sup>
GENEETIC Service S.R.L.	Viale Europa 71, 32100, Belluno, Italy	Italy	Indirect	€1 Ordinary	33% <sup>1</sup>
HY-CO Hybridschweine-Cooperations GmbH	Tegelberg 19 – 21, 24576 Bad Bramstedt, Germany	Germany	Indirect	No Par Value Common	50% <sup>1</sup>
Inner Mongolia Haoxiang Pig Breeding Co. Ltd	Jintang Village, Jinding Town, Zhidan County, Yan An Municipality, Shaanxi Province, China	China	Indirect	No Par Value Common	49% <sup>1</sup>
PIC (Shanghai) Agriculture Science and Technology Company Limited	Room 702-5, No. 719 Shen Gui Road, Min Hang District, Shanghai, China	China	Indirect	No Par Value Common	100%
PIC (Zhangjiagang) Pig Improvement Co., Ltd.	Office 1210, International Finance Tower, 20 Jingang Road, Zhangjiagang Bonded Zone, Zhangjiagang City, Jiangsu Province, China	China	Indirect	USD1 Ordinary	100%
PIC Andina SpA	Avenida del Parque #4161 office #601, Huechuraba, Santiago, Chile	Chile	Indirect	CLP1 Ordinary	100%
PIC Canada Ltd.	Borden Ladner Gervais LLP, 1900-520, 3rd Avenue, S.W., Calgary, Alberta T2P OR3, Canada	Canada	Indirect	CAD1 Ordinary	100%
PIC France SA	69 Chemin des Molieres, 69210, Lentilly, France	France	Indirect	€17 Ordinary	100%
PIC Genetics Designated Activity Company	Riverside One, Sir John Rogerson's Quay, Dublin 2, Ireland	Ireland	Indirect	€1.27 Ordinary €1.27 Redeemable preference shares	100%
PIC Genetics LLC	79 Narodnyy Boulevard, 308000, Belgorod, Russian Federation	Russia	Indirect	RUB1 Ordinary	100%
Pig Improvement Company de México, S. de R.L. de C.V.	Wenceslao de la Barquera No.7, Col. Villas del Sur, 76040 Queretaro, Queretaro, Mexico	Mexico	Indirect	No Par Value Common Stock	100%
PIG Improvement Company Deutschland GmbH	Jathostraße 11a, D-30163 Hannover, Germany	Germany	Indirect	No Par Value Common Stock	100%
Pig Improvement Company España, S.A.	C/Pau Vila, 22 2º puerta 6, 08174 Sant Cugat del Vallès, Barcelona, Spain	Spain	Indirect	€25 Ordinary	100%
Pig Improvement Company UK Limited (00716304) <sup>2</sup>	Matrix House, Basing View, Basingstoke, Hampshire, RG21 4DZ, United Kingdom	UK	Indirect	£0.10 Ordinary	100%
PIC Italia S.r.l.	Strada dei Loggi 22, 06135, Ponte San Giovanni, Perugia, Italy	Italy	Indirect	€1 Ordinary	85%
PIC Philippines, Inc.	Unit 2101/2102, 21st Floor Jollibee Plaza, F. Ortigas, Jr. Rd., Ortigas Center, Pasig City, 1605, Philippines	Philippines	Indirect	PHP100 Ordinary	100%
PIC USA, Inc.	100 BlueGrass Commons Blvd, Suite 2200, Hendersonville, TN 37075, United States	United States	Indirect	USD1 Ordinary	100%
RenOVAté Biosciences, Inc.	3500 South Dupont Highway, Dover, Delaware 19901, United States	United States	Direct	USD0.001 Series Seed Preferred	33% <sup>1</sup>
Reproductores PIC, Lda	Av. Eng. Duarte Pacheco, Amoreiras, Torre 2 – 14ºA, 1070-102 Lisboa, Portugal	Portugal	Indirect	No Par Value Common Stock	100%
Società Agricola GENEETIC S.R.L.	Via Marche n. 2, 42122, Reggion Emilia, Italy	Italy	Indirect	€1 Ordinary	33% <sup>1</sup>

**NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED**

For the year ended 30 June 2021

**37. GROUP ENTITIES CONTINUED****Nature of business**

Porcine

Name of undertaking	Registered address	Country of incorporation	Direct/indirect Group interest	Share class	% of share capital/voting rights held by Group companies
Shaanxi PIC Pig Improvement Co., Ltd.	12105, 21st floor, Yun tian Building, 12 Feng Cheng Second Street, Xian Economic Development District, Xian City, Shaanxi Province, China	China	Indirect	No Par Value Common Stock	100%
Yan'an Xinyongxiang Agriculture Technology Co., Ltd.	Jintang Village, Jianjun Town Zhidan County, Yan An Municipality, in Shaanxi Province, China	China	Indirect	No Par Value Common Stock	49%

**Nature of business**

Other

Name of undertaking	Registered address	Country of incorporation	Direct/indirect Group interest	Share class	% of share capital/voting rights held by Group companies
Accounting & Managerial Services S. de R.L. de C.V.	Kansas No. 2028, Quintas Campestre, 31214, Chihuahua, Chih., Mexico	Mexico	Indirect	MXN1 Class 1	96%
ABS International, Inc.	1525 River Road, De Forest WI 53532, United States	United States	Indirect	USD1 Ordinary	100%
ABS Pecplan Ltda.	Rod. BR 050 Km 196 + 150metros, Zona Rural, Delta, MG – 38108-000, Brazil	Brazil	Direct	BRL1 Ordinary	100%
Agence Spillers N.V.	Place Saint-Lambert 14, 1200 Woluwe-Saint-Lambert, Belgium	Belgium	Indirect	No Par Value Common Stock	100%
Brazilian Holdings Limited (00479048) <sup>2</sup>	Matrix House, Basing View, Basingstoke, Hampshire, RG21 4DZ, United Kingdom	UK	Indirect	£1 Ordinary	100%
Brazilian Properties Limited	Matrix House, Basing View, Basingstoke, Hampshire, RG21 4DZ, United Kingdom	UK	Direct	£1 Ordinary	100%
Busby Participações Ltda.	Av. Leopoldino de Oliveira, 4.113, Sala 303, Centro, CEP: 38010-000, UBERABA-MG	Brazil	Indirect	BRL1 Ordinary	100%
Cannavarro Participações Ltda.	Av. Leopoldino de Oliveira, 4.113, Sala 303, Centro, CEP: 38010-000, UBERABA-MG	Brazil	Indirect	BRL1 Ordinary	100%
Dalco Exportadora Ltda.	Av. Leopoldino de Oliveira, 4113 – Sala 303, Uberaba, Minas Gerais, CEP 38010-000, Brazil	Brazil	Indirect	BRL1 Ordinary	100%
Dalgety Pension Trust Limited	Matrix House, Basing View, Basingstoke, Hampshire, RG21 4DZ, United Kingdom	UK	Indirect	£1 Ordinary	100%
Fyfield (SM) Limited (01026475) <sup>2</sup>	Matrix House, Basing View, Basingstoke, Hampshire, RG21 4DZ, United Kingdom	UK	Indirect	£1 Ordinary	100%
Fyfield Dormant	Matrix House, Basing View, Basingstoke, Hampshire, RG21 4DZ, United Kingdom	UK	Indirect	£1 Ordinary	100%
Fyfield Holland B.V.	Matrix House, Basing View, Basingstoke, Hampshire, RG21 4DZ, United Kingdom	Netherlands	Indirect	NLG100 Ordinary	100%
Fyfield Ireland Limited	One Spencer Dock, North Wall Quay, Dublin 1, Ireland	Ireland	Indirect	€1.25 'A' Ordinary €1.25 'B' Ordinary	100%
Genus Investments Limited (02028517) <sup>2</sup>	Matrix House, Basing View, Basingstoke, Hampshire, RG21 4DZ, United Kingdom	UK	Direct	£1 Ordinary	100%
Genus Quest Trustees Limited	Matrix House, Basing View, Basingstoke, Hampshire, RG21 4DZ, United Kingdom	UK	Direct	£1 Ordinary	100%
Genus R&D, Inc.	Corporation Service Company, 251 Little Falls Drive, Wilmington DE 19808, United States	United States	Indirect	US\$0.01 Common	100%
Genus Trustees Limited	Matrix House, Basing View, Basingstoke, Hampshire, RG21 4DZ, United Kingdom	UK	Direct	£1 Ordinary	100%
GIL Finance S.à.r.l.	121 Avenue de la Faïencerie, L – 1511, Luxembourg	Luxembourg	Indirect	USD1 Ordinary	100%

**37. GROUP ENTITIES CONTINUED****Nature of business**

Other

Name of undertaking	Registered address	Country of incorporation	Direct/ indirect Group interest	Share class	% of share capital/voting rights held by Group companies
PIC (UK) Limited	Matrix House, Basing View, Basingstoke, Hampshire, RG21 4DZ, United Kingdom	UK	Indirect	£1 Ordinary	100%
PIC Do Brasil Empreendimentos e Participações Ltda.	Rua 1 JN, no. 1411, Sala 13, Jardim Novo, Rio Claro, Estado De São Paulo, CEP 13.502.741, Brazil	Brazil	Indirect	BRL0.01 Ordinary	100%
PIC Fyfield Limited (00019739) <sup>2</sup>	Matrix House, Basing View, Basingstoke, Hampshire, RG21 4DZ, United Kingdom	UK	Indirect	£1 Ordinary	100%
PIC Servicios Agropecuarios, S.A. de C.V.	Wenceslao de la Barquera No.7, Col. Villas del Sur, 76040 Queretaro, Queretaro, Mexico	Mexico	Indirect	MXN1,000 Ordinary	100%
Pig Improvement Company Overseas Limited (00716304) <sup>2</sup>	Matrix House, Basing View, Basingstoke, Hampshire, RG21 4DZ, United Kingdom	UK	Indirect	£1 Ordinary	100%
Pigtales Limited	Matrix House, Basing View, Basingstoke, Hampshire, RG21 4DZ, United Kingdom	UK	Indirect	£1 Ordinary	100%
Premium Genetics Unlimited Company	Suite 6, Rineanna House, Shannon Free Zone, Co. Clare, Ireland	Ireland	Indirect	€0.001 Ordinary	100%
Promar International Limited (03004562) <sup>2</sup>	Matrix House, Basing View, Basingstoke, Hampshire, RG21 4DZ, United Kingdom	UK	Direct	£1 Ordinary	100%
Skogluno Participações Ltda.	Av. Leopoldino de Oliveira, 4.113, Sala 303, Centro, CEP: 38010-000, UBERABA-MG	Brazil	Indirect	BRL1 Ordinary	100%
Spillers Limited	Matrix House, Basing View, Basingstoke, Hampshire, RG21 4DZ, United Kingdom	UK	Indirect	£0.25 Ordinary	100%
Spillers Overseas Limited (00069723) <sup>2</sup>	Matrix House, Basing View, Basingstoke, Hampshire, RG21 4DZ, United Kingdom	UK	Indirect	£0.25 Ordinary	100%
Sygen, Inc.	100 BlueGrass Commons Blvd, Suite 2200, Hendersonville, TN 37075 United States	United States	Indirect	USD1 Common	100%
Sygen International Limited (03215874) <sup>2</sup>	Matrix House, Basing View, Basingstoke, Hampshire, RG21 4DZ, United Kingdom	United Kingdom	Direct	£0.10 Ordinary	100%
Sygen Investimentos Ltda.	Av. Leopoldino de Oliveira, 4113 – Sala 303, Uberaba, Minas Gerais, CEP 38010-000, Brazil	Brazil	Indirect	BRL0.63 Ordinary	100%
Usicafé SA	c/o Cabinet Mayor, avocats, Rue Jean-Gabriel Eynard 6, 1205 Genève	Switzerland	Indirect	CHF1,000 Ordinary	100%
Xelect Limited	Horizon House, Abbey Walk, St Andrews, Fife, Scotland, KY16 9LB	UK	Indirect	£0.001 Ordinary	39% <sup>1</sup>

<sup>1</sup> Associated undertakings including joint venture interests.<sup>2</sup> UK subsidiaries taking advantage of the audit exemption within section 479A of the Companies Act 2006.

## NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

For the year ended 30 June 2021

### 38. DEFERRED CONSIDERATION

#### Accounting policies

We recognise deferred consideration on the Balance Sheet when a business combination contains a contractual clause that defers a portion of the purchase price. When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

Subsequent contingent consideration fair value remeasurements that do not qualify as measurement period adjustments are recognised in the Income Statement.

Contingent deferred consideration is measured at fair value and the valuation basis is Level 3 classification, where fair value techniques use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

	Contingent deferred consideration £m	Deferred consideration £m	Total £m
Balance at 1 July 2019	–	6.2	6.2
Reclassified from provisions (see note 25)	4.5	–	4.5
Payment of consideration	(0.6)	(1.1)	(1.7)
Release of unutilised contingent consideration	(0.4)	–	(0.4)
Effect of movement in exchange rates	0.1	–	0.1
<b>Balance at 30 June 2020</b>	<b>3.6</b>	<b>5.1</b>	<b>8.7</b>
Business combination (see note 42)	0.8	–	0.8
Payment of consideration	(2.0)	(4.7)	(6.7)
Release of unutilised contingent consideration	(0.4)	–	(0.4)
Effect of movement in exchange rates	(0.3)	–	(0.3)
<b>Balance at 30 June 2021</b>	<b>1.7</b>	<b>0.4</b>	<b>2.1</b>
<b>Current</b>	<b>1.2</b>	<b>0.4</b>	<b>1.6</b>
<b>Non-current</b>	<b>0.5</b>	<b>–</b>	<b>0.5</b>
<b>Balance at 30 June 2021</b>	<b>1.7</b>	<b>0.4</b>	<b>2.1</b>
Current	2.8	4.7	7.5
Non-current	0.8	0.4	1.2
<b>Balance at 30 June 2020</b>	<b>3.6</b>	<b>5.1</b>	<b>8.7</b>

The balance at 30 June 2021 relates to the following transactions:

	Fiscal year of transaction	Contingent deferred consideration £m	Deferred consideration £m	Total £m
De Novo Genetics LLC	2017	–	0.4	0.4
Hermitage Genetics DAC	2017	0.4	–	0.4
Dairy LLC (n/a Bovisync)	2019	0.4	–	0.4
Progenex S.L.	2019	0.1	–	0.1
Sergal Gestió Ramadera, S.L. (see note 42)	2021	0.8	–	0.8
<b>Balance at 30 June 2021</b>		<b>1.7</b>	<b>0.4</b>	<b>2.1</b>

#### Hermitage Genetics DAC

The contingent deferred consideration is based on fees paid to the seller and the earning of PIC – Hermitage LP during the period 1 July 2018 and 1 April 2022.

#### Sergal Gestió Ramadera, S.L.

The contingent deferred consideration is based on sales to existing customers during the period 28 June 2021 and 28 June 2022.

**39. NON-CONTROLLING INTEREST**

	2021 £m	2020 £m
Non-controlling interest	<b>3.6</b>	4.6
Put option over non-controlling interest at inception	<b>(5.1)</b>	(5.6)
<b>Total non-controlling interest</b>	<b>(1.5)</b>	(1.0)

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

	De Novo Genetics LLC £m	PIC Italia S.r.l. £m	2021 £m
Revenue	<b>3.4</b>	<b>4.1</b>	<b>7.5</b>
Expenses	<b>(4.9)</b>	<b>(3.3)</b>	<b>(8.2)</b>
<b>Total comprehensive (expense)/income for the year</b>	<b>(1.5)</b>	<b>0.8</b>	<b>(0.7)</b>
Total comprehensive (expense)/income attributable to owners of the Company	<b>(0.8)</b>	<b>0.6</b>	<b>(0.2)</b>
Total comprehensive (expense)/income attributable to the non-controlling interest	<b>(0.7)</b>	<b>0.2</b>	<b>(0.5)</b>

Biological assets	<b>15.8</b>	–	<b>15.8</b>
Current assets	<b>0.9</b>	<b>1.2</b>	<b>2.1</b>
Other non-current assets	<b>0.8</b>	<b>1.8</b>	<b>2.6</b>
Current liabilities	<b>(11.5)</b>	<b>(1.4)</b>	<b>(12.9)</b>
<b>Net assets</b>	<b>6.0</b>	<b>1.6</b>	<b>7.6</b>
Equity attributable to owners of the Company	<b>(2.6)</b>	<b>(1.4)</b>	<b>(4.0)</b>
<b>Non-controlling interest</b>	<b>3.4</b>	<b>0.2</b>	<b>3.6</b>

Dividends of £0.2m were paid to non-controlling interests (2020: £nil).

	De Novo Genetics LLC £m	PIC Italia S.r.l. £m	2020 £m
Revenue	<b>3.7</b>	<b>4.1</b>	<b>7.8</b>
Expenses	<b>(3.1)</b>	<b>(3.2)</b>	<b>(6.3)</b>
<b>Total comprehensive income for the year</b>	<b>0.6</b>	<b>0.9</b>	<b>1.5</b>
Total comprehensive income attributable to owners of the Company	<b>0.3</b>	<b>0.8</b>	<b>1.1</b>
Total comprehensive income attributable to the non-controlling interest	<b>0.3</b>	<b>0.1</b>	<b>0.4</b>

Biological assets	<b>14.9</b>	–	<b>14.9</b>
Current assets	<b>1.3</b>	<b>1.2</b>	<b>2.5</b>
Other non-current assets	<b>0.8</b>	<b>0.9</b>	<b>1.7</b>
Current liabilities	<b>(8.8)</b>	<b>(0.6)</b>	<b>(9.4)</b>
<b>Net assets</b>	<b>8.2</b>	<b>1.5</b>	<b>9.7</b>
Equity attributable to owners of the Company	<b>(3.8)</b>	<b>(1.3)</b>	<b>(5.1)</b>
<b>Non-controlling interest</b>	<b>4.4</b>	<b>0.2</b>	<b>4.6</b>

## NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

For the year ended 30 June 2021

### 40. RELATED-PARTY TRANSACTIONS

Bomaz, Inc. and Bogz Dairy, LLC, are well-recognised breeders in the industry, and are related parties to the Group as these entities are under the control of relatives of Nate Zwald, our ABS Dairy COO.

We transact with Bomaz, Inc. and Bogz Dairy, LLC as part of our bull product development effort, under a variety of contracts and agreements. Payments in 2021 amounted to £0.5m (2020: £1.5m). As at 30 June 2021, the balance owing to these entities was £nil (2020: £nil). All amounts were settled in cash.

These related-party transactions were made on terms equivalent to those that prevail in arm's length transactions.

### 41. POST BALANCE SHEET EVENTS

In August 2021, the first of two available extension options for extending our banking facilities was exercised, extending the maturity date of our banking facilities to 24 August 2024.

On 22 July 2021, Caribou Biosciences Inc. completed an initial public offering. As part of this process, our series B preference shares converted to common shares at a ratio of 1.818 to 1, resulting in a shareholding of 963,136 common shares. These shares are listed on the NASDAQ stock exchange under the symbol CRBU, and after an initial period of restriction, considerably improves the liquidity of our investment.

### 42. BUSINESS COMBINATIONS

On 28 June 2021, the Group acquired the trade and assets of Sergal Gestió Ramadera, S.L. ('Sergal'), a leading Spanish boar stud operator, to integrate our semen supply chain.

The amounts recognised in respect of the identifiable assets and liabilities acquired are as follows:

	£m
Biological assets (note 16)	<b>0.3</b>
Intangible assets identified – customer relationships (note 15)	<b>3.7</b>
Property, plant and equipment (note 17)	<b>0.2</b>
<b>Total identifiable assets</b>	<b>4.2</b>
Goodwill (note 14)	<b>3.5</b>
<b>Total consideration</b>	<b>7.7</b>

Satisfied by:

Cash	<b>6.9</b>
Contingent consideration arrangement	<b>0.8</b>
<b>Total consideration</b>	<b>7.7</b>

The goodwill of £3.5m arising from the acquisition consists of the future synergies and market opportunities expected from combining the acquired operations with existing Genus operations. None of the goodwill is expected to be deductible for income tax purposes.

The contingent consideration arrangement requires certain sales targets to be achieved. The total that Genus could be required to pay under the contingent consideration agreement will not exceed £0.8m.

Acquisition-related costs of £0.1m were recognised within exceptional costs (see note 7).

Due to the proximity of the acquisition to the 30 June 2021, the acquired trade did not contribute any revenue or profit to the Group's results. Had the transaction occurred on 1 July 2020, the contribution to revenue and profit would have been £3.1m and £0.3m respectfully.

**PARENT COMPANY BALANCE SHEET**

As at 30 June 2021

	Note	2021 £m	(restated) <sup>1</sup> 2020 £m	(restated) <sup>1</sup> 2019 £m
<b>Non-current assets</b>				
Intangible assets	C3	<b>6.5</b>	4.7	3.1
Property, plant and equipment	C4	<b>1.1</b>	1.3	0.5
Investments in subsidiaries	C5	<b>122.8</b>	116.2	109.3
Other investments	C6	<b>2.0</b>	1.8	2.6
Other receivables	C7	<b>65.1</b>	—	—
Derivative financial asset	C15	—	—	0.4
Deferred tax asset	C8	<b>2.1</b>	1.4	—
		<b>199.6</b>	125.4	115.9
<b>Current assets</b>				
Other receivables	C7	<b>379.2</b>	444.7	443.7
Cash and cash equivalents		<b>1.3</b>	1.0	2.0
		<b>380.5</b>	445.7	445.7
<b>Current liabilities</b>				
Current payables	C9	<b>(222.8)</b>	(224.1)	(216.7)
Provisions	C11	<b>(0.3)</b>	(2.0)	—
		<b>(223.1)</b>	(226.1)	(216.7)
<b>Net current assets</b>		<b>157.4</b>	219.6	229.0
<b>Total assets less current liabilities</b>		<b>357.0</b>	345.0	344.9
<b>Non-current liabilities</b>				
Non-current payables	C10	<b>(111.1)</b>	(105.8)	(102.1)
Provisions	C11	<b>(0.1)</b>	(0.4)	(2.0)
		<b>(111.2)</b>	(106.2)	(104.1)
<b>Net assets</b>		<b>245.8</b>	238.8	240.8
<b>Equity</b>				
Called up share capital	C16	<b>6.6</b>	6.5	6.5
Share premium account		<b>179.1</b>	179.1	179.0
Own shares		<b>(0.1)</b>	(0.1)	(0.1)
Retained earnings		<b>60.2</b>	53.5	55.2
Hedging reserve		—	(0.2)	0.2
<b>Total equity</b>		<b>245.8</b>	238.8	240.8

1 See C1 for details of the prior period restatement.

The Company recognised profit for the year of £19.6m (2020 restated: £11.7m profit).

The Financial Statements were approved and authorised for issue by the Board of Directors on 8 September 2021.

Signed on behalf of the Board of Directors.

**Stephen Wilson**  
Chief Executive

**Alison Henriksen**  
Chief Financial Officer

Company number: 02972325

**PARENT COMPANY STATEMENT OF CHANGES IN EQUITY**

For the year ended 30 June 2021

	Called up share capital £m	Share premium account £m	Own shares £m	Retained earnings £m	Hedging reserve £m	Total equity £m
Balance at 1 July 2019 (previously reported)	6.5	1790	(0.1)	63.4	0.2	2490
Prior period restatement	–	–	–	(8.2)	–	(8.2)
Balance at 1 July 2019 (restated)	6.5	1790	(0.1)	55.2	0.2	240.8
Fair value of movement on cash flow hedges, net of tax	–	–	–	–	(0.4)	(0.4)
Actuarial gain on retirement benefits obligations	–	–	–	0.5	–	0.5
Movement on pension asset recognition restriction	–	–	–	(0.4)	–	(0.4)
<b>Other comprehensive income for the year</b>	–	–	–	0.1	(0.4)	(0.3)
Total profit for the financial year	–	–	–	11.7	–	11.7
<b>Total comprehensive income for the financial year</b>	–	–	–	11.8	(0.4)	11.4
Shares issued	–	0.1	–	–	–	0.1
Dividends	–	–	–	(18.3)	–	(18.3)
Share-based payment expense, net of tax	–	–	–	4.8	–	4.8
<b>Balance at 30 June 2020 (restated)</b>	6.5	179.1	(0.1)	53.5	(0.2)	238.8
Fair value of movement on cash flow hedges, net of tax	–	–	–	–	0.2	0.2
Actuarial gain on retirement benefits obligations	–	–	–	2.9	–	2.9
Movement on pension asset recognition restriction	–	–	–	(2.7)	–	(2.7)
<b>Other comprehensive income for the year</b>	–	–	–	0.2	0.2	0.4
Total profit for the financial year	–	–	–	19.6	–	19.6
<b>Total comprehensive income for the financial year</b>	–	–	–	19.8	0.2	20.0
Shares issued	0.1	–	–	–	–	0.1
Dividends paid	–	–	–	(19.5)	–	(19.5)
Share-based payment expense, net of tax	–	–	–	6.4	–	6.4
<b>Balance at 30 June 2021</b>	<b>6.6</b>	<b>179.1</b>	<b>(0.1)</b>	<b>60.2</b>	–	<b>245.8</b>

For information on dividends see note 13, cash flow hedges see note 26 and share-based payment expense see note 30.

## NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

For the year ended 30 June 2021

### C1. ACCOUNTING INFORMATION AND POLICIES

#### Basis of preparation

The Parent Company Financial Statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ('FRS 101') and the Companies Act 2006 (the 'Act'). FRS 101 sets out a reduced disclosure framework for a 'qualifying entity' as defined in the standard, which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of the Act and IFRS adopted pursuant to Regulation (EC) No 1606/2002, as it applies in the European Union. The Group Financial Statements have also been prepared in accordance with International Financial Reporting Standards as issued by the IASB.

The Company Financial Statements have been prepared using the historical cost convention, as modified by the revaluation of certain financial assets and financial liabilities and in accordance with the Act. The Financial Statements have been prepared on a going concern basis, as set out in note 2 of the Consolidated Financial Statements of Genus plc. The accounting policies set out below and stated in the relevant notes have been applied consistently to all periods presented in these Financial Statements.

The Company has taken advantage of the disclosure exemptions available under FRS 101 in relation to share-based payments, business combinations, financial instruments, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards issued not yet effective, impairment of assets and related-party transactions. Where required, equivalent disclosures are given in the Consolidated Financial Statements of Genus plc.

As permitted by section 408 of the Act, the Company has not presented its own Income Statement in this Annual Report.

The functional currency of the Company is Sterling.

#### Critical accounting judgements and key sources of estimation uncertainty

Preparing company financial statements in conformity with FRS 101 requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

Management has not identified any critical accounting judgements or key sources of estimation uncertainty.

#### Significant accounting policies applied in the current reporting period that relate to the Financial Statements as a whole

This section sets out our significant accounting policies that relate to the Financial Statements as a whole. Where an accounting policy is generally applicable to a specific note to the Financial Statements, the policy has been described in that note.

#### Other income and deferred income

The Company has entered into a strategic collaboration with Beijing Capital Agribusiness ('BCA') under which BCA will establish and fund a collaboration specific entity ('BCA Future Bio-Tech') which will use Genus's intellectual property and know-how to pursue the PRRSv resistance regulatory and development work in China. Genus will receive consideration after meeting certain milestones in the development programme.

Each milestone is considered to be either a separate performance obligation, or a set of groups of separate performance obligations, under this agreement and are unbundled in the contractual arrangement as if they are distinct from one another.

We assess each separate performance obligation relating to the milestone payments, and upon completion of those performance obligations recognise the fair value of amounts earned in other income. Some performance obligations, such as the transfer of know-how, are recognised at a point in time whereas others, such as the provision of technical services, are recognised over time. We recognise any received but unearned consideration as deferred income.

We will apply the same accounting policy to any other comparable agreements.

#### Prior period restatement

The Company has changed its accounting policy related to the capitalisation of certain software assets. This change follows the IFRIC Interpretation Committee's guidance published in April 2021 and relates to the capitalisation of costs of configuring or customising application software under 'Software as a Service' ('SaaS') arrangements.

The Group's accounting policy has historically been to capitalise costs related to the configuration and customisation of SaaS arrangements as intangible assets in the Balance Sheet. Following the adoption of the above IFRIC agenda guidance, current SaaS arrangements, were identified and assessed to determine if the Group has control of the software. For those arrangement where control does not exist, the Group derecognised the intangible asset previously capitalised.

This change in accounting policy led to adjustments amounting to a reduction of £13.3m and £8.1m in the intangible assets recognised in the 30 June 2020 and 30 June 2019 Balance Sheets respectively, and to a £5.2m and £5.9m increase in operating expenses within administrative expenses, in those respective years. Further detail of the impact of the restatement can be found in note 2 of the Group Financial Statements.

**NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS CONTINUED**

For the year ended 30 June 2021

**C1. ACCOUNTING INFORMATION AND POLICIES CONTINUED****Pensions**

A number of our employees are members of defined contribution pension schemes. We charge contributions to profit and loss as they become payable under the schemes' rules. We show differences between the contributions payable and the amounts actually paid as either accruals or prepayments in the Balance Sheet. The schemes' assets are held separately from those of the Company.

Certain former employees of the Company are members of one of the Group's defined benefit pension schemes, details of which are given in note 29 to the Group Financial Statements. The schemes are all multi-employer defined benefit schemes, whose assets and liabilities are held independently from the Group but within their sponsored Group company.

**Taxation**

We provide for current tax, including UK corporation tax and foreign tax, at the amounts we expect to pay or recover, using the tax rates and the laws enacted or substantively enacted at the balance sheet date.

**Foreign currencies**

We record transactions in foreign currencies at the rate ruling at the transaction date. We retranslate monetary assets and liabilities denominated in foreign currencies at the prevailing rate of exchange at the balance sheet date. All differences are taken to the Income Statement.

**Own shares**

The Company has adopted FRS 101, which requires us to recognise the assets and liabilities associated with the Company's investment in its own shares in the Company's Financial Statements, where there is de facto control of the assets and liabilities.

The Company's own shares held by a Qualifying Employee Share Ownership Trust remain deducted from shareholders' funds until they vest unconditionally with employees.

**Employee share schemes**

The Company's Executive Directors and Chief Operating Officers receive part of their remuneration in the form of share awards, which vest upon meeting performance criteria over a three-year period.

We measure the cost of these awards by reference to the shares' fair value at the award date. At the end of each financial reporting period, we estimate the extent to which the performance criteria will be met at the end of three years and record an appropriate charge in the profit and loss account, together with a corresponding credit to profit and loss reserves. Changes in estimates of the number of shares vesting may result in charges or credits to the profit and loss account in subsequent periods.

**Share-based payments**

We have implemented the generally accepted accounting principle for accounting for share-based payments with subsidiary undertakings under FRS 101, whereby the Company has granted rights to its shares to employees of its subsidiary undertakings under an equity-settled arrangement, and the subsidiaries have not reimbursed the Company for these rights. Under this arrangement, the Company treats the share-based payment recognised in the subsidiary's financial statements as a cost of investment in the subsidiary and credits equity with an equal amount.

**Derivative financial instruments and hedging**

Our activities expose us primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

We use interest rate swaps to hedge interest rate risk. We also use forward foreign currency contracts, implemented through a medium-term US Dollar cross-currency borrowing and related interest rate swap, to hedge exposure to translation risk associated with US Dollar net assets of subsidiaries. Forward foreign currency contracts do not qualify for hedge accounting in the Parent Company Financial Statements, as the hedged item is not in its Balance Sheet.

Our use of financial derivative instruments is governed by the Group's policies, which are approved by the Board of Directors. The notes to the Group Financial Statements include information about the Group's financial risks and their management, and its use of financial instruments and their impact on the Group's risk profile, performance and financial condition.

The fair value of the US Dollar and interest rate swaps is the estimated amount that we would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the creditworthiness of the swap counterparties.

The fair value of forward exchange contracts is their quoted market price at the balance sheet date, which is the present value of the quoted forward price.

## C1. ACCOUNTING INFORMATION AND POLICIES CONTINUED

### Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in Other Comprehensive Income and accumulated under the heading of cash flow hedging reserve, and limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in the Income Statement, and is included in the 'other gains and losses' line item.

Amounts previously recognised in Other Comprehensive Income and accumulated in equity are reclassified to the Income Statement in the periods when the hedged item affects the Income Statement, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in Other Comprehensive Income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect Other Comprehensive Income. Furthermore, if the Company expects that some or all of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to the Income Statement.

The Company discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in Other Comprehensive Income and accumulated in cash flow hedge reserve at that time remains in equity and is reclassified to the Income Statement when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in the cash flow hedge reserve is reclassified immediately to the Income Statement.

Under interest rate swap contracts, the Company agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Company to mitigate the risk of changing interest rates on the fair value of issued fixed-rate debt held and the cash flow exposures on the issued variable-rate debt held. The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the yield curves at the reporting date and the credit risk inherent in the contract. The average interest rate is based on the outstanding balances at the end of the financial year.

As the critical terms of the interest rate swap contracts and their corresponding hedged items are the same, the Company performs a qualitative assessment of effectiveness and it is expected that the value of the interest rate swap contracts and the value of the corresponding hedged items will systematically change in opposite directions, in response to movements in the underlying interest rates. The main source of hedge ineffectiveness in these hedge relationships is the effect of the counterparty and the Company's own credit risk on the fair value of the interest rate swap contracts, which is not reflected in the fair value of the hedged item attributable to the change in interest rates. No other sources of ineffectiveness emerged from these hedging relationships.

## C2. EMPLOYEES

Staff costs including Directors' remuneration during the year amounted to:

	2021 £m	2020 £m
Wages and salaries	<b>7.7</b>	7.5
Social security costs	<b>1.4</b>	1.1
Pension costs	<b>0.2</b>	0.2
Share-based payment expense	<b>2.8</b>	1.8
	<b>12.1</b>	10.6

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

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

	2021 Number	2020 Number
Administration	<b>40</b>	40

**NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS CONTINUED**

For the year ended 30 June 2021

**C3. INTANGIBLE ASSETS****Accounting policies**

Patents, licences and software are stated at acquisition cost less accumulated amortisation. The amortisation period is determined by reference to expected useful life, which is reviewed at least annually. Amortisation is charged to the Income Statement on a straight-line basis over the estimated useful life. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

See note 15 for useful economic life. We do not amortise assets under construction.

	(restated) Software £m	Patents and licences £m	(restated) <sup>1</sup> Assets under construction £m	(restated) <sup>1</sup> Total £m
<b>Cost</b>				
Balance at 1 July 2019 (restated)	1.6	3.7	2.0	7.3
Additions	–	–	2.7	2.7
Transfers	3.0	–	(3.0)	–
Balance at 30 June 2020 and 1 July 2020 (restated)	4.6	3.7	1.7	10.0
Additions	–	–	2.3	2.3
Transfers	2.9	–	(2.9)	–
Disposals	(0.4)	–	–	(0.4)
<b>Balance at 30 June 2021</b>	<b>7.1</b>	<b>3.7</b>	<b>1.1</b>	<b>11.9</b>
<b>Amortisation</b>				
Balance at 1 July 2019 (restated)	1.3	2.9	–	4.2
Amortisation for the year	0.3	0.8	–	1.1
Balance at 30 June 2020 and 1 July 2020 (restated)	1.6	3.7	–	5.3
Amortisation for the year	0.5	–	–	0.5
Disposals	(0.4)	–	–	(0.4)
<b>Balance at 30 June 2021</b>	<b>1.7</b>	<b>3.7</b>	<b>–</b>	<b>5.4</b>
<b>Carrying amounts</b>				
<b>At 30 June 2021</b>	<b>5.4</b>	<b>–</b>	<b>1.1</b>	<b>6.5</b>
At 30 June 2020 (as restated)	3.0	–	1.7	4.7
At 30 June 2019 (as restated)	0.3	0.8	2.0	3.1

1 See note C1 for details of the prior period restatement.

Assets under construction primarily relate to the ongoing development of GenusOne, a unified enterprise-wide business system.

**C4. PROPERTY, PLANT AND EQUIPMENT****Accounting policies**

We state property, plant and equipment at cost, together with any incidental acquisition expenses, or at their latest valuation, less depreciation and any provision for impairment. We calculate depreciation on a straight-line basis, to write the assets down to their estimated residual values over their estimated useful lives. The rates of annual depreciation on tangible fixed assets are as follows:

- > Leasehold improvements                    period of lease
- > Leased buildings                          period of lease
- > Equipment                                 3 to 10 years

We review the carrying value of fixed assets for impairment, if events or changes in circumstances indicate that the carrying value may not be recoverable.

**C4. PROPERTY, PLANT AND EQUIPMENT CONTINUED****Right-of-use assets**

Right-of-use assets are measured initially at cost based on the value of the associated lease liability, adjusted for any payments made before inception, initial direct costs and an estimate of the dismantling, removal and restoration costs required in the terms of the lease. Subsequent to initial recognition, we record an interest charge in respect of the lease liability. The related right-of-use asset is depreciated over the term of the lease or, if shorter, the useful economic life ('UEL') of the leased asset. The lease term shall include the period of an extension option where it is reasonably certain that the option will be exercised. Where the lease contains a purchase option, the asset is written-off over the useful life of the asset when it is reasonably certain that the purchase option will be exercised.

	<b>Leasehold Improvements £m</b>	<b>Equipment £m</b>	<b>Owned assets £m</b>	<b>Leased buildings £m</b>	<b>Total £m</b>
<b>Cost</b>					
Balance at 1 July 2020	0.5	0.6	1.1	1.0	2.1
Additions	–	0.1	0.1	–	0.1
Disposals	–	(0.3)	(0.3)	–	(0.3)
<b>Balance at 30 June 2021</b>	<b>0.5</b>	<b>0.4</b>	<b>0.9</b>	<b>1.0</b>	<b>1.9</b>
<b>Depreciation</b>					
Balance at 1 July 2020	0.2	0.5	0.7	0.1	0.8
Depreciation for the year	0.1	–	0.1	0.1	0.2
Disposals	–	(0.2)	(0.2)	–	(0.2)
<b>Balance at 30 June 2021</b>	<b>0.3</b>	<b>0.3</b>	<b>0.6</b>	<b>0.2</b>	<b>0.8</b>
<b>Carrying amounts</b>					
<b>At 30 June 2021</b>	<b>0.2</b>	<b>0.1</b>	<b>0.3</b>	<b>0.8</b>	<b>1.1</b>
At 30 June 2020	0.3	0.1	0.4	0.9	1.3

**C5. INVESTMENTS IN SUBSIDIARIES****Accounting policies**

Shares in subsidiary undertakings are stated at cost less any provision for impairment.

The Company assesses investments for impairment whenever events or changes in circumstances indicate that the carrying value of an investment may not be recoverable. If any such indication of impairment exists, then we estimate the recoverable amount. If the recoverable amount of the cash-generating unit is less than the value of the investment, it is considered to be impaired and we write it down to its recoverable amount. An impairment loss is recognised immediately in the profit and loss account.

	Shares in subsidiary undertakings £m
<b>Cost</b>	
Balance at 1 July 2020	309.4
Additions	6.6
<b>Balance at 30 June 2021</b>	<b>316.0</b>
<b>Provision for impairment</b>	
Balance at 1 July 2020	193.2
Provided during the year	–
<b>Balance at 30 June 2021</b>	<b>193.2</b>
<b>Carrying amounts</b>	
<b>At 30 June 2021</b>	<b>122.8</b>
At 30 June 2020	116.2

Additions relate to increasing our investment in ABS Pecplan Ltda and Genus Investment Limited.

The Company considers the relationship between its market capitalisation and the carrying value of its investments, among other factors, when reviewing for indicators of impairment. As at 30 June 2021, the net investment in five of the Company's subsidiary undertakings exceeded the Company's share of the net assets. Each of these subsidiaries are denominated in Latin American currencies, all of which have seen significant weakening against Sterling during the year ended 30 June 2021. For each of these undertakings, the recoverable value has been estimated using the Board-approved Strategic Plan. There were no indicators of impairment for the Company's other subsidiary undertakings.

The key assumptions for the value in use calculation are those regarding the discount rate, growth rates and expected trading performance.

## NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS CONTINUED

For the year ended 30 June 2021

### C5. INVESTMENTS IN SUBSIDIARIES CONTINUED

Management estimates discount rates that reflect current market assessments of the time value of money and the risks specific to the Group. The pre-tax discount rates are derived from the Group's post-tax weighted average cost of capital ('WACC'), which has been calculated using the capital asset pricing model, the inputs of which include a country risk-free rate, equity risk premium, Group size premium and a risk adjustment (beta). Cash flows beyond the five-year period are extrapolated using a long-term growth rate of 2.5% (2020: 2.5%).

As a result of this analysis, the Company has not recognised any additional impairment charge during the year.

#### **Principal subsidiary undertakings**

The Company's principal subsidiaries and their main activities are given in note 37 to the Group Financial Statements.

### C6. OTHER INVESTMENTS

#### **Accounting policies**

Listed equity investments are stated at fair value.

	2021 £m	2020 £m
Listed investment – NMR	<b>2.0</b>	1.8

NMR ordinary shares were acquired as part of the NMR pension agreement, and are measured at fair value. The valuation basis is Level 1 classification, where fair value techniques are quoted (unadjusted) prices in active markets for identical assets and liabilities.

### C7. OTHER RECEIVABLES

#### **Accounting policies**

We state other receivables at their amortised cost less any impairment losses.

	Note	2021 £m	2020 £m
<b>Amounts due within one year</b>			
Amounts owed by Group undertakings		<b>374.5</b>	440.7
Corporation tax recoverable		<b>0.9</b>	–
Prepayments		<b>1.6</b>	2.2
Deferred taxation	C8	<b>2.1</b>	0.6
Derivative financial asset	C15	<b>0.1</b>	1.2
		<b>379.2</b>	444.7
<b>Amounts due after one year</b>			
Amounts owed by Group undertakings		<b>65.1</b>	–
		<b>65.1</b>	–

At the balance sheet date, the total amounts owed by Group undertakings were £439.6m (2020: £440.7m). The carrying amount of these assets approximates their fair value. There are impaired receivable balances of £nil (2020: £nil) as the Company does not expect any credit losses on amounts owed by Group undertakings, due to the centralised management of these balances. Of the amounts owed by Group undertakings, £329.1m (2020: £324.5m) is interest-bearing and any interest charged is at current market rates.

### C8. DEFERRED TAXATION

#### **Accounting policies**

We recognise deferred taxation in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in future or a right to pay less tax in future have occurred at the balance sheet date.

We only recognise deferred taxation assets if we consider it more likely than not that we will have suitable profits from which we can deduct the future reversal of the underlying timing differences. Timing differences are differences arising between the Company's taxable profits and its results as stated in the Financial Statements, and which are capable of reversing in one or more subsequent periods.

We only recognise deferred taxation in respect of the future remittance of retained earnings of overseas subsidiaries to the extent that, at the balance sheet date, dividends have been accrued as receivable.

We measure deferred taxation on a non-discounted basis, at the tax rates we expect to apply in the periods in which we expect the timing differences to reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

	2021 £m	2020 £m
Deferred tax asset due within one year	<b>2.1</b>	0.6
Deferred tax asset due after more than one year	<b>2.1</b>	1.4
	<b>4.2</b>	2.0

**C8. DEFERRED TAXATION CONTINUED**

The movements in deferred taxation are as follows:

	2021 £m	2020 £m
At the start of the year	<b>2.0</b>	1.5
Recognised in the Income Statement	<b>2.1</b>	0.1
Recognised in equity	<b>0.1</b>	0.4
<b>At the end of the year</b>	<b>4.2</b>	2.0

The amounts provided are as follows:

	2021 £m	2020 £m
Share-based payment expense	<b>1.8</b>	1.2
Other timing differences	<b>2.0</b>	0.7
Losses	<b>0.4</b>	0.1
	<b>4.2</b>	2.0

At the balance sheet date, the Company had unused tax losses available for offset against future profits, with a potential tax benefit of £0.4m (2020: £0.1m). We have recognised a deferred tax asset in respect of this benefit, as we expect these losses to be offset against future profits of the UK tax group in the near term.

**C9. CURRENT PAYABLES****Accounting policies**

Trade payables are not interest bearing and are stated at their nominal value.

	Note	2021 £m	2020 £m
Bank loans and overdrafts	C12	<b>13.0</b>	9.2
Corporation tax payable		–	0.3
Trade payables		<b>1.5</b>	0.7
Other payables		<b>0.1</b>	0.2
Amounts owed to Group undertakings		<b>204.2</b>	209.7
Accruals		<b>3.8</b>	3.2
Deferred income		<b>0.1</b>	0.3
Obligations under leases	C13	<b>0.1</b>	0.1
Derivative financial liabilities	C15	–	0.4
		<b>222.8</b>	224.1

Included within amounts owed to Group undertakings are amounts of £176.6m (2020: £185.8m) which are unsecured, repayable on demand and any interest charged is at current market rates.

There are no outstanding contributions due to defined contribution pension schemes for the benefit of the employees (2020: £nil).

**C10. NON-CURRENT PAYABLES**

	Note	2021 £m	2020 £m
Bank loans and overdrafts	C12	<b>109.4</b>	103.8
Obligations under leases	C13	<b>0.6</b>	0.8
Derivative financial liabilities	C15	–	0.1
Deferred income		<b>1.1</b>	1.1
		<b>111.1</b>	105.8

**C11. PROVISIONS**

	2021 £m	2020 £m
Provisions due within one year	<b>0.3</b>	2.0
Provisions after more than one year	<b>0.1</b>	0.4
	<b>0.4</b>	2.4

The provisions primarily consist of a share forfeiture provision of £0.3m, which relates to potential claims that could be made by untraced members over the next two years, relating to the resale proceeds of shares that were identified during prior years as being forfeited (see note 25).

**NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS CONTINUED**

For the year ended 30 June 2021

**C12. LOANS AND BORROWINGS****Accounting policies**

We initially state debt at the amount of the net proceeds, after deducting issue costs. The carrying amount is increased by the finance cost in respect of the accounting period and reduced by payments made in the period.

We charge the finance costs of debt to the profit and loss account over the debt term, at a constant rate on the carrying value of the debt to which they relate.

	2021 £m	2020 £m
<b>Loans and borrowings comprise amounts falling due:</b>		
In one year or less or on demand	<b>13.8</b>	9.5
In more than one year but not more than two years	—	103.8
In more than two years but not more than five years	<b>109.9</b>	—
	<b>123.7</b>	113.3
Less: unamortised issue costs	<b>(1.3)</b>	(0.3)
	<b>122.4</b>	113.0
<b>Amounts falling due within one year</b>		
<b>Amounts falling due after more than one year</b>		
	<b>109.4</b>	103.8

At the balance sheet date, the Company's credit facilities comprised a £150m multi-currency revolving credit facility ('RCF'), a USD125 million RCF and a USD20 million bond and guarantee facility. The original term of the facility was for three years, with two years remaining at the balance sheet date. There is an option to extend the maturity date by a further year before the first and second anniversaries of the signing date. The first extension has been requested to 24 August 2024 and approved by all participating banks, increasing the credit facility term by a further 12 months. The facility also includes an uncommitted £100m accordion option, which can be requested on a maximum of three occasions over the lifetime of the facility to fund the Group's business development plans.

As part of its interest rate strategy, the Company has entered into interest rate swaps to hedge floating LIBOR rates. As a result, bank loan and overdrafts include borrowings of £5m fixed at 1.133%, excluding applicable bank margin.

**Terms and debt repayment schedule**

The terms and conditions of outstanding loans and overdrafts were as follows:

	Currency	Interest rate	2021 £m	2020 £m
RCF and overdraft	GBP	1.5%	<b>42.3</b>	28.7
RCF, term loan and overdraft	USD	1.5%	<b>59.7</b>	68.6
RCF and overdraft	EUR	1.4%	<b>10.7</b>	6.8
Other unsecured bank borrowings	Other	0.8%	<b>9.7</b>	8.9
<b>Total interest-bearing liabilities</b>			<b>122.4</b>	113.0

The above RCFs are unsecured.

**C13. OBLIGATIONS UNDER LEASES**

A lease is a commitment to make a payment in the future, primarily in relation to property, plant and machinery and motor vehicles.

**Accounting policies**

In accordance with IFRS 16, we recognise as an expense any payments made in respect of short-term leases (those with a term of less than 12 months) and for low-value items on a straight-line basis over the life of the lease.

For all other leases we recognise a liability at the date at which the leased asset is made available for use, and a corresponding right-of-use asset is recognised and depreciated over the term of the lease (see note C4).

Lease liabilities are measured at the present value of the future lease payments, excluding any payments relating to non-lease components. Future lease payments include fixed payments, in-substance fixed payments, and variable lease payments that are based on an index or a rate, less any lease incentives receivable. Lease liabilities also take into account amounts payable under residual value guarantees and payments to exercise options, to the extent that it is reasonably certain that such payments will be made. The payments are discounted at the rate implicit in the lease or, where that cannot be measured, at an incremental borrowing rate.

We remeasure the lease liability (and make a corresponding adjustment to the related right-of-use asset) whenever:

- > The lease term has changed or there is a change in the assessment of the exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- > The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- > A lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The Company did not make any such adjustments during the periods presented.

**C13. OBLIGATIONS UNDER LEASES** CONTINUED

The changes in the lease liabilities are as follows:

	2021 £m	2020 £m
Balance at the start of the year	<b>0.9</b>	–
Recognised on the adoption of IFRS 16	–	1.0
Payments made	<b>(0.1)</b>	(0.1)
<b>Balance at the end of the year</b>	<b>0.8</b>	0.9

In accordance with the reduced disclosure exemptions included in FRS 101, a maturity analysis has not been presented. The maturity analysis of the Group's lease obligations is included in note 28 to the Group Financial Statements.

**C14. OPERATING LEASES****Accounting policies**

For short-term leases (those with a term of less than 12 months) and low-value items, we charge the rentals payable to the Income Statement on a straight-line basis over the lease term.

The Company has elected not to apply IFRS 16 to contracts where the right-of-use asset would be recognised as an intangible asset (e.g. software licences).

Total of future minimum lease payments under non-cancellable operating leases which expire:

	2021 £m	2020 £m
In less than one year	<b>0.8</b>	0.8
Between one and five years	–	0.8
In more than five years	–	–
	<b>0.8</b>	1.6

Operating lease rentals charged in the year:

	2021 £m	2020 £m
Other	<b>0.8</b>	0.7

**C15. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS**

Additional disclosures on financial instruments can be found in note 26 to the Group Financial Statements.

**C16. CAPITAL AND RESERVES****Share capital**

	2021 Number	2020 Number	2021 £m	2020 £m
<b>Issued and fully paid</b>				
Ordinary shares of 10 pence	<b>65,761,500</b>	65,091,625	<b>6.6</b>	6.5

There is no authorised share capital limit.

The holders of ordinary shares are entitled to receive dividends, as declared from time to time.

The movement in share capital for the period was as follows:

	2021 Number	2020 Number	2021 £m	2020 £m
Issued under the Executive Share Option Plan	<b>19,875</b>	37,066	–	–
Issued to Employee Benefit Trust	<b>650,000</b>	–	<b>0.1</b>	–
	<b>669,875</b>	37,066	<b>0.1</b>	–

**NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS CONTINUED**

For the year ended 30 June 2021

**C16. CAPITAL AND RESERVES CONTINUED**

Shares issued under the Executive Share Option Plan were issued at option prices as follows:

	2021		2020	
	Number	Price	Number	Price
<b>Executive Share Option Plan</b>	—	—	6,097	654.50p
6,599	729.83p	9,213	729.83p	
9,032	977.83p	7,175	977.83p	
1,738	1334.00p	6,209	1334.00p	
2,506	1413.00p	8,372	1413.00p	
	<b>19,875</b>		37,066	

**Reserve for own shares**

The Company's shares are held by a QUEST, which is an employee benefit trust established to facilitate the operation of our long-term incentive scheme for senior management. The reserve amount represents the deduction in arriving at shareholders' funds for the consideration the trust paid for the Company's shares, which had not vested unconditionally at the balance sheet date. The number and market value of the ordinary shares held by the Employee Benefit Trust and the QUEST were:

	2021 Number	2020 Number	2021 £m	2020 £m
Shares allocated but not vested	<b>509,269</b>	75,184	<b>25.2</b>	2.6
Unallocated shares	<b>92,334</b>	92,334	<b>4.6</b>	3.3
	<b>601,603</b>	167,518	<b>29.8</b>	5.9

The shares have a nominal value of £60,160 (2020: £16,752).

**Hedging reserve**

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments net of taxation – see note 26.

**C17. RELATED PARTY TRANSACTIONS**

The Company is exempt under FRS 101 from disclosing transactions with other members of the Group.

**C18. CAPITAL AND OTHER COMMITMENTS**

At 30 June 2021, outstanding contracted capital expenditure amounted to £nil (2020: £nil).

**C19. PENSIONS, GUARANTEES AND CONTINGENCIES**

The NMR pension assigned to Genus plc under the Flexible Apportionment Agreement, recorded an actuarial gain of £2.9m, which has increased the asset restriction made in previous years. As the Company does not have unilateral right to this surplus, as required in accordance with IFRIC 14 it is restricted to £nil. For additional information on the MPF pension scheme, of which NMR was one of the participating employers, please see note 29.

The retirement benefit obligations referred to in note 29 to the Group Financial Statements include obligations relating to the MPF defined benefit scheme. Genus, together with other participating employers, is joint and severally liable for the scheme's obligations. Genus has accounted for its section and its share of any orphan assets and liabilities, collectively representing approximately 86% (2020: 86%) of the MPF. As a result of the joint and several liability, Genus has a contingent liability for the scheme's obligations that it has not accounted for. The total deficit of the MPF scheme from the most recent triennial valuation can be found in note 29.

Certain UK subsidiaries, which are detailed in note 37 to the Group Financial Statements, will take advantage of the audit exemption set out within section 479A of the Companies Act 2006 for the year ended 30 June 2021. The Company has given a statutory guarantee over all of the liabilities held by those UK subsidiaries for the year ended 30 June 2021. The Company has assessed the probability of loss under the guarantee as remote.

At 30 June 2021, the Company had entered into bank guarantees totalling £13.9m (2020: £nil).

**C20. POST BALANCE SHEET EVENTS**

In August 2021, the first of two available extension options for extending our banking facilities was exercised, extending the maturity date of our banking facilities to 24 August 2024.

## FIVE-YEAR RECORD – CONSOLIDATED RESULTS

The information included in the five-year record below is in accordance with IFRS as adopted for use in the European Union.

Financial results	2021 £m	2020 <sup>2</sup> £m	2019 <sup>2</sup> £m	2018 <sup>2</sup> £m	2017 <sup>3</sup> £m
Revenue from continuing operations	<b>574.3</b>	551.4	488.5	470.3	459.1
Adjusted operating profit from continuing operations <sup>1</sup>	<b>76.9</b>	60.1	51.8	55.5	55.1
Adjusted operating profit including joint ventures and associates <sup>1</sup>	<b>89.8</b>	70.8	59.0	60.9	60.1
Adjusted profit before tax <sup>1</sup>	<b>84.8</b>	65.8	55.1	56.3	56.4
Basic adjusted earnings per share <sup>1</sup>	<b>100.9p</b>	77.3p	63.8p	72.3p	69.4p
Diluted adjusted earnings per share <sup>1</sup>	<b>100.1p</b>	76.7p	61.7p	71.3p	68.4p
Operating profit from continuing operations	<b>47.7</b>	42.4	2.8	6.0	38.2
Profit before tax from continuing operations	<b>55.8</b>	46.3	4.0	5.6	40.7
Profit after tax from continuing operations	<b>46.8</b>	35.7	0.8	39.4	34.3
Net profit attributable to owners of the Company	<b>47.3</b>	35.3	1.9	40.5	32.8
Basic earnings per share	<b>72.6p</b>	54.4p	3.0p	66.1p	53.8p
Diluted earnings per share	<b>72.0p</b>	54.0p	2.9p	65.2p	53.0p
Net assets	<b>496.6</b>	494.5	479.0	401.7	402.1
Net debt	<b>105.6</b>	102.6	79.6	108.5	111.6

1 Adjusted operating profit, adjusted profit before tax and adjusted basic and diluted earnings per share are before net IAS 41 valuation movement on biological assets, amortisation of acquired intangible assets, share-based payment expense, exceptional items and other gains and losses.

2 Restated see note 2.

3 As previously reported, the results of FY17 have not been restated for the prior period adjustment outlined in the FY20 Annual Report note 2 as it would be impracticable to do so. Consequently, the net assets of this period is not directly comparable to those in the subsequent years.

## ALTERNATIVE PERFORMANCE MEASURES GLOSSARY

The Group tracks a number of APMs in managing its business, which are not defined or specified under the requirements of IFRS because they exclude amounts that are included in, or include amounts that are excluded from, the most directly comparable measure calculated and presented in accordance with IFRS, or are calculated using financial measures that are not calculated in accordance with IFRS.	The Group believes that these APMs, which are not considered to be a substitute for or superior to IFRS measures, provide stakeholders with additional helpful information on the performance of the business. These APMs are consistent with how the business performance is planned and reported within the internal management reporting to the Board and GELT. Some of these APMs are also used for the purpose of setting remuneration targets.	These APMs should be viewed as supplemental to, but not as a substitute for, measures presented in the consolidated financial information relating to the Group, which are prepared in accordance with IFRS. The Group believes that these APMs are useful indicators of its performance. However, they may not be comparable to similarly-titled measures reported by other companies, due to differences in the way they are calculated.
Alternative Performance Measures	Calculation methodology and closest equivalent IFRS measure (where applicable)	Reasons why we believe the APMs are useful
<b>Income Statement measures</b>		
<b>Adjusted operating profit exc JVs</b>	Adjusted operating profit is operating profit with the net IAS 41 valuation movement on biological assets, amortisation of acquired intangible assets, share-based payment expense and exceptional items added back and excludes JV and associate results.  <i>Closest equivalent IFRS measure: Operating profit<sup>1</sup></i>  See reconciliation on page 183.	Allows the comparison of underlying financial performance by excluding the impacts of exceptional items and is a performance indicator against which short-term and long-term incentive outcomes for our senior executives are measured: ➢ net IAS 41 valuation movements on biological assets – these movements can be materially volatile and do not directly correlate to the underlying trading performance in the period. Furthermore, the movement is non-cash related and many assumptions used in the valuation model are based on projections rather than current trading; ➢ amortisation of acquired intangible assets – excluding this improves the comparability between acquired and organically grown operations, as the latter cannot recognise internally generated intangible assets. Adjusting for amortisation provides a more consistent basis for comparison between the two;
<b>Adjusted operating profit inc JVs</b>	Including adjusted operating profit from JV and associate results.  See reconciliation on page 183.	➢ share-based payments – this expense is considered to be relatively volatile and not fully reflective of the current period trading, as the performance criteria are based on EPS performance over a three-year period and include estimates of future performance; and ➢ exceptional items – these are items which due to either their size or their nature are excluded, to improve the understanding of the Group's underlying performance.
<b>Adjusted operating profit inc JVs exc gene editing costs</b>	Including adjusted operating profit from JV and associate results but excluding gene editing costs.  See reconciliation on page 183.	➢ This measure is presented only this year to demonstrate the impact of our change in accounting policy, and will not be presented in future periods. We present this measure to allow comparability of financial performance with the expectations of the year, which were based on our pre-existing accounting policy.
<b>Adjusted operating profit inc JVs after tax</b>	Adjusted operating profit including JV less adjusted effective tax.  See reconciliation on page 183.	
<b>Adjusted profit inc JVs before tax</b>	Adjusted operating profit including JVs less net finance costs.  See reconciliation on page 183.	
<b>Adjusted profit inc JVs after tax</b>	Adjusted profit including JVs before tax less adjusted effective tax.  See reconciliation on page 183.	
<b>Adjusted profit inc JVs before tax exc SaaS impact</b>	Adjusted operating profit before tax, excluding the impact of the change in accounting policy related to the accounting for 'Software as a Service' ('SaaS') (See note 2)  See reconciliation on page 183.	

Alternative Performance Measures	Calculation methodology and closest equivalent IFRS measure (where applicable)	Reasons why we believe the APMs are useful
<b>Adjusted effective tax rate</b>	Total income tax charge for the Group excluding the tax impact of adjusting items, divided by the adjusted operating profit.  <i>Closest equivalent IFRS measure: Effective tax rate</i>  See reconciliation on page 184.	Provides an underlying tax rate to allow comparability of underlying financial performance, by excluding the impacts of net IAS 41 valuation movement on biological assets, amortisation of acquired intangible assets, share-based payment expense and exceptional items.
<b>Adjusted basic earnings per share</b>	Adjusted profit after tax profit divided by the weighted basic average number of shares.  <i>Closest equivalent IFRS measure: Earnings per share</i>  See calculation on page 184.	On a per share basis, this allows the comparability of underlying financial performance by excluding the impacts of adjusting items.
<b>Adjusted diluted earnings per share</b>	Underlying attributable profit divided by the diluted weighted basic average number of shares.  <i>Closest equivalent IFRS measure: Diluted earnings per share</i>  See calculation on page 184.	
<b>Adjusted earnings cover</b>	Adjusted earnings per share divided by the expected dividend for the year.  See calculation on page 184.	The Board dividend policy targets the adjusted earning cover to be between 2.5–3 times.
<b>Adjusted EBITDA – calculated in accordance with the definitions used in our financing facilities</b>	This is adjusted operating profit, adding back cash received from our JVs, depreciation of property, plant and equipment, depreciation of the historical cost of biological assets, operational amortisation (i.e. excluding amortisation of acquired intangibles) and deducting the amount attributable to minority interest.  <i>Closest equivalent IFRS measure: Operating profit<sup>1</sup></i>  See reconciliation on page 184.	This APM is presented because it is used in calculating our ratio of net debt to EBITDA and our interest cover, which we report to our banks to ensure compliance with our bank covenants.
<b>Adjusted operating margin</b>	Adjusted operating profit (including JVs) divided by revenue.	Allows for the comparability of underlying financial performance by excluding the impacts of exceptional items.
<b>Adjusted operating margin (exc JVs)</b>	Adjusted operating profit divided by revenue.	
<b>Constant currency basis</b>	The Group reports certain financial measures, on both a reported and constant currency basis and retranslates the current year's results at the average actual exchange rates used in the previous financial year.	The Group's business operates in multiple countries worldwide and its trading results are translated back into the Group's functional currency of Sterling. This measure eliminates the effects of exchange rate fluctuations when comparing year-on-year reported results.
<b>Balance Sheet measures</b>		
<b>Net debt</b>	Net debt is gross debt, made up of unsecured bank loans and overdrafts and obligations under finance leases, with a deduction for cash and cash equivalents.  See reconciliation on page 185.	This allows the Group to monitor its levels of debt.
<b>Net debt – calculated in accordance with the definitions used in our financing facilities</b>	Net debt excluding the impact of adopting IFRS 16 and adding back guarantees and deferred purchase arrangements.  See reconciliation on page 185.	This is a key metric that we report to our banks to ensure compliance with our bank covenants.

## ALTERNATIVE PERFORMANCE MEASURES GLOSSARY CONTINUED

Alternative Performance Measures	Calculation methodology and closest equivalent IFRS measure (where applicable)	Reasons why we believe the APMs are useful
<b>Cash flow measures</b>		
<b>Cash conversion</b>	<p>Cash generated by operations as a percentage of adjusted operating profit excluding JVs.</p> <p>See calculation on page 185.</p>	This is used to measure how much operating cash flow we are generating and how efficient we are at converting our operating profit into cash.
<b>Free cash flow</b>	<p>Cash generated by the Group before debt repayments, acquisitions and investments, dividends and proceeds from share issues.</p> <p><i>Closest IFRS measure: Net cash flow from operating activities</i></p> <p>See reconciliation on page 185.</p>	Shows the cash retained by the Group in the year.
<b>Other measures</b>		
<b>Interest cover</b>	<p>The ratio of adjusted net finance costs, calculated in accordance with the definitions used in our financing facilities, is net finance costs with a deduction for pension interest, interest from adopting IFRS 16, unwinding of discount on put options and amortisation of refinancing fees, to adjusted EBITDA.</p> <p><i>Closest equivalent IFRS components for the ratio: The equivalent IFRS components are finance costs, finance income and operating profit</i></p> <p>See calculation and reconciliation on page 186.</p>	This APM is used to understand our ability to meet our interest payments and is also a key metric that we report to our banks to ensure compliance with our bank covenants.
<b>Ratio of net debt to adjusted EBITDA</b>	<p>The ratio of net debt, calculated in accordance with the definitions used in our financing facilities, is gross debt, made up of unsecured bank loans and overdrafts and obligations under finance leases, with a deduction for cash and cash equivalents and adding back amounts related to guarantees and deferred purchase arrangements, to adjusted EBITDA.</p> <p><i>Closest equivalent IFRS components for the ratio: The equivalent IFRS components are gross debt, cash and cash equivalents and operating profit</i></p> <p>See calculation on page 186.</p>	This APM is used as a measurement of our leverage and is also a key metric that we report to our banks to ensure compliance with our bank covenants.
<b>Return on adjusted invested capital</b>	<p>The Group's return on adjusted invested capital is measured on the basis of adjusted operating profit including JVs after tax, which is operating profit with the pre-tax share of profits from JVs and associates, net IAS 41 valuation movement on biological assets, amortisation of acquired intangible assets, share-based payment expense and exceptional items added back, net of amounts attributable to non-controlling interest and tax.</p> <p>The adjusted operating profit including JVs after tax is divided by adjusted invested capital, which is the equity attributable to owners of the Company adding back net debt, pension liability net of related deferred tax and deducting biological assets (less historical cost) and goodwill, net of related deferred tax.</p> <p><i>Closest equivalent IFRS components for the ratio: Return on invested capital</i></p> <p>See calculation and reconciliation on page 186 and 187.</p>	This APM is used to measure our ability to efficiently invest our capital and gives us a sense of how well we are using our resources to generate returns.

<sup>1</sup> Operating profit is not defined per IFRS. It is presented in the Group Income Statement and is shown as profit before tax, finance income/costs and share of post-tax profit of JVs and associates retained.

THE TABLES BELOW RECONCILE THE CLOSEST EQUIVALENT IFRS MEASURE TO THE APM OR OUTLINE THE CALCULATION OF THE APM

**INCOME STATEMENT MEASURES**

**Adjusted operating profit exc JVs**

**Adjusted operating profit inc JVs**

**Adjusted operating profit inc JVs and exc gene editing costs**

	2021	(restated) <sup>1</sup> 2020		
	£m	£m	£m	Reference
<b>Operating profit</b>	<b>47.7</b>	<b>42.4</b>		Group Income Statement
Add back:				
Net IAS 41 valuation movement on biological assets	10.8	(15.8)		Group Income Statement
Amortisation of acquired intangible assets	7.4	8.5		Group Income Statement
Share-based payment expense	7.7	5.8		Group Income Statement
Exceptional items	3.3	19.2		Group Income Statement
<b>Adjusted operating profit exc JVs</b>	<b>76.9</b>	<b>60.1</b>		Group Income Statement
Less: amounts attributable to non-controlling interest		(0.1)		(0.6) Group Income Statement
Operating profit from JVs and associates	13.1	8.9		Group Income Statement
Tax on JVs and associates	3.0	2.3		Note 11 – Income tax expense
Net IAS 41 valuation movement	(3.1)	0.1		Note 18 – Equity accounted investees
Adjusted operating profit from JVs	13.0	11.3		
<b>Adjusted operating profit inc JVs</b>	<b>89.8</b>	<b>70.8</b>		
Gene editing costs		7.6		5.2 Note 5 – Segmental information
<b>Adjusted operating profit inc JVs and exc gene editing costs</b>	<b>97.4</b>	<b>76.0</b>		

**Adjusted operating profit inc JVs after tax**

	2021	(restated) <sup>1</sup> 2020		
	£m	£m	£m	Reference
<b>Adjusted operating profit inc JVs</b>	<b>89.8</b>	<b>70.8</b>		See APM
Adjusted tax	(20.2)			(16.8) At effective tax rate – see note 12
<b>Adjusted operating profit inc JVs after tax</b>	<b>69.6</b>	<b>54.0</b>		

**Adjusted profit inc JVs before tax**

**Adjusted profit inc JVs after tax**

	2021	(restated) <sup>1</sup> 2020		
	£m	£m	£m	Reference
<b>Adjusted operating profit inc JVs</b>	<b>89.8</b>	<b>70.8</b>		See APM
Less net finance costs	(5.0)			(5.0) Note 10 – Net finance costs
<b>Adjusted profit inc JVs before tax</b>	<b>84.8</b>	<b>65.8</b>		
Adjusted tax	(19.1)			(15.6) Note 12 – Earnings per share
<b>Adjusted profit inc JVs after tax</b>	<b>65.7</b>	<b>50.2</b>		

**Adjusted profit inc JVs before tax exc SaaS impact**

	2021	(restated) <sup>1</sup> 2020		
	£m	£m	£m	Reference
<b>Adjusted profit inc JVs before tax</b>	<b>84.8</b>	<b>65.8</b>		See APM
Impact of change in accounting policy	2.7			5.2 Financial review
<b>Adjusted profit inc JVs before tax exc SaaS impact</b>	<b>87.5</b>	<b>71.0</b>		

1 See note 2 for details of the prior period restatement.

## ALTERNATIVE PERFORMANCE MEASURES GLOSSARY CONTINUED

**Adjusted effective tax £m/rate**

	2021		(restated) <sup>1</sup> 2020		Reference
	£m	%	£m	%	
<b>Adjusted effective tax £m/rate</b>	<b>19.1</b>	<b>22.5</b>	<b>15.6</b>	<b>23.7</b>	Note 12 – Earnings per share
Exceptional items	(1.1)	(33.3)	(4.5)	(23.4)	Note 12 – Earnings per share
Share-based payment expense	(1.6)	(20.8)	(1.1)	(19.0)	Note 12 – Earnings per share
Amortisation of acquired intangible assets	(1.5)	(20.3)	(1.8)	(21.2)	Note 12 – Earnings per share
Net IAS 41 valuation movement on biological assets	(2.9)	(26.9)	4.7	29.7	Note 12 – Earnings per share
<b>Effective tax £m/rate</b>	<b>12.0</b>	<b>20.4</b>	<b>12.9</b>	<b>26.5</b>	Note 11 – Taxation and deferred taxation

**Adjusted basic earnings per share**

	2021		(restated) <sup>1</sup> 2020		Reference
<b>Adjusted profit inc JVs after tax (£m)</b>	<b>65.7</b>		<b>50.2</b>		See APM
Weighted average number of ordinary shares (000s)	65.108		64.908		Note 12 – Earnings per share
<b>Adjusted basic earnings per share (pence)</b>	<b>100.9</b>		<b>77.3</b>		

**Adjusted diluted earnings per share**

	2021		(restated) <sup>1</sup> 2020		Reference
<b>Adjusted profit inc JVs after tax (£m)</b>	<b>65.7</b>		<b>50.2</b>		See APM
Weighted average number of diluted ordinary shares (000s)	65.662		65.427		Note 12 – Earnings per share
<b>Adjusted diluted earnings per share (pence)</b>	<b>100.1</b>		<b>76.7</b>		

**Adjusted earnings cover**

	2021		(restated) <sup>1</sup> 2020		Reference
	pence	times	pence	times	
<b>Adjusted earnings per share</b>	<b>100.9</b>		<b>77.3</b>		See APM
<b>Dividend for the year</b>	<b>32.0</b>		<b>29.1</b>		Note 13 – Dividends
<b>Adjusted earnings cover</b>	<b>3.2</b>		<b>2.7</b>		

**Adjusted EBITDA – as calculated under our financing facilities**

	2021		(restated) <sup>1,2</sup> 2020		Reference
	£m	£m	£m	£m	
<b>Operating profit</b>	<b>47.7</b>		<b>42.4</b>		Group Income Statement
Add back:					
Net IAS 41 valuation movement on biological assets	10.8		(15.8)		Group Income Statement
Amortisation of acquired intangible assets	7.4		8.5		Group Income Statement
Share-based payment expense	7.7		5.8		Group Income Statement
Exceptional items	3.3		19.2		Group Income Statement
Adjusted operating profit exc JVs	76.9		60.1		Group Income Statement
Adjust for:					
Adjusted operating profit impact of change in accounting policy	n/a		5.2		Note 2 – Basis of preparation
Cash received from JVs (dividend and loan repayment)	4.1		3.7		Group Statement of Cash Flows
Depreciation: property, plant and equipment	24.0		24.0		Note 17 – Property, plant and equipment
Operational lease payments	(12.5)		(12.1)		Note 28 – Obligations under leases
Depreciation: historical cost of biological assets	10.0		11.0		See Financial Review
Amortisation and impairment (excluding separately identifiable acquired intangible assets)	3.7		4.6		Note 15 – Intangible assets
Amortisation impact of change in accounting policy	n/a		0.5		Note 2 – Basis of preparation
Less amounts attributable to non-controlling interest	(0.1)		(0.6)		Group Income Statement
<b>Adjusted EBITDA – as calculated under our financing facilities</b>	<b>106.1</b>		<b>96.4</b>		

<sup>1</sup> See note 2 for details of the prior period restatement.<sup>2</sup> Following Genus entering a new credit facility (see note 27) the definitions of EBITDA, Borrowings and Net Debt were amended. Consequently, the comparative values have been restated to reflect the amended definitions as reported to the banks.

**BALANCE SHEET MEASURES****Net debt****Net debt as calculated under our financing facilities**

	2021		(restated) <sup>1,2</sup> 2020		Reference
	£m	£m	£m	£m	
Current unsecured bank loans and overdrafts	13.9		9.2		
Non-current unsecured bank loans and overdrafts	109.4		103.6		
Unsecured bank loans and overdrafts		123.3		112.8	Group Balance Sheet
Current obligations under finance leases	9.0		10.0		
Non-current obligations under finance leases	19.3		21.1		
Obligations under finance leases		28.3		31.1	Group Balance Sheet
Total debt financing		151.6		143.9	Note 32 – Notes to the cash flow statement
Deduct:					
Cash and cash equivalents	(46.0)			(41.3)	Group Balance Sheet
<b>Net debt</b>	<b>105.6</b>		<b>102.6</b>		
Deduct:					
Lower of obligations under finance leases or £30m <sup>1</sup>	(28.3)		(30.0)		
Add back:					
Guarantees	19.1			5.9	Note 35 – Contingencies and bank guarantees
Deferred purchase arrangements	0.1			0.2	No direct reference
<b>Net debt – as calculated under our financing facilities</b>	<b>96.5</b>		<b>78.7</b>		

**CASH FLOW MEASURES****Cash conversion**

	2021		(restated) <sup>1,2</sup> 2020		Reference
	£m	£m	£m	£m	
<b>Cash generated by operations</b>	<b>86.6</b>		<b>77.2</b>		Note 32 – Notes to the cash flow statement
Operating profit	47.7		42.4		Group Income Statement
Add back:					
Net IAS 41 valuation movement on biological assets	10.8		(15.8)		Group Income Statement
Amortisation of acquired intangible assets	7.4		8.5		Group Income Statement
Share-based payment expense	7.7		5.8		Group Income Statement
Exceptional items	3.3		19.2		Group Income Statement
<b>Adjusted operating profit exc JVs</b>	<b>76.9</b>		<b>60.1</b>		Group Income Statement
<b>Cash conversion (%)</b>	<b>113%</b>		<b>128%</b>		

**Free cash flow**

	2021		(restated) <sup>1,2</sup> 2020		Reference
	£m	£m	£m	£m	
<b>Cash generated by operations</b>	<b>86.6</b>		<b>77.2</b>		Note 32 – Notes to cash flow statement
Interest and tax paid	(19.1)		(17.1)		(Note 32 – Notes to cash flow statement)
Capital expenditure	(33.8)		(29.7)		(Group Statement of Cash Flows)
Dividends received from JV and associates	4.1		2.5		(Group Statement of Cash Flows)
Joint venture and associate loan (payment)/repayment	(0.4)		1.2		(Group Statement of Cash Flows)
Proceeds from sale of property, plant and equipment	0.3		1.1		(Group Statement of Cash Flows)
Dividend to non-controlling interest	(0.2)		–		(Group Statement of Cash Flows)
<b>Free cash flow</b>	<b>37.5</b>		<b>35.2</b>		

1 Following Genus entering a new credit facility (see note 27) the definitions of EBITDA, Borrowings and Net Debt were amended. Consequently, the comparative values have been restated to reflect the amended definitions as reported to the banks.

2 See note 2 for details of the prior period restatement.

## ALTERNATIVE PERFORMANCE MEASURES GLOSSARY CONTINUED

## OTHER MEASURES

## Interest cover

	2021		(restated) <sup>1,2</sup> 2020		Reference
	£m	Times	£m	Times	
Finance costs	5.4		5.3		Group Income Statement
Finance income	(0.4)		(0.3)		Group Income Statement
Net finance costs	5.0		5.0		Note 10 – Net finance costs
Deduct:					
Pension interest	(0.3)		(0.4)		Note 10 – Net finance costs
Interest on lease liabilities	(0.8)		(1.0)		Note 10 – Net finance costs
Unwinding discount on put options	(0.6)		(0.5)		Note 10 – Net finance costs
Amortisation of refinancing fees	(0.9)		(0.4)		Note 10 – Net finance costs
<b>Adjusted net finance costs</b>	<b>2.4</b>		<b>2.7</b>		
<b>Adjusted EBITDA – as calculated under our financing facilities</b>	<b>106.1</b>		<b>96.4</b>		See APM
<b>Interest cover</b>	<b>45</b>		<b>35</b>		

## Ratio of net debt to adjusted EBITDA

	2021		(restated) <sup>1,2</sup> 2020		Reference
	£m	Times	£m	Times	
<b>Net debt – as calculated under our financing facilities</b>	<b>96.5</b>		<b>78.7</b>		See APM
<b>Adjusted EBITDA – as calculated under our financing facilities</b>	<b>106.1</b>		<b>96.4</b>		See APM
<b>Ratio of net debt to EBITDA</b>	<b>0.9</b>		<b>0.8</b>		

## Return on adjusted invested capital

	2021		(restated) <sup>2</sup> 2020		Reference
	£m	%	£m	%	
<b>Adjusted operating profit inc JVs after tax</b>	<b>69.6</b>		<b>54.0</b>		See APM
Equity attributable to owners of the Company	498.1		495.5		Group Balance Sheet
Add back:					
Net debt	105.6		102.6		Note 32 – Notes to the cash flow statement
Pension liability	11.1		18.1		Group Balance Sheet
Related deferred tax	(2.1)		(3.5)		Note 11 – Taxation and deferred taxation
Adjust for:					
Biological assets – carrying value	(319.5)		(349.9)		Note 16 – Biological assets
Biological assets' harvest classed as inventories	(17.8)		(20.3)		Note 20 – Inventories
Biological assets – historic cost	65.1		57.5		See Financial Review
Goodwill	(101.5)		(105.6)		Group Balance Sheet
Related deferred tax	63.7		74.4		Note 11 – Taxation and deferred taxation
<b>Adjusted invested capital</b>	<b>302.7</b>		<b>268.8</b>		
<b>Return on adjusted invested capital</b>	<b>23.0%</b>		<b>20.1%</b>		

1 Following Genus entering a new credit facility (see note 27), the definitions of EBITDA, Borrowings and Net Debt were amended. Consequently, the comparative values have been restated to reflect the amended definitions as reported to the banks.

2 See note 2 for details of the prior period restatement.

**Return on adjusted invested capital**

	2021		(restated) <sup>1</sup> 2020		Reference
	£m	%	£m	%	
<b>Return on adjusted invested capital</b>	<b>23.0%</b>		<b>20.1%</b>		see APM see APM
Adjusted operating profit inc JVs after tax	69.6		54.0		
Tax rate	20.2	22.5%	16.8	23.7%	Note 12 – Earnings per share
Adjusted operating profit inc JVs	89.8		70.8		Group Income Statement
Adjusted operating profit attributable to non-controlling interest	0.1		0.6		Group Income Statement
Pre-tax share of profits from JVs exc net IAS 41 valuation movement	(13.0)		(11.3)		Group Income Statement
Adjusted operating profit exc JVs	76.9		60.1		Group Income Statement
Fair value movement on biological assets	(10.8)		15.8		Group Income Statement
Amortisation of acquired intangibles	(7.4)		(8.5)		Group Income Statement
Share-based payment expense	(7.7)		(5.8)		Group Income Statement
Exceptional items	(3.3)		(19.2)		Group Income Statement
Share of post-tax profit of JVs	13.1		8.9		Group Income Statement
Finance costs	(5.0)		(5.0)		Group Income Statement
Profit before tax	55.8		46.3		Group Income Statement
Tax	(9.0)		(10.6)		Group Income Statement
<b>Profit</b>	<b>46.8</b>		<b>35.7</b>		Group Income Statement
<b>Equity attributable to owners of the Company</b>	<b>498.1</b>		<b>495.5</b>		Group Balance Sheet
<b>Return on invested capital</b>		<b>9.4%</b>		<b>7.2%</b>	

1 See note 2 for details of the prior period restatement.

## GLOSSARY

<b>AGM</b> – Annual General Meeting.	<b>Gilt</b> – A young female pig, which has not yet given birth.	<b>Progeny tested</b> – Elite animals whose genetic value as a parent has been tested and validated through the performance of their offspring.
<b>Artificial insemination ('AI')</b> – Using semen collected from a bull or boar to impregnate a cow or sow when in estrus. Artificial insemination allows a genetically superior male to be used to mate with many more females than would be possible with natural mating.	<b>GMS</b> – ABS's Genetic Management System, which creates a genetic solution tailored to each individual dairy producer to obtain improved herd genetics.	<b>PRRSv</b> – Porcine Reproductive and Respiratory Syndrome Virus.
<b>ASF</b> – African Swine Fever.	<b>Grandparent</b> – The relationship of a breeding pig to the generation of terminal market pigs. A grandparent produces parents, who in turn produce the commercial generation of terminal pigs.	<b>PSP</b> – Performance Share Plan.
<b>Biosecurity</b> – The precautions taken to reduce the chance of transmitting disease agents from one livestock operation to another.	<b>Group</b> – Genus plc and its subsidiary companies.	<b>PTAB</b> – Patent Trial and Appeal Board before the US Patent and Trademarks Office.
<b>Boar</b> – A male pig.	<b>In vitro fertilisation ('IVF')</b> – The fertilisation of an oocyte with semen (outside an animal) in a laboratory for transfer into a surrogate.	<b>R&amp;D</b> – Research and development.
<b>BRD</b> – Bovine Respiratory Disease, a complex, bacterial and viral infection that causes lung disease in cattle (particularly calves) and is often fatal.	<b>Index/Indices</b> – A formula incorporating economically important traits for ranking the genetic potential of animals as parents of the next generation.	<b>RMS</b> – ABS's Reproductive Management System, which is a systematic approach to maximising pregnancy production and its contribution to herd profitability.
<b>CPI</b> – Consumer Price Index.	<b>Integrated pork producer</b> – Producers of pork typically involved in raising animals to slaughter weight all the way through to packaged and/or branded pork products.	<b>RPI</b> – Retail Price Index.
<b>CRISPR-Cas 9</b> – Technology which accurately targets and cuts DNA to produce precise and controllable changes to the genome.	<b>IntelliGen</b> – The technology platform used to process sexed bovine semen for ABS and third-party customers and commercialised by ABS globally as Sexcel.	<b>RWD</b> – ABS's Real World Data System of observed performance data from many dairy herds.
<b>CSR</b> – Corporate Social Responsibility.	<b>IP</b> – Intellectual property.	<b>Sexcel</b> – The ABS brand of sexed bovine genetics produced using IntelliGen.
<b>DSBP</b> – Deferred Share Bonus Plan.	<b>IPR</b> – Inter Partes Review before the US Patent and Trademarks Office.	<b>Sire</b> – The male parent of an animal.
<b>EPS</b> – Earnings per share.	<b>IVB</b> – In Vitro Brasil S.A.	<b>Sire line</b> – The male line selected for traits desirable for the market.
<b>Farrow</b> – When a sow gives birth to piglets.	<b>JV</b> – Joint venture.	<b>Sow</b> – A female pig which has given birth at least once.
<b>GELT</b> – Genus Executive Leadership Team.	<b>Line</b> – Multiple animals that have been mated together in a closed breeding population. Pure lines can have their origins in one founding breed or in several breeds.	<b>Straw</b> – A narrow tube used to package frozen bull semen.
<b>Gender skew</b> – The ability to influence the proportion of offspring being of a particular sex.	<b>Market pig equivalents ('MPE')</b> – Refers to a standardised measure of our customers' production of slaughter animals that contain our genetics with genes from each of the sow and boar counting for half of the animal.	<b>Stud</b> – Locations where bulls or boars are housed and their semen collected, evaluated, diluted into multiple doses/straws and packaged, ready for shipping to farms.
<b>Genetic gain</b> – The change of the genetic make up of a particular animal population in response to having selected parents that excelled genetically for important traits.	<b>Multiplier</b> – A producer whose farm contains grandparent sows. The farm crosses together two lines of grandparents, multiplying the number of genetically improved parents that are available for sale.	<b>Terminal boars</b> – The male pig that is used to mate with a parent female to produce a terminal pig.
<b>Genetic lag</b> – The amount of time required to disseminate genetic gain from a nucleus herd to the commercial customer.	<b>NuEra</b> – The ABS beef breeding programme and index designed to drive the customer's genetic improvement and deliver total system profitability for the beef supply chain.	<b>Trait</b> – A measurable characteristic that may be a target for genetic selection.
<b>Genetic nucleus</b> – A specialised pig herd, where Genus PIC keeps its pure lines. Pigs are genetically tested at the nucleus to select the best animals to produce the next generation.	<b>TransitionRight</b> – Genus ABS's patent-pending genetic selection tool to help prevent multiple post calving metabolic disorders that occur during transition.	
<b>Genomic bull</b> – A bull which has been assessed through genomic testing. This typically refers to bulls which have not been progeny-tested.	<b>Unit</b> – A straw of frozen bull semen or tube/bag of fresh boar semen sold to a customer.	
<b>Genomically tested</b> – An animal that has been DNA profiled.	<b>PQA</b> – Pork Quality Assurance.	
<b>Genomics</b> – The study of the genome, which is the DNA sequence of an animal's chromosomes.		

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