

Company registration number 03600590 (England and Wales)

COMPOUND FEED ENGINEERING LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

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COMPOUND FEED ENGINEERING LIMITED

COMPANY INFORMATION

Directors	C J Lynch P J Dennehy
Secretary	C J Lynch
Company number	03600590
Registered office	Haydock Lane Haydock Lane Industrial Estate St Helens Merseyside WA11 9UY
Auditor	Cowgill Holloway LLP Regency House 45-53 Chorley New Road Bolton BL1 4QR
Bankers	Barclays Bank Plc 6 Market Place Wigan WN1 1QS
Solicitors	Stephensons Solicitors LLP Wigan Investment Centre Waterside Drive Wigan WN3 5BA

COMPOUND FEED ENGINEERING LIMITED

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COMPOUND FEED ENGINEERING LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present the strategic report for the year ended 31 December 2022.

Review of the business

Overall the directors are pleased with the performance of the group. During the year the group's turnover increased from £13.9m to £15.1m which resulted in a profit before tax of £0.8m compared with £1.3m. Additional costs were incurred due to an international trade fair and growth related expenses.

We completed negotiations on the acquisition of Turner Grain Ireland Limited, an Irish competitor and this was completed in April 2023.

During the year the group invested £0.3m in motor vehicles, plant and machinery, fixtures fittings and equipment.

Principal risks and uncertainties

The Group trades in the compound feed and biomass sectors, and both markets are going through a period of investment. Agriculture investment is being driven by efficiencies in energy usage and output desires. Biomass investment is mainly in the waste derived fuel (WDF) business.

The key risks are energy prices and the impact of government legislation in the field of carbon reduction in the jurisdictions we trade in. The directors monitor key performance and strategic indicators in in order to either mitigate against negative movements or exploit opportunities as they arise.

Brexit

Following the UK leaving the European Union on 31 January 2020, uncertainty has increased surrounding the outlook of the UK economy. CFE invested considerable time and resources to ensure compliance with the relevant authorities but equally to make sure CFEs and our customers supply chain remain unaffected.

As outlined above, we do not see Brexit as a risk to our trading and profitability in the coming years.

Key performance indicators

The key performance indicators that the group regards as important are:

	2022	2021
• Turnover growth	8.63%	66.39%

The directors have and will continue to monitor all of the key performance indicators and daily operating controls and maintain a strong focus on increasing performance in all aspects of the business.

Future Developments

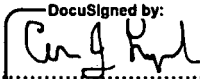
The Group plans to continue to grow its footprint and maintain profitability in line with its growth. This growth will be achieved organically whilst also analyzing acquisition opportunities in the agriculture supply industry in the UK and Ireland.

COMPOUND FEED ENGINEERING LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

On behalf of the board

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C J Lynch

Director

Date: 6/12/2023 | 1:59 PM GMT

COMPOUND FEED ENGINEERING LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present their annual report and financial statements for the year ended 31 December 2022.

Principal activities

The principal activity of the company and group continued to be that of manufacturing services and sales of dies and roll shells suitable for the compound feed industry and bio mass pelleting industry.

Results and dividends

The results for the year are set out on page 9.

No ordinary dividends were paid. The directors do not recommend payment of a further dividend.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

C J Lynch
P J Dennehy

Auditor

Cowgill Holloway LLP were appointed as auditor to the group and in accordance with section 485 of the Companies Act 2006 and is deemed to be reappointed under section 487(2).

Statement of 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 have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 group and company, and of the profit or loss of the group for that period. In preparing these 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 applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditor

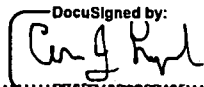
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the auditor of the company is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the auditor of the company is aware of that information.

COMPOUND FEED ENGINEERING LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

On behalf of the board

DocuSigned by:


.....BE8F74821C39405.....

C J Lynch

Director

Date: 6/12/2023 | 1:59 PM GMT
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COMPOUND FEED ENGINEERING LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF COMPOUND FEED ENGINEERING LIMITED

Qualified opinion

We have audited the financial statements of Compound Feed Engineering Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2022 which comprise the group profit and loss account, the group balance sheet, the company balance sheet, the group statement of changes in equity, the company statement of changes in equity, the group statement of cash flows, the company statement of cash flows and notes to the financial statements, including significant accounting policies. 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).

In our opinion, except for the effects of the matter described in the basis for qualified opinion section of our report, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for qualified opinion

This is the first financial year that the Group required an audit, therefore, the component auditors were not appointed auditors until after 31 December 2021 and thus did not observe the counting of any physical inventories at the end of that year. We were unable to satisfy ourselves by alternative means concerning the inventory quantities of £547,401 held within the Sevale Engineering Limited financial statements at 31 December 2021 by using other audit procedures.

Consequently, we were unable to determine whether any adjustment to this amount as at 31 December 2021 was necessary or whether there was any consequential effect on the cost of sales for the year ended 31 December 2022.

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 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

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.

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 twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Key audit matters

Except for the matter described in the basis for qualified opinion section, we have determined that there are no key audit matters to be communicated in our report.

COMPOUND FEED ENGINEERING LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF COMPOUND FEED ENGINEERING LIMITED

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. 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.

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 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.

As described in the basis for qualified opinion section of our report, the component auditors were unable to satisfy themselves concerning inventory in the amount of £547,401 held on the Sevale Engineering Limited balance sheet as at 31 December 2021. It was concluded that where the other information refers to inventory balances or related balances such as cost of sales, it maybe materially misstated for the same reason.

Opinions on other matters prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

Except for the matter described in the basis for the qualified opinion section of our report, 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 material misstatements in the Strategic report or the Directors' report.

In respect solely of the limitation on our work relating to stock, described above:

- We have not obtained all the information and explanations that were considered necessary relating to opening stock for the purpose of our audit; and
- We were unable to determine whether adequate accounting records relating to opening stock had been maintained

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- 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; 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.

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 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 parent company or to cease operations, or have no realistic alternative but to do so.

COMPOUND FEED ENGINEERING LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF COMPOUND FEED ENGINEERING LIMITED

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.

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.

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussions with the directors (as required by auditing standards) and discussed with the directors the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation and taxation legislation. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the company's license to operate. We identified the following areas as those most likely to have such an effect: laws related to data protection, employment, road haulage and health and safety.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and inspection of regulatory and legal correspondence, if any. Through these procedures we did not become aware of any actual or suspected non-compliance.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

We design procedures in line with our responsibilities, outlined below to detect material misstatement due to fraud:

- Matters are discussed amongst the audit engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud
- Identifying and assessing the design and effectiveness of controls that management have in place to prevent and detect fraud
- Detecting and responding to the risks of fraud following discussions with management and enquiring as to whether management have knowledge of any actual, suspected or alleged fraud;

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.fc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

COMPOUND FEED ENGINEERING LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF COMPOUND FEED ENGINEERING LIMITED

Other matters which we are required to address

The financial statements of the Group for the year ended 31 December 2021 were not audited, as an exemption from audit was claimed under s382 of the Companies Act 2006.

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.

DocuSigned by:

Nilesh Modhvadia

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Nilesh Modhvadia (Senior Statutory Auditor)
For and on behalf of Cowgill Holloway LLP

Date: 6/12/2023 | 3:10 PM GMT

Chartered Accountants
Statutory Auditor

Regency House
45-53 Chorley New Road
Bolton
BL1 4QR

COMPOUND FEED ENGINEERING LIMITED**GROUP PROFIT AND LOSS ACCOUNT****FOR THE YEAR ENDED 31 DECEMBER 2022**

	Notes	2022 £	2021 £
Turnover	3	15,125,567	13,924,238
Cost of sales		(11,327,334)	(10,004,091)
Gross profit		3,798,233	3,920,147
Distribution costs		(647,348)	(517,015)
Administrative expenses		(2,223,468)	(1,972,739)
Other operating income		-	14,070
Operating profit	4	927,417	1,444,463
Interest receivable and similar income	7	23	15
Interest payable and similar expenses	8	(132,518)	(125,190)
Profit before taxation		794,922	1,319,288
Tax on profit	9	(125,757)	(241,269)
Profit for the financial year		669,165	1,078,019

Profit for the financial year is all attributable to the owners of the parent company.

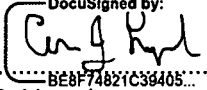
COMPOUND FEED ENGINEERING LIMITED

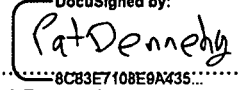
GROUP BALANCE SHEET

AS AT 31 DECEMBER 2022

	Notes	2022 £	£	2021 £	£
Fixed assets					
Goodwill	10		(149,258)		(238,752)
Tangible assets	11		949,594		778,513
			<u>800,336</u>		<u>539,761</u>
Current assets					
Stocks	14	3,450,185		2,721,395	
Debtors	15	4,159,241		2,997,865	
Cash at bank and in hand		1,041,192		1,092,345	
		<u>8,650,618</u>		<u>6,811,605</u>	
Creditors: amounts falling due within one year	16	(6,400,925)		(5,133,944)	
Net current assets			<u>2,249,693</u>		<u>1,677,661</u>
Total assets less current liabilities			<u>3,050,029</u>		<u>2,217,422</u>
Creditors: amounts falling due after more than one year	17		(606,656)		(479,521)
Provisions for liabilities					
Deferred tax liability	20	95,971		59,664	
		<u>(95,971)</u>		<u>(59,664)</u>	
Net assets			<u><u>2,347,402</u></u>		<u><u>1,678,237</u></u>
Capital and reserves					
Called up share capital	22		1,000		1,000
Profit and loss reserves			2,346,402		1,677,237
Total equity			<u><u>2,347,402</u></u>		<u><u>1,678,237</u></u>

The financial statements were approved by the board of directors and authorised for issue on 6/12/2023 | 1:59 PM GMT and signed on its behalf by:

DocuSigned by:

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 C J Lynch
 Director

DocuSigned by:

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 P J Dennehy
 Director

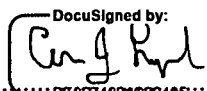
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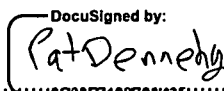
COMPOUND FEED ENGINEERING LIMITED**COMPANY BALANCE SHEET****AS AT 31 DECEMBER 2022**

	Notes	2022 £	£	2021 £	£
Fixed assets					
Tangible assets	11		914,917		767,683
Investments	12		361,398		361,398
			<u>1,276,315</u>		<u>1,129,081</u>
Current assets					
Stocks	14	3,055,895		2,173,994	
Debtors	15	3,949,431		2,837,540	
Cash at bank and in hand		895,720		990,173	
		<u>7,901,046</u>		<u>6,001,707</u>	
Creditors: amounts falling due within one year	16	(6,184,465)		(4,960,334)	
Net current assets			<u>1,716,581</u>		<u>1,041,373</u>
Total assets less current liabilities			<u>2,992,896</u>		<u>2,170,454</u>
Creditors: amounts falling due after more than one year	17		(565,536)		(444,521)
Provisions for liabilities					
Deferred tax liability	20	95,971		59,664	
		<u>(95,971)</u>		<u>(59,664)</u>	
Net assets			<u><u>2,331,389</u></u>		<u><u>1,666,269</u></u>
Capital and reserves					
Called up share capital	22		1,000		1,000
Profit and loss reserves			2,330,389		1,665,269
Total equity			<u><u>2,331,389</u></u>		<u><u>1,666,269</u></u>

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's profit for the year was £665,120 (2021 - £1,065,520 profit).

The financial statements were approved by the board of directors and authorised for issue on 6/12/2023 | 1:59 PM GMT and signed on its behalf by:

DocuSigned by:

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 C J Lynch
 Director

DocuSigned by:

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 P J Dennehy
 Director

Company registration number 03600590 (England and Wales)

COMPOUND FEED ENGINEERING LIMITED**GROUP STATEMENT OF CHANGES IN EQUITY****FOR THE YEAR ENDED 31 DECEMBER 2022**

	Share capital	Profit and loss reserves	Total
	£	£	£
Balance at 1 January 2021	1,000	599,218	600,218
Year ended 31 December 2021:			
Profit and total comprehensive income	-	1,078,019	1,078,019
Balance at 31 December 2021	1,000	1,677,237	1,678,237
Year ended 31 December 2022:			
Profit and total comprehensive income	-	669,165	669,165
Balance at 31 December 2022	1,000	2,346,402	2,347,402

COMPOUND FEED ENGINEERING LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	Share capital £	Profit and loss reserves £	Total £
Balance at 1 January 2021	1,000	599,749	600,749
Year ended 31 December 2021:			
Profit and total comprehensive income for the year	-	1,065,520	1,065,520
Balance at 31 December 2021	1,000	1,665,269	1,666,269
Year ended 31 December 2022:			
Profit and total comprehensive income	-	665,120	665,120
Balance at 31 December 2022	1,000	2,330,389	2,331,389

COMPOUND FEED ENGINEERING LIMITED

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 £	£	2021 £	£
Cash flows from operating activities					
Cash generated from operations	27	432,815		590,406	
Interest paid		(132,518)		(125,190)	
Income taxes paid		(215,276)		(43,191)	
Net cash inflow from operating activities		<u>85,021</u>		<u>422,025</u>	
Investing activities					
Purchase of business		-	(205,376)		
Purchase of tangible fixed assets		(302,056)	(14,237)		
Interest received		23	15		
Net cash used in investing activities		<u>(302,033)</u>		<u>(219,598)</u>	
Financing activities					
Repayment of borrowings		(19,160)	(182,264)		
Proceeds from bank loans		67,663	20,192		
Proceeds from / (repayment) of finance leases obligations		30,465	(139,185)		
Net cash generated from/(used in) financing activities		<u>78,968</u>		<u>(301,257)</u>	
Net decrease in cash and cash equivalents		<u>(138,044)</u>		<u>(98,830)</u>	
Cash and cash equivalents at beginning of year		<u>171,618</u>		<u>270,448</u>	
Cash and cash equivalents at end of year		<u><u>33,574</u></u>		<u><u>171,618</u></u>	
Relating to:					
Cash at bank and in hand		1,041,192		1,092,345	
Bank overdrafts included in creditors payable within one year		<u>(1,007,618)</u>		<u>(920,727)</u>	

COMPOUND FEED ENGINEERING LIMITED

COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 £	£	2021 £	£
Cash flows from operating activities					
Cash generated from operations	28	386,991		659,273	
Interest paid		(121,883)		(121,281)	
Income taxes paid		(242,953)		(63,119)	
Net cash inflow from operating activities		22,155		474,873	
Investing activities					
Purchase of tangible fixed assets		(272,556)		(16,564)	
Proceeds from disposal of subsidiaries		-		(361,398)	
Net cash used in investing activities		(272,556)		(377,962)	
Financing activities					
Repayment of borrowings		(29,160)		(133,920)	
Repayment of bank loans		87,663		(24,808)	
Payment of finance leases obligations		10,554		(139,185)	
Net cash generated from/(used in) financing activities		69,057		(297,913)	
Net decrease in cash and cash equivalents		(181,344)		(201,002)	
Cash and cash equivalents at beginning of year		69,446		270,448	
Cash and cash equivalents at end of year		(111,898)		69,446	
Relating to:					
Cash at bank and in hand		895,720		990,173	
Bank overdrafts included in creditors payable within one year		(1,007,618)		(920,727)	

COMPOUND FEED ENGINEERING LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

Company information

Compound Feed Engineering Limited ("the company") is a private limited company domiciled and incorporated in England and Wales. The registered office is Haydock Lane, Haydock Lane Industrial Estate, St Helens, Merseyside, WA11 9UY.

The group consists of Compound Feed Engineering Limited and all of its subsidiaries.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

1.2 Business combinations

In the parent company financial statements, the cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill. The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably, and is adjusted for changes in contingent consideration after the acquisition date. Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date. Investments in subsidiaries, joint ventures and associates are accounted for at cost less impairment.

Deferred tax is recognised on differences between the value of assets (other than goodwill) and liabilities recognised in a business combination accounted for using the purchase method and the amounts that can be deducted or assessed for tax, considering the manner in which the carrying amount of the asset or liability is expected to be recovered or settled. The deferred tax recognised is adjusted against goodwill or negative goodwill.

1.3 Basis of consolidation

The consolidated group financial statements consist of the financial statements of the parent company Compound Feed Engineering Limited together with all entities controlled by the parent company (its subsidiaries) and the group's share of its interests in joint ventures and associates.

All financial statements are made up to 31 December 2022. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Sevale Engineering Limited has been included in the group financial statements using the purchase method of accounting. Accordingly, the group profit and loss account and statement of cash flows for the prior year include the results and cash flows of Sevale Engineering Limited for the four month period from its acquisition on 3 September 2021. The purchase consideration has been allocated to the assets and liabilities on the basis of fair value at the date of acquisition.

COMPOUND FEED ENGINEERING LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

1.4 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.5 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.6 Intangible fixed assets - goodwill

Negative goodwill represents the excess of the fair value of net assets acquired over the cost of acquisition of a business. It is initially recognised as a liability within intangible fixed assets at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is 3 years.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

1.7 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Freehold land and buildings	2% straight line
Plant and equipment	12.5% reducing balance / over the useful economic life
Fixtures and fittings	20% reducing balance
Computers	25% straight line
Motor vehicles	20% straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the profit and loss account.

COMPOUND FEED ENGINEERING LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

1.8 Fixed asset investments

Equity investments are measured at fair value through profit or loss, except for those equity investments that are not publicly traded and whose fair value cannot otherwise be measured reliably, which are recognised at cost less impairment until a reliable measure of fair value becomes available.

In the parent company financial statements, investments in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

1.9 Impairment of fixed assets

At each reporting period end date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.10 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Stocks held for distribution at no or nominal consideration are measured at the lower of cost and replacement cost, adjusted where applicable for any loss of service potential.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

COMPOUND FEED ENGINEERING LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

1.11 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.12 Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the group's balance sheet when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

COMPOUND FEED ENGINEERING LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

Classification of financial liabilities

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.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when the group's contractual obligations expire or are discharged or cancelled.

1.13 Equity instruments

Equity instruments issued by the group are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

1.14 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

COMPOUND FEED ENGINEERING LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset if, and only if, there is a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.15 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.16 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.17 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

1.18 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

COMPOUND FEED ENGINEERING LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

2 Judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount 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 where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Tangible fixed assets

The useful economic life of all tangible fixed assets has to be estimated by the directors of the Company to ensure an appropriate depreciation charge is recognised in the year. The depreciation charge which has been recognised is £130,975 for the group and £125,322 for the company.

3 Turnover and other revenue

	2022 £	2021 £
Turnover analysed by class of business		
Manufacturing	15,125,567	13,924,238
	<u>15,125,567</u>	<u>13,924,238</u>
	2022 £	2021 £
Turnover analysed by geographical market		
United Kingdom	7,260,272	7,658,331
Republic of Ireland	6,655,250	5,708,938
Other	1,210,045	556,969
	<u>15,125,567</u>	<u>13,924,238</u>
	2022 £	2021 £
Other revenue		
Interest income	23	15
Grants received	-	14,070
	<u>-</u>	<u>14,070</u>

COMPOUND FEED ENGINEERING LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

4 Operating profit

	2022 £	2021 £
Operating profit for the year is stated after charging/(crediting):		
Exchange (gains)/losses	(168,789)	34,466
Government grants	-	(14,070)
Depreciation of owned tangible fixed assets	113,387	31,723
Depreciation of tangible fixed assets held under finance leases	17,588	85,689
Release of negative goodwill	(89,494)	(29,831)
Operating lease charges	20,114	6,886
	<u> </u>	<u> </u>

5 Auditor's remuneration

	2022 £	2021 £
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the group and company	15,450	-
Audit of the financial statements of the company's subsidiaries	4,500	-
	<u> </u>	<u> </u>
	19,950	-
	<u> </u>	<u> </u>

6 Employees

The average monthly number of persons (including directors) employed by the group and company during the year was:

Group 2022 Number	2021 Number	Company 2022 Number	2021 Number
27	24	17	14
<u> </u>	<u> </u>	<u> </u>	<u> </u>

Their aggregate remuneration comprised:

	Group 2022 £	2021 £	Company 2022 £	2021 £
Wages and salaries	883,470	604,744	637,231	526,607
Social security costs	88,575	60,630	64,556	52,796
Pension costs	30,790	24,305	25,484	19,289
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	1,002,835	689,679	727,271	598,692
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Directors remuneration amounted to £Nil (2021 : £Nil).

COMPOUND FEED ENGINEERING LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

7 Interest receivable and similar income

	2022 £	2021 £
Interest income		
Interest on bank deposits	23	15

	2022 £	2021 £
Investment income includes the following:		
Interest on financial assets not measured at fair value through profit or loss	23	15

8 Interest payable and similar expenses

	2022 £	2021 £
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	102,458	91,128
Interest on invoice finance arrangements	9,003	3,522
	111,461	94,650
Other finance costs:		
Interest on finance leases and hire purchase contracts	20,046	30,153
Other interest	1,011	387
Total finance costs	132,518	125,190

9 Taxation

	2022 £	2021 £
Current tax		
UK corporation tax on profits for the current period	135,521	259,348
Adjustments in respect of prior periods	(46,071)	(23,781)
Total current tax	89,450	235,567
Deferred tax		
Origination and reversal of timing differences	36,307	5,702
Total tax charge	125,757	241,269

COMPOUND FEED ENGINEERING LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

9 Taxation

(Continued)

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2022 £	2021 £
Profit before taxation	794,922	1,319,288
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	151,035	250,665
Tax effect of expenses that are not deductible in determining taxable profit	48,826	428
Permanent capital allowances in excess of depreciation	(74,104)	(9,824)
Taxation charge	125,757	241,269

10 Intangible fixed assets

Group	Goodwill £
Cost	
At 1 January 2022 and 31 December 2022	(178,388)
Amortisation and impairment	
At 1 January 2022	60,364
Amortisation charged for the year	(89,494)
At 31 December 2022	(29,130)
Carrying amount	
At 31 December 2022	(149,258)
At 31 December 2021	(238,752)
Company	Goodwill £
Cost	
At 1 January 2022 and 31 December 2022	90,195
Amortisation and impairment	
At 1 January 2022 and 31 December 2022	90,195
Carrying amount	
At 31 December 2022	-
At 31 December 2021	-

COMPOUND FEED ENGINEERING LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

11 Tangible fixed assets

Group	Freehold land and buildings £	Plant and equipment £	Fixtures and fittings £	Computers £	Motor vehicles £	Total £
Cost						
At 1 January 2022	443,305	1,366,743	44,306	280	48,676	1,903,310
Additions	24,115	198,645	9,796	-	69,500	302,056
At 31 December 2022	467,420	1,565,388	54,102	280	118,176	2,205,366
Depreciation and impairment						
At 1 January 2022	132,776	924,538	34,483	-	33,000	1,124,797
Depreciation charged in the year	9,080	104,624	3,107	280	13,884	130,975
At 31 December 2022	141,856	1,029,162	37,590	280	46,884	1,255,772
Carrying amount						
At 31 December 2022	325,564	536,226	16,512	-	71,292	949,594
At 31 December 2021	310,529	442,205	9,823	280	15,676	778,513

Company	Freehold land and buildings £	Plant and equipment £	Fixtures and fittings £	Motor vehicles £	Total £
Cost					
At 1 January 2022	443,305	1,365,438	44,306	39,255	1,892,304
Additions	24,115	169,145	9,796	69,500	272,556
At 31 December 2022	467,420	1,534,583	54,102	108,755	2,164,860
Depreciation and impairment					
At 1 January 2022	132,776	924,362	34,483	33,000	1,124,621
Depreciation charged in the year	9,080	102,015	3,107	11,120	125,322
At 31 December 2022	141,856	1,026,377	37,590	44,120	1,249,943
Carrying amount					
At 31 December 2022	325,564	508,206	16,512	64,635	914,917
At 31 December 2021	310,529	441,076	9,823	6,255	767,683

COMPOUND FEED ENGINEERING LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

11 Tangible fixed assets

(Continued)

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases or hire purchase contracts.

	Group 2022 £	2021 £	Company 2022 £	2021 £
Plant and equipment	74,464	330,031	-	-
Motor vehicles	62,550	-	-	-
	<u>137,014</u>	<u>330,031</u>	<u>-</u>	<u>-</u>

12 Fixed asset investments

	Notes	Group 2022 £	2021 £	Company 2022 £	2021 £
Investments in subsidiaries	13	-	-	361,398	361,398

Movements in fixed asset investments Company

Shares in
subsidiaries
£

Cost or valuation

At 1 January 2022 and 31 December 2022

361,398

Carrying amount

At 31 December 2022

361,398

At 31 December 2021

361,398

13 Subsidiaries

Details of the company's subsidiaries at 31 December 2022 are as follows:

Name of undertaking	Registered office	Class of shares held	% Held Direct
Sevale Engineering Limited	125 Business Park, Llanthony Road, Gloucester, Gloucestershire, GL2 5JQ	Ordinary	100.00

The aggregate capital and reserves and the result for the year of the subsidiaries noted above was as follows:

Name of undertaking	Capital and Reserves £	Profit/(Loss) £
Sevale Engineering Limited	526,669	(85,449)

COMPOUND FEED ENGINEERING LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

14 Stocks

	Group 2022 £	2021 £	Company 2022 £	2021 £
Finished goods and goods for resale	3,450,185	2,721,395	3,055,895	2,173,994

15 Debtors

	Group 2022 £	2021 £	Company 2022 £	2021 £
Amounts falling due within one year:				
Trade debtors	3,587,603	2,479,167	3,476,692	2,331,784
Amounts owed by group undertakings	120,549	361,776	128,722	361,776
Other debtors	74,987	98,362	74,987	98,362
Prepayments and accrued income	376,102	58,560	269,030	45,618
	4,159,241	2,997,865	3,949,431	2,837,540

16 Creditors: amounts falling due within one year

	Notes	Group 2022 £	2021 £	Company 2022 £	2021 £
Bank loans and overdrafts	18	1,082,515	1,005,534	1,082,515	995,534
Obligations under finance leases	19	71,821	90,918	68,030	90,918
Other borrowings	18	10,000	29,160	-	29,160
Trade creditors		1,395,338	1,622,669	1,293,095	1,512,879
Amounts owed to group undertakings		-	-	-	34,507
Corporation tax payable		109,741	235,567	109,741	235,567
Other taxation and social security		499,040	236,479	485,255	218,744
Other creditors		164,682	122,492	85,791	55,000
Accruals and deferred income		3,067,788	1,791,125	3,060,038	1,788,025
		6,400,925	5,133,944	6,184,465	4,960,334

The bank loans and overdrafts are secured over the assets of the company. Net obligations under hire purchase agreements included within other payables are secured over the assets concerned.

17 Creditors: amounts falling due after more than one year

	Notes	Group 2022 £	2021 £	Company 2022 £	2021 £
Bank loans and overdrafts	18	545,348	467,775	520,348	432,775
Obligations under finance leases	19	61,308	11,746	45,188	11,746
		606,656	479,521	565,536	444,521

COMPOUND FEED ENGINEERING LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

17 Creditors: amounts falling due after more than one year

(Continued)

Barclays Bank PLC holds a charge over the company's property at Haydock Lane, Haydock Industrial Estate, St Helens, Merseyside and all assets of the company.

Bank of Ireland Business Finance holds a fixed charge over certain fixed assets of the company.

Assets held under hire purchase agreements within other payables are secured over the assets concerned.

18 Loans and overdrafts

	Group 2022 £	2021 £	Company 2022 £	2021 £
Bank loans	620,245	552,582	595,245	507,582
Bank overdrafts	1,007,618	920,727	1,007,618	920,727
Other loans	10,000	29,160	-	29,160
	<u>1,637,863</u>	<u>1,502,469</u>	<u>1,602,863</u>	<u>1,457,469</u>
Payable within one year	1,092,515	1,034,694	1,082,515	1,024,694
Payable after one year	<u>545,348</u>	<u>467,775</u>	<u>520,348</u>	<u>432,775</u>

Barclays Bank PLC holds a charge over the company's property at Haydock Lane, Haydock Industrial Estate, St Helens, Merseyside and all assets of the company.

Bank of Ireland Business Finance holds a fixed charge over certain fixed assets of the company.

Assets held under hire purchase agreements within other payables are secured over the assets concerned.

19 Finance lease obligations

	Group 2022 £	2021 £	Company 2022 £	2021 £
Future minimum lease payments due under finance leases:				
Within one year	71,821	90,918	68,030	90,918
In two to five years	61,308	11,746	45,188	11,746
	<u>133,129</u>	<u>102,664</u>	<u>113,218</u>	<u>102,664</u>

Finance lease payments represent rentals payable by the company or group for certain items of fixed assets.

All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The assets are secured against the respective liability.

COMPOUND FEED ENGINEERING LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

20 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the group and company, and movements thereon:

	Liabilities 2022 £	Liabilities 2021 £
Group		
Accelerated capital allowances	108,373	67,533
Provisions	(12,402)	(7,869)
	<u>95,971</u>	<u>59,664</u>
	Liabilities 2022 £	Liabilities 2021 £
Company		
Accelerated capital allowances	108,373	67,533
Provisions	(12,402)	(7,869)
	<u>95,971</u>	<u>59,664</u>
	Group 2022 £	Company 2022 £
Movements in the year:		
Liability at 1 January 2022	59,664	59,664
Charge to profit or loss	36,307	36,307
	<u>95,971</u>	<u>95,971</u>

21 Retirement benefit schemes

	2022 £	2021 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>30,790</u>	<u>24,305</u>

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

COMPOUND FEED ENGINEERING LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

22 Share capital

Group and company	2022	2021	2022	2021
Ordinary share capital	Number	Number	£	£
Issued and fully paid				
Ordinary shares of £1 each	1,000	1,000	1,000	1,000

23 Financial commitments, guarantees and contingent liabilities

The company has entered into an unlimited cross guarantee covering the groups bank borrowings. At the balance sheet date the potential added liability for the group under these cross guarantees is £1,637,863 (2021: £1,502,469).

24 Operating lease commitments

Lessee

At the reporting end date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Within one year	20,529	17,833	-	-
Between two and five years	5,132	17,833	-	-
	<u>25,661</u>	<u>35,666</u>	<u>-</u>	<u>-</u>

25 Related party transactions

The company has taken advantage of the exemption available in FRS 102 "Related party disclosures" whereby it has not disclosed transactions with the ultimate parent company or any wholly owned subsidiary undertaking of the group.

26 Controlling party

The company is wholly owned by Compound Feed Engineering Limited (Ireland), a company registered in the Republic of Ireland which is owned and controlled by C J Lynch and P J Dennehy.

COMPOUND FEED ENGINEERING LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

27 Cash generated from group operations

	2022 £	2021 £
Profit for the year after tax	669,165	1,078,019
Adjustments for:		
Taxation charged	125,757	241,269
Finance costs	132,518	125,190
Investment income	(23)	(15)
Amortisation and impairment of intangible assets	(89,494)	(29,831)
Depreciation and impairment of tangible fixed assets	130,975	117,412
Decrease in provisions	-	(55,000)
Movements in working capital:		
Increase in stocks	(728,790)	(390,453)
Increase in debtors	(1,161,376)	(331,586)
Increase/(decrease) in creditors	1,354,083	(164,599)
Cash generated from operations	432,815	590,406

28 Cash generated from operations - company

	2022 £	2021 £
Profit for the year after tax	665,120	1,065,520
Adjustments for:		
Taxation charged	153,434	241,269
Finance costs	121,883	121,281
Depreciation and impairment of tangible fixed assets	125,322	117,236
Movements in working capital:		
Increase in stocks	(881,901)	(390,001)
Increase in debtors	(1,111,891)	(249,788)
Increase/(decrease) in creditors	1,315,024	(246,244)
Cash generated from operations	386,991	659,273

COMPOUND FEED ENGINEERING LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

29 Analysis of changes in net debt - group

	1 January 2022 £	Cash flows £	31 December 2022 £
Cash at bank and in hand	1,092,345	(51,153)	1,041,192
Bank overdrafts	(920,727)	(86,891)	(1,007,618)
	171,618	(138,044)	33,574
Borrowings excluding overdrafts	(581,742)	(48,503)	(630,245)
Obligations under finance leases	(102,664)	(30,465)	(133,129)
	(512,788)	(217,012)	(729,800)

30 Analysis of changes in net debt - company

	1 January 2022 £	Cash flows £	31 December 2022 £
Cash at bank and in hand	990,173	(94,453)	895,720
Bank overdrafts	(920,727)	(86,891)	(1,007,618)
	69,446	(181,344)	(111,898)
Borrowings excluding overdrafts	(536,742)	(58,503)	(595,245)
Obligations under finance leases	(102,664)	(10,554)	(113,218)
	(569,960)	(250,401)	(820,361)