

**COGENT BREEDING LIMITED**

**Annual Report and Financial Statements  
For the year ended 31 December 2017**

**Company number: 02750987**



# COGENT BREEDING LIMITED

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# **COGENT BREEDING LIMITED**

## **OFFICERS AND PROFESSIONAL ADVISERS**

### **DIRECTORS**

J F Moreno  
G W Bevier  
G P Ramsbottom

### **REGISTERED OFFICE**

Lea Lane  
Aldford  
Chester  
CH3 6JQ

### **BANKERS**

HSBC Bank plc  
47 Eastgate Street  
Chester  
CH1 1XW

### **SOLICITORS**

Brabners Chaffe Street LLP  
Horton House  
Exchange Flags  
Liverpool  
L2 3YL

### **AUDITOR**

Deloitte LLP  
Statutory Auditor  
2 Hardman Street  
Manchester  
M3 3HF

# COGENT BREEDING LIMITED

## STRATEGIC REPORT

The Directors, in preparing this strategic report, have complied with s414C of the Companies Act 2006. This strategic report has been prepared for the Group as a whole and therefore gives greater emphasis to those matters which are significant to Cogent Breeding Limited and its subsidiary undertakings when viewed as a whole.

### PRINCIPAL ACTIVITY

The principal activity of the Group during the year continued to be the supply of bovine genetics to the global dairy and beef industries.

### REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The Group reported a significantly reduced operating loss of £1,537k (2016 – £4,662k) and a loss before taxation of £1,762k (2016 – £5,090k). In difficult conditions for the UK dairy industry, turnover for the year-ended 31 December 2017 increased from £14.3m to £14.9m. The total capital employed for the Group increased by £5,950k to £10,179k as a result of a share issue to the value of £7,059k less the post-tax loss of £1,773k and other comprehensive income of £664k. The Group continues to assess new technology and products for the current and potential markets.

Cogent Breeding Limited monitors the overall performance of each of its investments; during 2017 the main subsidiary companies were Cogent Canada Corp and Cogent IVF LLC. For the year Cogent Canada Corp recorded an operating loss of £224k and for the period to the date of disposal (22 September 2017) Cogent IVF LLC incurred an operating loss of £299k.

On 22 September 2017, Cogent Breeding Limited sold 100% of the shares in Cogent Holdings Inc, a dormant holding company, to Wheatsheaf Group Limited for the consideration of £1.148m. In turn, Cogent Holdings Inc held 100% of the members' interests in Cogent IVF LLC, a bovine genetics company.

On 5 October 2017, 76% of the ordinary share capital of the Company was acquired by Inguran International LLC, which is a direct wholly owned subsidiary of Inguran LLC of Texas, USA. Inguran LLC trades under the name STgenetics. The seller Deva Group Limited, a subsidiary of Wheatsheaf Group Limited, has retained the minority share.

The sale of Cogent Breeding Limited, and its subsidiary Cogent Canada Corp, to STgenetics is a key strategic development for the Group as it now has access to the best sexed semen technology and the largest bovine genetics programme globally. This has provided transformational benefits to the Group and its customers. In return, the Company provides STgenetics with a UK and European platform, an improved route to market internationally and an established 'beef on dairy' programme.

### KEY PERFORMANCE INDICATORS

Cogent Breeding Limited, which represents the majority of the Group, monitors bulls at stud as a key performance indicator. During the year the average number of bulls at its stud facility in Cheshire, inclusive of third party owned bulls, was 171 (2016 – 175).

### PRINCIPAL RISKS AND UNCERTAINTIES

The management of the businesses and the execution of the Group's strategy are subject to a number of risks. The key business risks and uncertainties affecting the members of the Group are noted below.

#### Bio-security

A key risk facing the Group is bio-security. The production and sale of breeding products is dependent on the health status of the studs. This risk is mitigated by a bio-security policy, different herd locations and stringent health and welfare practices.

#### Dairy industry

Demand for products is influenced by economic conditions within the dairy industry such as the milk prices received by dairy farmers. This risk is mitigated by operating in global markets to reduce the exposure to change in any one market.

#### Technology

The Group is at risk from competitors gaining a competitive advantage from new technological developments. This risk is mitigated by the review of existing technologies and research into new technologies.

# COGENT BREEDING LIMITED

## STRATEGIC REPORT (Continued)

### PRINCIPAL RISKS AND UNCERTAINTIES (continued)

#### Exit from European Union

The result of the referendum in 2016 for the UK to leave the EU has created significant uncertainty for the economy. Uncertainty over the future cost of trade in food and agricultural goods and services, the free movement of EU labour, currency volatility and the potential for changes to agricultural subsidy schemes represent the main risks for the Group. The risk, and impact it may have upon the Group, is being monitored closely. The Group is confident that due to its UK and international sales the immediate risk is adequately mitigated.

#### Cash flow risk

The Group's activities expose it to the financial risk of changes in foreign currency exchange rates. Currency movements are monitored and prices are adjusted as required.

#### Credit risk


The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. None of the Group's debtors represent more than 10% of trade receivables and therefore credit risk is spread over a large number of customers.

#### Liquidity risk

Liquidity is managed by each company as well as at a Group level. The Directors have received confirmation of financial support from the ultimate parent company.

Approved by the Board of Directors

and signed on its behalf by



Juan F Moreno  
Director

~~August 2018~~

14 September 2018

# COGENT BREEDING LIMITED

## DIRECTORS' REPORT

The Directors present their annual report on the affairs of the Group, together with the financial statements and auditor's report, for the year ended 31 December 2017.

Details of future developments, principal risk and uncertainties, and financial risk management can be found in the Strategic Report and form part of this report by cross-reference.

### RESULTS AND DIVIDENDS

The results for the year are set out in the consolidated profit and loss account. The loss for the year after taxation was £1,773k (2016 – loss £5,143k). The Directors do not recommend the payment of a dividend (2016 - £nil).

### DIRECTORS

The membership of the Board, who served during the year and to the date of this report, were as follows:

G P Ramsbottom	
J F Moreno	(appointed 5 October 2017)
G W Bevier	(appointed 5 October 2017)
J Hamilton	Chairman (resigned 5 October 2017)
C Pawlak	(resigned 17 March 2017)
P J Wilkinson	(resigned 5 October 2017)
M A Roach	(appointed 24 January 2017 and resigned 5 October 2017)

### DIRECTORS' INDEMNITIES

The Group 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.

### GOING CONCERN

To consider whether it is appropriate to prepare the financial statements on a going concern basis the Directors have reviewed the budget for the forthcoming financial year together with the long-term strategy. With reference to the loss made in the year confirmation of financial support has also been received from the ultimate parent company, Inguran LLC. Having considered the plans for the future and this financial support, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

### EXISTENCE OF OVERSEAS BRANCHES

As defined in section 1046(3) of the Companies Act 2006, the Group has Cogent Australia, a branch outside the UK in Australia.

### POST BALANCE SHEET EVENTS

Refer to note 27 for details of events after the date of the balance sheet.

### EMPLOYEES

The Group gives full and fair consideration to applications by disabled persons for employment. Disabled employees and those who become disabled are afforded the same training, career development and promotion opportunities as other staff. The Directors recognise the importance of good communications and relations with the Group's employees. Each part of the Group maintains employee relationships appropriate to its own particular needs and environment.

# COGENT BREEDING LIMITED

## DIRECTORS' REPORT (Continued)

### AUDITOR

Each of the persons who is a Director at the date of approval of this report confirms that:

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

This information is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements are being put in place for them to be deemed reappointed in the absence of an Annual General Meeting.

Approved by the Board of Directors  
and signed on its behalf by



Juan F Moreno

Director

~~August 2018~~

14 September 2018

## **COGENT BREEDING LIMITED**

### **DIRECTORS' RESPONSIBILITIES STATEMENT**

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 have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". 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 Group, and of the profit or loss of the Group for that year. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

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.





# **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COGENT BREEDING LIMITED**

## **Report on the audit of the financial statements**

### **Opinion**

In our opinion the financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Cogent Breeding Limited (the 'parent company') and its subsidiaries (the 'Group') which comprise:

- the consolidated profit and loss account;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 27.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

### **Basis for opinion**

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

We are independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

We are required by ISAs (UK) to report in respect of the following matters where:

- the Directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

# **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COGENT BREEDING LIMITED (Continued)**

## **Other information**

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

## **Responsibilities of Directors**

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

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

## **Auditor's responsibilities for the audit of the financial statements**

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

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

## **Use of our report**

This report is made solely to the Group'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 Group'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 Group's and its members as a body, for our audit work, for this report, or for the opinions we have formed.

## **Report on other legal and regulatory requirements**

### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, 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 its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic report or the Directors' report.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COGENT BREEDING LIMITED (Continued)

### Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

### Other matter

As the Group was exempt from preparing consolidated accounts under section 479A of the Companies Act 2006 in the prior year, we have not audited the corresponding consolidated amounts for that year.



Heather Crosby BSc ACA (Senior Statutory Auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Manchester, United Kingdom

~~August 2018~~ 25 SEPTEMBER 2018

# COGENT BREEDING LIMITED

## CONSOLIDATED PROFIT AND LOSS ACCOUNT Year ended 31 December 2017

(Unaudited)							
	Note	Continuing operations 2017 £'000	Discontinued operations 2017 £'000	Total 2017 £'000	Continuing operations 2016 £'000	Discontinued operations 2016 £'000	Total 2016 £'000
<b>TURNOVER</b>	3	14,165	701	14,866	14,170	91	14,261
Cost of sales		(12,377)	(141)	(12,518)	(12,584)	(73)	(12,657)
<b>GROSS PROFIT</b>		1,788	560	2,348	1,586	18	1,604
Administrative expenses		(3,844)	(859)	(4,703)	(5,750)	(516)	(6,266)
Profit on disposal of operations	13	-	818	818	-	-	-
<b>OPERATING (LOSS) / PROFIT</b>		(2,056)	519	(1,537)	(4,164)	(498)	(4,662)
Finance costs (net)	4	(225)	-	(225)	(428)	-	(428)
<b>(LOSS) / PROFIT BEFORE TAXATION</b>	5	(2,281)	519	(1,762)	(4,592)	(498)	(5,090)
Tax on (loss) / profit	8	(11)	-	(11)	(53)	-	(53)
<b>(LOSS) / PROFIT FOR THE YEAR</b>		(2,292)	519	(1,773)	(4,645)	(498)	(5,143)

Discontinued operations relates to the disposal of Cogent Holding Inc, and its subsidiary Cogent IVF LLC, to Wheatsheaf Group Limited on 22 September 2017.

The notes on pages 16 to 33 form an integral part of these financial statements.

# COGENT BREEDING LIMITED

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME Year ended 31 December 2017

		(Unaudited)
	2017 £'000	2016 £'000
<b>LOSS FOR THE FINANCIAL YEAR</b>	(1,773)	(5,143)
Currency translation difference on foreign currency net investments	47	210
Re-measurement of net defined benefit pension scheme (note 24)	617	(680)
<b>Other comprehensive income / (expense)</b>	664	(470)
<b>TOTAL COMPREHENSIVE EXPENDITURE</b>	(1,109)	(5,613)
<b>Loss for the year attributable to:</b>		
Equity shareholders of the Company	(1,595)	(5,143)
Non-controlling interest	(178)	-
	(1,773)	(5,143)
<b>Total comprehensive expenditure for the year attributable to:</b>		
Equity shareholders of the Company	(934)	(5,613)
Non-controlling interest	(175)	-
	(1,109)	(5,613)

The notes on pages 16 to 33 form an integral part of these financial statements.

# COGENT BREEDING LIMITED

## CONSOLIDATED AND PARENT COMPANY BALANCE SHEETS

As at 31 December 2017

		(Unaudited)			
	Note	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
<b>FIXED ASSETS</b>					
Goodwill	9	1,136	1,349	-	-
Other intangible assets	10	24	52	24	52
Tangible assets	11	4,167	5,270	2,445	3,473
Investments in subsidiaries	12	-	-	1,227	2,286
		<u>5,327</u>	<u>6,671</u>	<u>3,696</u>	<u>5,811</u>
<b>CURRENT ASSETS</b>					
Stocks	14	3,026	2,660	2,277	2,321
Debtors	15	3,994	3,835	4,588	4,595
Cash at bank and in hand		1,151	1,491	1,042	1,266
		<u>8,171</u>	<u>7,986</u>	<u>7,907</u>	<u>8,182</u>
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	16	<u>(3,043)</u>	<u>(9,186)</u>	<u>(2,561)</u>	<u>(8,841)</u>
<b>NET CURRENT ASSETS / (LIABILITIES)</b>		<u>5,128</u>	<u>(1,200)</u>	<u>5,346</u>	<u>(659)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>10,455</u>	<u>5,471</u>	<u>9,042</u>	<u>5,152</u>
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>	17	(268)	(340)	-	-
<b>PROVISIONS FOR LIABILITIES</b>	19	<u>(8)</u>	<u>(902)</u>	<u>-</u>	<u>(888)</u>
<b>NET ASSETS</b>		<u>10,179</u>	<u>4,229</u>	<u>9,042</u>	<u>4,264</u>
<b>CAPITAL AND RESERVES</b>					
Called-up share capital	21	8,059	1,000	8,059	1,000
Profit and loss account		2,295	3,229	983	3,264
<b>SHAREHOLDERS' FUNDS</b>		<u>10,354</u>	<u>4,229</u>	<u>9,042</u>	<u>4,264</u>
<b>NON-CONTROLLING INTEREST</b>		<u>(175)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL CAPITAL EMPLOYED</b>		<u>10,179</u>	<u>4,229</u>	<u>9,042</u>	<u>4,264</u>

The notes on pages 16 to 33 form an integral part of these financial statements.

The Company, Cogent Breeding Limited, recorded a loss after taxation for the year of £2,898k (2016 – loss of £4,653k). As permitted by Section 408 of the Companies Act 2006, no separate profit and loss account or statement of comprehensive income is presented in respect of the parent Company.

These financial statements of Cogent Breeding Limited, with company registration number 2750987, were approved by the Board of Directors on 14 September 2018.

Signed on behalf of the Board of Directors

**Juan I Moreno**  
Director

# COGENT BREEDING LIMITED

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY As at 31 December 2017

	Called-up share capital £'000	Profit and loss account £'000	Total £'000	Non- controlling interest £'000	Total £'000
<b>At 31 December 2015 (unaudited)</b>	1,000	1,842	2,842	-	2,842
Loss for the financial year	-	(5,143)	(5,143)	-	(5,143)
Currency translation difference on foreign currency net investments	-	210	210	-	210
Re-measurement of net defined benefit pension scheme	-	(680)	(680)	-	(680)
<b>Total comprehensive expense</b>	-	(5,613)	(5,613)	-	(5,613)
Capital contribution	-	7,000	7,000	-	7,000
<b>At 31 December 2016 (unaudited)</b>	<u>1,000</u>	<u>3,229</u>	<u>4,229</u>	<u>-</u>	<u>4,229</u>
Loss for the financial year	-	(1,595)	(1,595)	(178)	(1,773)
Currency translation difference on foreign currency net investments	-	44	44	3	47
Re-measurement of net defined benefit pension scheme	-	617	617	-	617
<b>Total comprehensive expense</b>	-	(934)	(934)	(175)	(1,109)
Issue of shares	<u>7,059</u>	-	<u>7,059</u>	-	<u>7,059</u>
<b>At 31 December 2017</b>	<u>8,059</u>	<u>2,295</u>	<u>10,354</u>	<u>(175)</u>	<u>10,179</u>

The notes on pages 16 to 33 form an integral part of these financial statements.

# COGENT BREEDING LIMITED

## COMPANY STATEMENT OF CHANGES IN EQUITY As at 31 December 2017

	Called-up share capital £'000	Profit and loss account £'000	Total £'000
<b>At 31 December 2015</b>	1,000	1,597	2,597
Loss for the financial year	-	(4,653)	(4,653)
Re-measurement of net defined benefit pension scheme	-	(680)	(680)
<b>Total comprehensive expense</b>	-	(5,333)	(5,333)
Capital contribution	-	7,000	7,000
<b>At 31 December 2016</b>	<u>1,000</u>	<u>3,264</u>	<u>4,264</u>
Loss for the financial year	-	(2,898)	(2,898)
Re-measurement of net defined benefit pension scheme	-	617	617
<b>Total comprehensive expense</b>	-	(2,281)	(2,281)
Issue of shares	<u>7,059</u>	-	<u>7,059</u>
<b>At 31 December 2017</b>	<u>8,059</u>	<u>983</u>	<u>9,042</u>

The notes on pages 16 to 33 form an integral part of these financial statements.



# COGENT BREEDING LIMITED

## CONSOLIDATED CASH FLOW STATEMENT Year ended 31 December 2017

		(Unaudited)			
	Note	2017 £'000	2017 £'000	2016 £'000	2016 £'000
<b>Net cash flows from operating activities</b>	22		(727)		3,488
<b>Cash flows from investing activities</b>					
Proceeds from sale of tangible fixed assets		623		45	
Purchase of tangible fixed assets		(1,011)		(1,948)	
Purchase of intangible fixed assets		-		(43)	
Proceeds from sale of operations		1,138		-	
<b>Net cash flows from investing activities</b>			750		(1,946)
<b>Cash flows from financing activities</b>					
(Repayment of) / increase in borrowings		(69)		27	
Interest paid		(225)		(428)	
Repayment of hire purchase		(1)		-	
<b>Net cash flows from financing activities</b>			(295)		(401)
<b>Taxation paid</b>			(68)		-
<b>Net (decrease) / increase in cash and cash equivalents</b>			(340)		1,141
<b>Cash and cash equivalents at beginning of year</b>			1,491		350
<b>Cash and cash equivalents at end of year</b>			1,151		1,491

The notes on pages 16 to 33 form an integral part of these financial statements.

# COGENT BREEDING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2017

### 1. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and to the previous year.

#### a. General information and basis of accounting

Cogent Breeding Limited is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2016 and is registered in England and Wales. The address of the registered office is shown on page 1.

The principal activities of the Company and its subsidiaries (the Group) and the nature of the Group's operations are set out in the Strategic report.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of Cogent Breeding Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates. The consolidated financial statements are also presented in pounds sterling. Foreign operations are included in accordance with the policies set out below.

Cogent Breeding Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements, which are presented alongside the consolidated financial statements. Exemptions have been taken in relation to financial instruments, presentation of a cash flow statement, intra-group transactions and remuneration of key management personnel.

#### b. Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 31 December each year. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed.

Business combinations are accounted for under the purchase method. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation. In accordance with Section 35 of FRS 102, Section 19 of FRS 102 has not been applied in these financial statements in respect of business combinations effected prior to the date of transition.

#### c. Going concern

The Group's business activities, together with the factors likely to affect its future developments, performance and position are set out in the Strategic report. The Directors' report further describes the financial position of the Group: its cash flows, liquidity position and any borrowing facilities; the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; and its exposure to credit and liquidity risk.

With reference to the loss made in the year confirmation of financial support has also been received from the ultimate parent company, Inguran LLC. Having considered the plans for the future and this financial support, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

#### d. Intangible fixed assets – goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight-line basis over its useful economic life of 7.5 years. Provision is made for any impairment.

# COGENT BREEDING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued) Year ended 31 December 2017

### 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### e. Intangible fixed assets – non-goodwill

Intangible fixed assets are stated at cost less aggregate amortisation, and provision for impairment, and are amortised on a straight-line basis so as to spread their cost over their expected useful economic lives, being three years.

#### f. Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment.

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Buildings	- 10% per annum
Plant and equipment	- 12.5% to 50% per annum

Biological assets are measured using the cost model. The assets included comprise one class consisting of a bull herd, the components of which are depreciated either on a 20% - 33.3% straight line or 30% reducing balance basis.

#### g. Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

##### (i) Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a finance transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the following conditions of being 'basic' financial instruments as defined in paragraph 11.9 of FRS 102 are subsequently measured at amortised cost using the effective interest method.

Debt instruments that have no stated interest rate (and do not constitute financing transaction) and are classified as payable or receivable within one year are initially measured at an undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Other debt instruments not meeting conditions of being 'basic' financial instruments are measured at fair value through profit or loss.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Group transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Group, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party. Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

# COGENT BREEDING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued) Year ended 31 December 2017

### 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### g. Financial instruments (continued)

##### (ii) Investments

Investments in non-convertible preference shares and non-puttable ordinary or preference shares (where shares are publicly traded or their fair value is reliably measurable) are measured at fair value through profit or loss. Where fair value cannot be measured reliably, investments are measured at cost less impairment.

In the Company balance sheet, investments (including investments in associates and jointly controlled entities) are measured at cost less impairment. For investments in subsidiaries acquired for consideration including the issue of shares qualifying for merger relief, cost is measured by reference to the nominal value only of the shares issued plus fair value of other consideration. Any premium is ignored.

##### (iii) Equity instruments

Equity instruments issued by the Company are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs.

##### (iv) Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

#### h. Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and appropriate production overheads. Cost is calculated using a standard costing or FIFO (first-in, first-out) method. Net realisable value is based on estimated selling price less all further costs to completion and all relevant marketing, selling and distribution costs. Provision is made for obsolete, slow-moving or defective items where appropriate.

#### i. Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

##### *Non-financial assets*

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Where indicators exist for a decrease in impairment loss previously recognised for assets other than goodwill, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

##### *Financial assets*

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date. Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

## COGENT BREEDING LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (Continued) Year ended 31 December 2017

#### 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

##### j. Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

When the amount that can be deducted for tax for an asset (other than goodwill) that is recognised in a business combination is less (more) than the value at which it is recognised, a deferred tax liability (asset) is recognised for the additional tax that will be paid (not payable) in respect of that difference. Similarly, a deferred tax asset (liability) is recognised for the additional tax that will be recovered (not payable) because of a difference between the value at which a liability is recognised and the amount that will be assessed for tax. The amount attributed to goodwill is adjusted by the amount of deferred tax recognised.

Deferred tax liabilities are recognised for timing differences arising from investments in subsidiaries and associates, except where the Group is able to control the reversal of the timing difference and it is probable that it will not reverse in the foreseeable future.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Group intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: a) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

##### k. Turnover

Turnover is stated net of VAT and trade discounts and is recognised when the significant risks and rewards are considered to have been transferred to the buyer. Turnover from the sale of goods is recognised when the goods are physically delivered to the customer. Turnover from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the fair value of the consideration received or receivable.

##### l. Research and development expenditure

All research and development expenditure is charged to the profit and loss account as incurred.

# COGENT BREEDING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued) Year ended 31 December 2017

### 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### m. Employee benefits

##### Defined benefit scheme

The Company participated in a defined benefit plan that shares risks between entities under common control. A stated policy is in place for charging the net defined benefit cost of the defined benefit plan, as a whole measured in accordance with FRS, to individual group entities. FRS 102 requires that the Group recognises the net defined benefit cost of the defined benefit plan so charged.

The amounts charged to operating profit are the costs arising from employee services rendered during the period and the cost of plan introductions, benefit changes, settlements and curtailments. They are included as part of staff costs. The net interest cost on the net defined benefit liability is charged to profit or loss and included within finance costs. Re-measurement comprising actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on the net defined benefit liability) are recognised immediately in other comprehensive income.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the Company, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date.

##### Defined contribution schemes

The amount charged to the profit and loss account in respect of pension costs and other retirement benefits is the contributions payable in the period. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

#### n. Foreign currency

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. These translation differences are dealt with in the profit and loss account in the period in which they arise.

The results of overseas operations are translated at the average rates of exchange during the period and their balance sheets at the rates ruling at the balance sheet date. Exchange differences arising on translation of the opening net assets and results of overseas operations are reported in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

#### o. Leases

Assets held hire purchase contracts and other similar arrangements, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets at the fair value of the leased asset (or, if lower, the present value of the minimum lease payments as determined at the inception of the lease) and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

## COGENT BREEDING LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (Continued) Year ended 31 December 2017

#### 2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 1, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

##### Critical judgements in applying the Group's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

##### Inventory valuation and provisioning

The Company values manufactured stock using a fully absorbed standard cost. Management have reviewed inventory provisioning mechanisms to ensure levels are appropriate for the business model. In addition to obsolescence, inventory that represents over 5 years of sales at current levels is fully provided against.

##### Key source of estimation uncertainty – assessment of goodwill carrying value

The carrying value of goodwill is held at cost less amortisation and provision for impairment. In assessing whether the goodwill carrying value is impaired the net assets of the investment and the business plans of the company invested in are considered. The carrying amount of goodwill at the balance sheet date was £1,136k (2016 - £1,349k).

##### Key source of estimation uncertainty – impairment of investments in subsidiaries

The carrying values of investments in subsidiaries are held at cost less provision for impairment. In assessing whether the investment carrying values are impaired the net assets of the investment and the business plans for each company are considered. The carrying amount of the Company's investments in subsidiaries at the balance sheet date was £1,227k (2016 - £2,286k) and a provision for impairment was recognised in year of £1,055k (2016 - £nil).

#### 3. TURNOVER

	(Unaudited)	
	2017	2016
	£'000	£'000
Sale of goods	13,350	12,228
Rendering of services	1,516	2,033
	<u>14,866</u>	<u>14,261</u>

An analysis of the Group's turnover by geographical market is set out below:

	2017	2016
	£'000	£'000
United Kingdom	7,872	7,435
Rest of Europe	2,723	3,434
North America	2,569	1,928
Australia	938	480
Rest of the world	764	984
	<u>14,866</u>	<u>14,261</u>

# COGENT BREEDING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued) Year ended 31 December 2017

### 4. FINANCE COSTS (NET)

	2017	(Unaudited) 2016
	£'000	£'000
Interest payable and similar charges		
Loan interest	225	428

### 5. LOSS BEFORE TAXATION

	2017	(Unaudited) 2016
	£'000	£'000
Loss before taxation is stated after charging/(crediting):		
Depreciation of tangible fixed assets (note 11)	1,332	1,496
Amortisation of intangible fixed assets (note 10)	28	95
Impairment of goodwill (note 9)	209	216
Loss on disposal of fixed assets (excluding biological assets)	33	74
Operating lease rentals payable for land and buildings	284	284
Foreign exchange losses / (gains)	158	(122)
Cost of stock recognised as an expense	4,543	4,297
Royalties payable	1,914	1,884
Research and development expenses	13	4

Impairments of goodwill and amortisation of intangible assets are included in administrative expenses.

	2017	(Unaudited) 2016
	£'000	£'000
The analysis of auditor's remuneration is as follows:		
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	39	29
Fees payable to the Company's auditor for the audit of the Company's subsidiaries financial statements	18	13
Total audit fees	57	42
Fees payable to the Company's auditor for tax compliance services	4	-

Fees payable to the Company's auditor and its associates for non-audit services to the Company are not required to be disclosed because the consolidated statements are required to disclose such fees on a consolidated basis. No services were provided pursuant to contingent fee arrangements.



## COGENT BREEDING LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (Continued) Year ended 31 December 2017

#### 6. STAFF NUMBERS AND COSTS

	2017 £'000	(Unaudited) 2016 £'000
Employee costs during the year, including Directors:		
Wages and salaries	5,263	6,281
Social security costs	686	769
Pension costs included within operating costs:		
Defined benefit schemes	145	185
Defined contribution schemes (note 24)	137	182
	<u>6,231</u>	<u>7,417</u>
Average number of employees by business, including Directors:	Number	Number
Cogent Breeding Ltd	128	162
Cogent Canada Corp	22	22
Cogent IVF LLC	6	4
	<u>156</u>	<u>188</u>

#### 7. DIRECTORS' REMUNERATION

	2017 Total £'000	2017 Highest paid Director £'000	(Unaudited) 2016 Total £'000	(Unaudited) 2016 Highest paid Director £'000
Emoluments	53	28	513	307
Pension contributions to the defined contribution scheme	-	-	32	26
	<u>53</u>	<u>28</u>	<u>545</u>	<u>333</u>

The accrued pension entitlement of the highest paid Director under the defined benefit scheme was £nil (2016 - £nil). The number of Directors who are members of the defined benefit and defined contribution pension schemes was nil (2016 - nil).

G P Ramsbottom is paid for his services by Wheatsheaf Group Limited. M A Roach was paid for his services by Grosvenor Farms Limited. C Pawlak was paid for his services by Cogent IVF LLC. J F Moreno and G W Bevier are both paid for their services by Inguran LLC. Where the Directors are remunerated by other companies and this remuneration includes their services to Cogent Breeding Limited, it is not practicable to allocate their remuneration between their services as Directors of this company and their services as Directors of other companies.

# COGENT BREEDING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued) Year ended 31 December 2017

### 8. TAX ON LOSS

	(Unaudited)	
	2017	2016
	£'000	£'000
The tax charge comprises:		
<b>Current tax on loss</b>		
Overseas tax	17	53
<b>Total current tax</b>	17	53
<b>Total deferred tax (see note 18)</b>	(6)	-
<b>Total tax on loss</b>	11	53

Finance Act No2 2015 included provisions to reduce the UK corporation tax rate to 19% with effect from 1 April 2017. Finance Act 2016 introduced further legislation to reduce the main rate of corporation tax to 17% from 1 April 2020 and these rates have therefore been used to measure deferred tax assets and liabilities where applicable. The difference between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows:

	(Unaudited)	
	2017	2016
	£'000	£'000
<b>Group loss before tax</b>	(1,762)	(5,090)
Tax on Group loss at standard UK corporation tax rate of 19.25% (2016 - 20%):	(339)	(1,018)
Unprovided deferred tax movements	293	680
Expenses not deductible for tax purposes	62	218
Profit on disposal of subsidiary	(157)	-
Effect of foreign tax rates	8	15
Tax rate changes	-	138
Group relief surrendered	144	20
<b>Group total tax charge for year</b>	11	53

### 9. GOODWILL

Group	Total £'000
<b>Cost</b>	
At 1 January 2017	1,565
Additions	(4)
At 31 December 2017	1,561
<b>Accumulated impairment</b>	
At 1 January 2017	(216)
Impairment	(209)
At 31 December 2017	(425)
<b>Net book value</b>	
At 31 December 2017	1,136
At 31 December 2016	1,349

## COGENT BREEDING LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (Continued) Year ended 31 December 2017

#### 10. OTHER INTANGIBLE FIXED ASSETS

Group and Company	Licences £'000	Goodwill £'000	Other £'000	Total £'000
<b>Cost</b>				
At 1 January 2017	306	502	150	958
At 31 December 2017	306	502	150	958
<b>Accumulated amortisation</b>				
At 1 January 2017	(306)	(502)	(98)	(906)
Charge for the year	-	-	(28)	(28)
At 31 December 2017	(306)	(502)	(126)	(934)
<b>Net book value</b>				
At 31 December 2017	-	-	24	24
At 31 December 2016	-	-	52	52

# COGENT BREEDING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued) Year ended 31 December 2017

### 11. TANGIBLE FIXED ASSETS

Group	Land and buildings £'000	Plant and equipment £'000	Bulls *	Total
			£'000	£'000
<b>Cost</b>				
At 1 January 2017	2,714	6,296	2,509	11,519
Additions	9	438	564	1,011
Disposals	-	(424)	(1,012)	(1,436)
Exchange difference	(23)	(20)	(3)	(46)
At 31 December 2017	2,700	6,290	2,058	11,048
<b>Depreciation</b>				
At 1 January 2017	(847)	(4,425)	(977)	(6,249)
Charge for the year	(143)	(651)	(538)	(1,332)
Disposals	-	237	444	681
Exchange difference	8	9	2	19
31 December 2017	(982)	(4,830)	(1,069)	(6,881)
<b>Net book value</b>				
At 31 December 2017	1,718	1,460	989	4,167
At 31 December 2016	1,867	1,871	1,532	5,270
<b>Company</b>	<b>Land and buildings £'000</b>	<b>Plant and equipment £'000</b>	<b>Bulls *</b>	<b>Total</b>
			£'000	£'000
<b>Cost</b>				
At 1 January 2017	753	5,577	2,344	8,674
Additions	-	379	155	534
Disposals	-	(106)	(912)	(1,018)
At 31 December 2017	753	5,850	1,587	8,190
<b>Depreciation</b>				
At 1 January 2017	(318)	(3,979)	(904)	(5,201)
Charge for the year	(75)	(545)	(371)	(991)
Disposals	-	40	407	447
31 December 2017	(393)	(4,484)	(868)	(5,745)
<b>Net book value</b>				
At 31 December 2017	360	1,366	719	2,445
At 31 December 2016	435	1,598	1,440	3,473

Included within the Group's land and buildings is land which has a cost of £339k (2016 - £343k) and is not depreciated. Bulls (\*) are classified as biological assets.

## COGENT BREEDING LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (Continued) Year ended 31 December 2017

#### 12. SUBSIDIARY UNDERTAKINGS

	Total £'000
<b>Shares at cost</b>	
At 1 January 2017	3,242
Additions	1,144
Disposal (note 13)	(1,148)
At 31 December 2017	<u>3,238</u>
<b>Provision for impairment</b>	
At 1 January 2017	956
Movement in provision	1,055
At 31 December 2017	<u>2,011</u>
<b>Net book value</b>	
At 31 December 2017	<u>1,227</u>
At 31 December 2016	<u>2,286</u>

Consistent with previous years, the Directors have reviewed the carrying value of the investments held by Cogent Breeding Limited and considered whether any investments in subsidiaries are impaired by reference to the recoverable amounts. The movement in impairment provision relates to the impairment for Cogent Canada Corp due to trading losses incurred in the current year; the entity was profitable in 2016.

Additions in 2017 consist of capitalisation of the intercompany loan account with Cogent IVF LLC of £1,148k less an adjustment of £4k in respect of deferred consideration accrued for in the prior year relating to Cogent Canada Corp. The disposal relates to the sale of Cogent IVF LLC, and its immediate parent company Cogent Holdings Inc, to Wheatsheaf Group Limited at book value of £1,148k.

Subsidiary	Registered Office	Principal Activity	% of ordinary shares owned
Cogent Canada Corp * **	7970 Perth Road, 147, R.R. #4, Listowel, Ontario, Canada	Bovine genetics	100
Foundation Genetics Holding Corporation ***	7970 Perth Road, 147, R.R. #4, Listowel, Ontario, Canada	Dormant	100
Dairy Daughters Limited	Beachin Stud, Lea Lane, Aldford, Chester, CH3 6JQ	Dormant	100
Accelerated Genetics UK Limited *	Beachin Stud, Lea Lane, Aldford, Chester, CH3 6JQ	Dormant	100

Each of the above companies is directly owned unless marked with an asterisk to signify that it is indirectly held. All interests are in the form of ordinary shares, with the exception of \*\* where the interest is in the form of common shares and \*\*\* where the interest is in the form of a membership interest.

#### 13. SALE OF SUBSIDIARY UNDERTAKINGS

On 22 September 2017, the Company sold to Wheatsheaf Group Limited 100% of the shares in Cogent Holdings Inc, a dormant holding company, which held 100% of the members' interests in Cogent IVF LLC, a bovine genetics company. The consideration of £1,148k was utilised to part settle the intercompany loan balance with the purchaser. Cogent IVF LLC incurred a loss from 1 January 2017 up to the date of disposal of £299k and for its last financial year a loss of £498k.

# COGENT BREEDING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued) Year ended 31 December 2017

### 13. SALE OF SUBSIDIARY UNDERTAKINGS (continued)

Net assets disposed of and the related sale proceeds were as follows:

	<b>Total £'000</b>
Fixed assets	96
Current assets	276
Creditors	(42)
<b>Net assets</b>	<b>330</b>
Profit on sale	818
<b>Sale proceeds net of costs</b>	<b>1,148</b>
<b>Satisfied by:</b>	
Cash and cash equivalents	1,148
<b>Net cash inflows in respect of the sale compromised:</b>	
Cash and cash equivalents	1,148
Less: Cash and cash equivalents disposed of	(10)
<b>Net cash inflow</b>	<b>1,138</b>

There were no disposals of subsidiaries in 2016. The profit on sale is included in the results of discontinued operations.

### 14. STOCK

	<b>Group</b>		<b>Company</b>	
	<b>2017 £'000</b>	<b>2016 £'000</b>	<b>2017 £'000</b>	<b>2016 £'000</b>
		<b>(Unaudited)</b>		
Goods for resale	2,885	2,516	2,172	2,186
Consumable stores	141	144	105	135
	<b>3,026</b>	<b>2,660</b>	<b>2,277</b>	<b>2,321</b>

Other than as provided, there is no material difference between the balance sheet value of stocks and their replacement value. Cost of stock recognised as an expense is £4,543k (2016 - £4,297k).



# COGENT BREEDING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued) Year ended 31 December 2017

### 15. DEBTORS

	Group		Company	
	2017 £'000	2016 £'000 (Unaudited)	2017 £'000	2016 £'000
<b>Amounts falling due within one year</b>				
Trade debtors	3,642	3,398	3,279	2,897
Amounts owed by group companies	-	-	969	1,262
Taxation recoverable	9	-	6	-
Prepayments, other debtors and accrued income	301	434	292	433
	<u>3,952</u>	<u>3,832</u>	<u>4,546</u>	<u>4,592</u>
	Group		Company	
	2017 £'000	2016 £'000 (Unaudited)	2017 £'000	2016 £'000
<b>Amounts falling due after one year</b>				
Trade debtors	<u>42</u>	<u>3</u>	<u>42</u>	<u>3</u>

Amounts owed by group companies are repayable on demand and are non-interest bearing.

### 16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2017 £'000	2016 £'000 (Unaudited)	2017 £'000	2016 £'000
Trade creditors	1,129	913	703	709
Obligations under hire purchase contracts	5	4	-	-
Amounts due to group companies	665	6,427	677	6,427
Taxation and social security	414	449	414	422
Accruals and deferred income	767	1,331	767	1,283
Mortgage	63	62	-	-
	<u>3,043</u>	<u>9,186</u>	<u>2,561</u>	<u>8,841</u>

Amounts owed to group companies are repayable on demand and are non-interest bearing.

### 17. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	Group		Company	
	2017 £'000	2016 £'000 (Unaudited)	2017 £'000	2016 £'000
Obligations under hire purchase contracts	10	12	-	-
Mortgage	258	328	-	-
	<u>268</u>	<u>340</u>	<u>-</u>	<u>-</u>

The mortgage is in place in Cogent Canada Corp, an indirectly owned subsidiary. The mortgage rate is 3% repayable in blended monthly payments, ending November 2022, secured by a general security agreement covering all assets of the Company.

# COGENT BREEDING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued) Year ended 31 December 2017

### 18. DEFERRED TAX

Group	2017 £'000	2016 £'000 (Unaudited)
Balance brought forward	14	14
Credit to profit and loss account	(6)	-
Balance carried forward	8	14
<b>The analysis of the deferred tax liability is as follows:</b>		
Fixed asset timing differences	8	14

A deferred tax asset of £1,122k (2016 - £1,102k) has not been recognised in respect of timing differences relating to fixed assets of £390k (2016 - £235k), losses carried forward of £723k (2016 - £867k) or short term timing differences of £9k (2016 - £nil) as there is insufficient evidence that the asset will be recovered.

### 19. PROVISIONS FOR LIABILITIES

Group	Deferred taxation £'000	Defined benefit pension scheme £'000	Restructuring provision £'000	Total £'000
At 1 January 2017	14	617	271	902
Utilised	-	-	(262)	(262)
Credit to profit and loss account	(6)	-	(9)	(15)
Credit to statement of comprehensive income	-	(617)	-	(617)
At 31 December 2017	8	-	-	8

Company	Defined benefit pension scheme £'000	Restructuring provision £'000	Total £'000
At 1 January 2017	617	271	888
Utilised	-	(262)	(262)
Credit to profit and loss account	-	(9)	(9)
Credit to statement of comprehensive income	(617)	-	(617)
At 31 December 2017	-	-	-

The provision for deferred tax is for fixed assets timing differences (see note 18 for details). The release of the defined benefit pension scheme provision, to the statement of comprehensive income, relates to the scheme ending (see note 24 for details). The restructuring provision recognised costs incurred in the year to restructure the Company.



# COGENT BREEDING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued) Year ended 31 December 2017

### 20. FINANCIAL INSTRUMENTS

The carrying values of the Group's financial assets and liabilities are summarised by category below:

	2017 £'000	2016 £'000 (Unaudited)
<b>Financial assets</b>		
Measured at undiscounted amount receivable		
- Trade debtors (note 15)	3,684	3,401
	<u>3,684</u>	<u>3,401</u>
	2017 £'000	2016 £'000 (Unaudited)
<b>Financial liabilities</b>		
Measured at undiscounted amount payable		
- Trade creditors (note 16)	(1,129)	(913)
- Mortgage (notes 16 and 17)	(321)	(390)
- Hire purchase (notes 16 and 17)	(15)	(16)
	<u>(1,465)</u>	<u>(1,319)</u>

The Group's income, expense, gains and losses in respect of financial instruments are summarised below:

	2017 £'000	2016 £'000 (Unaudited)
<b>Interest expense</b>		
Total interest expense for financial liabilities at amortised cost	(225)	(428)

### 21. CALLED-UP SHARE CAPITAL AND RESERVES

	Number of shares 2017	£'000 2017	Number of shares 2016	£'000 2016
<b>Allotted, called-up and fully paid</b>				
8,058,664 (2016 - 1,000,000) ordinary shares of £1.00 each	8,058,664	8,059	1,000,000	1,000

#### Rights of classes of shares

The Company has one class of ordinary shares which carries no right to fixed income.

The Company's profit and loss reserve represents cumulative profits or losses net of dividends paid and other adjustments.

On 5 October 2017 the company issued 7,058,664 ordinary shares of £1.00 each in clearance of the intercompany account with Deva Group Limited, a subsidiary of Wheatsheaf Group Limited.

# COGENT BREEDING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued) Year ended 31 December 2017

### 22. CASH FLOW STATEMENT

Reconciliation of operating profit to net cash flows from operating activities:

	2017 £'000	2016 £'000 (Unaudited)
Operating loss	(1,537)	(4,662)
<b>Adjustment for:</b>		
Depreciation	1,332	1,496
Provision for impairment	209	216
Amortisation	28	95
Loss on disposal of fixed assets	132	74
Effect of foreign exchange rate changes	(158)	-
Profit on disposal of operations	(818)	-
Adjustment to pension funding	(95)	(238)
<b>Working capital movements:</b>		
Increase in stocks	(366)	(405)
(Increase) / decrease in debtors	(150)	1,268
Increase in creditors	967	4,756
Utilisation of provisions	(271)	888
<b>Net cash flows from operating activities</b>	<b>(727)</b>	<b>3,488</b>

Included in the movement in creditors is a non-cash movement of £7,059k in relation to the clearance of an intercompany balance by way of a share issue.

### 23. FINANCIAL COMMITMENTS

#### Group

Total future minimum lease payments under non-cancellable operating leases are as follows:

	2017		2016 (unaudited)	
	Land and buildings £'000	Other assets £'000	Land and buildings £'000	Other assets £'000
Within one year	256	280	235	82
Within 2 to 5 years	1,019	318	941	199
After 5 years	527	-	727	-
	<b>1,802</b>	<b>598</b>	<b>1,903</b>	<b>281</b>

# COGENT BREEDING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued) Year ended 31 December 2017

### 23. FINANCIAL COMMITMENTS (continued)

#### Company

Total future minimum lease payments under non-cancellable operating leases are as follows:

	2017		2016	
	Land and buildings	Other assets	Land and buildings	Other assets
	£'000	£'000	£'000	£'000
Within one year	256	241	235	59
Within 2 to 5 years	1,019	221	941	156
After 5 years	527	-	727	-
	<u>1,802</u>	<u>462</u>	<u>1,903</u>	<u>215</u>

### 24. EMPLOYEE BENEFITS

#### Defined contribution schemes

The Group operates defined contribution retirement benefit schemes for all qualifying employees. The total expense charged to profit or loss in the year ended 31 December 2017 was £137k (2016 - £182k).

#### Defined benefit schemes

Cogent Breeding Limited participated in a group defined benefit scheme for qualifying employees to 15 December 2017. On this date employees in this scheme transferred to the Company's defined contribution retirement benefit scheme. The provision relating to this scheme of £617k was accordingly released to the statement of comprehensive income in the year (2016 - charge of £680k).

### 25. RELATED PARTY TRANSACTIONS

All related party transactions were made on terms equivalent to those that prevail in arm's length transactions.

During the year the Company incurred rent and administrative charges totalling £297,866 (2016 - £451,290) to a Grosvenor Trust. Two trustees of this trust are also Directors of the former ultimate parent company, Wheatsheaf Group Limited. At the year end, there was a trading balance owing of £28,430 (2016 - £22,993).

During the year the Company incurred insurance charges totalling £251,103 (2016 - £255,865) to Realty Insurance Limited, a company owned by a Grosvenor Trust. In each case there were no balances owing at the year end.

During the year the Company made sales of £101,768 (2016 - £84,905) to Grosvenor Farms Limited, a company owned by Wheatsheaf Group Limited. At the year end, there was a trading balance owing of £10,900 (2016 - £8,719) from Grosvenor Farms Limited. Also during the year the Company made purchases and incurred administrative charges totalling £142,157 (2016 - £24,243) from Grosvenor Farms Limited but no balances were owing at either year end by the Company.

During the year the Company made purchases of £50,589 (2016 - £21,753) from Farm Wizard Limited, a company owned by Wheatsheaf Group Limited. At the year end, there was a trading balance owing of £2,991 (2016 - £nil) to Farm Wizard Limited.

During the year the Company made purchases of £311,217 (2016 - £nil) from Inguran LLC, the ultimate parent company. At the year end, there was a trading balance owing of £240,859 (2016 - £nil).

During the year the Company made purchases of £23,078 (2016 - £nil) from Sexing Technologies Inguran Europe BV, a company owned by Inguran LLC. At the year end, there was a trading balance owing of £17,175 (2016 - £nil) to Sexing Technologies Inguran Europe BV.

The total remuneration for key management personnel for the year totalled £53,000 (2016 - £545,000), being Directors' remuneration disclosed in note 7.

## **COGENT BREEDING LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (Continued)** **Year ended 31 December 2017**

#### **26. ULTIMATE CONTROLLING PARTIES**

The Directors regard Inguran LLC (22575 State HWY6 South, Navasota, TX77868, USA) as the Company's ultimate parent undertaking, as it owns 76% of the Company. The remaining 24% is held by Wheatsheaf Group Limited (The Quarry, Hill Road, Eccleston, Chester, CH4 9HQ). The smallest Group into which the results are consolidated is Cogent Breeding Limited and the largest group is the ultimate parent Inguran LLC.

#### **27. POST BALANCE SHEET EVENTS**

On 31 March 2018, the Company undertook a restructuring of its Australian operations transferring them from a division to a wholly owned subsidiary, STgenetics Australia Pty Limited.