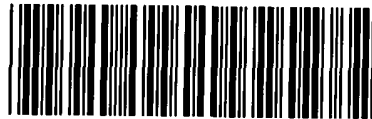

FREDERIC SMART & SON LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2017

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FREDERIC SMART & SON LIMITED

COMPANY INFORMATION

DIRECTORS	D N Smart F T A Smart
COMPANY SECRETARY	D N Smart
REGISTERED NUMBER	00879929
REGISTERED OFFICE	7 Papworth Business Park Stirling Way Papworth Everard Cambridge CB23 3GY
BANKERS	NatWest Bank 7-9 High Street Royston Hertfordshire SG8 9YY

FREDERIC SMART & SON LIMITED

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FREDERIC SMART & SON LIMITED

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 MAY 2017**

INTRODUCTION

The directors present their strategic report and business review, which includes the principal risks and uncertainties of the business and key performance indicators.

BUSINESS REVIEW

Overall sales during the year have increased slightly due to less volatility in commodity prices. Trading volumes have continued to be maintained and improved conditions have ensured gross margin has remained constant during the period.

The directors plan to continue to develop the corporate activities over the coming year, and will continue to invest strongly in the business.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risk factors affecting the business are kept under constant review, and appropriate steps are taken to mitigate those risks.

FINANCIAL KEY PERFORMANCE INDICATORS

The directors consider the key performance indicators of the success of the company to be turnover and profit, both of which are disclosed on the face of the accounts.

This report was approved by the board and signed on its behalf by:

F. T. Andrew Smart

**F T A Smart
Director**

Date:

15th August 17

FREDERIC SMART & SON LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MAY 2017

The directors present their report and the financial statements for the year ended 31 May 2017.

PRINCIPAL ACTIVITY

The principal activity of the company is agricultural trading, as well as offering a warehousing and distribution service specialising in food products.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £730,661 (2016 - £549,731).

No dividends were paid during the period (2016 - £98,137) and no further dividends have been recommended for the period.

DIRECTORS

The directors who served during the year were:

D N Smart
F T A Smart

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Strategic Report, the Directors' 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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 profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the 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 to 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.

FREDERIC SMART & SON LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2017**

DISCLOSURE OF INFORMATION TO AUDITORS

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

AUDITORS

The auditors, Peters Elworthy & Moore, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf by:

F.T. Andrew Smart

**F T A Smart
Director**

Date:

15th August 17

FREDERIC SMART & SON LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF FREDERIC SMART & SON LIMITED

We have audited the financial statements of Frederic Smart & Son Limited for the year ended 31 May 2017, set out on pages 6 to 24. The relevant financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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 Auditors' Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the Directors' Responsibilities Statement on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic Report and the Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 May 2017 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.

FREDERIC SMART & SON LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF FREDERIC SMART & SON LIMITED
(CONTINUED)**

OPINION ON OTHER MATTER 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 those financial statements and such reports have been prepared in accordance with applicable legal requirements.

In the light of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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, 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.

Warren Tilbury (Senior Statutory Auditor)

for and on behalf of
Peters Elworthy & Moore

Chartered Accountants
Statutory Auditors

Salisbury House
Station Road
Cambridge
CB1 2LA

23 August 2017

FREDERIC SMART & SON LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MAY 2017**

	Note	2017 £	2016 £
Turnover	3	29,575,750	29,173,635
Cost of sales		(25,692,144)	(25,469,582)
GROSS PROFIT		3,883,606	3,704,053
Distribution costs		(1,693,075)	(1,826,160)
Administrative expenses		(1,363,689)	(1,296,121)
Other operating income	4	111,352	147,274
OPERATING PROFIT	5	938,194	729,046
Interest receivable and similar income	8	2,327	1,710
Interest payable and expenses	9	(34,621)	(51,937)
PROFIT BEFORE TAX		905,900	678,819
Tax on profit	10	(175,239)	(129,088)
PROFIT FOR THE FINANCIAL YEAR		730,661	549,731

There were no recognised gains and losses for 2017 or 2016 other than those included in the statement of comprehensive income.

There was no other comprehensive income for 2017 (2016 - £NIL).

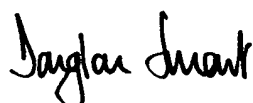
The notes on pages 10 to 24 form part of these financial statements.

FREDERIC SMART & SON LIMITED
REGISTERED NUMBER: 00879929

BALANCE SHEET
AS AT 31 MAY 2017

	Note	2017 £	2016 £
FIXED ASSETS			
Tangible assets	12	4,610,577	4,650,500
Investment property	13	811,618	804,885
		<u>5,422,195</u>	<u>5,455,385</u>
CURRENT ASSETS			
Stocks	14	134,981	642,498
Debtors: amounts falling due within one year	15	3,200,279	2,818,519
Cash at bank and in hand	16	1,625,470	701,393
		<u>4,960,730</u>	<u>4,162,410</u>
Creditors: amounts falling due within one year	17	<u>(2,876,114)</u>	<u>(2,412,927)</u>
NET CURRENT ASSETS		2,084,616	1,749,483
TOTAL ASSETS LESS CURRENT LIABILITIES		7,506,811	7,204,868
Creditors: amounts falling due after more than one year	18	(1,132,573)	(1,553,369)
PROVISIONS FOR LIABILITIES			
Deferred tax	21	(90,674)	(98,596)
		<u>(90,674)</u>	<u>(98,596)</u>
NET ASSETS		6,283,564	5,552,903
CAPITAL AND RESERVES			
Called up share capital	22	15,098	15,098
Capital redemption reserve	23	14,902	14,902
Profit and loss account	23	6,253,564	5,522,903
		<u>6,283,564</u>	<u>5,552,903</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



D N Smart
Director

Date: 15th August 2017

The notes on pages 10 to 24 form part of these financial statements.

FREDERIC SMART & SON LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MAY 2017**

	Called up share capital	Capital redemption reserve	Profit and loss account	Total equity
	£	£	£	£
At 1 June 2016	15,098	14,902	5,522,903	5,552,903
Profit for the year	-	-	730,661	730,661
AT 31 MAY 2017	15,098	14,902	6,253,564	6,283,564

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MAY 2016**

	Called up share capital	Capital redemption reserve	Profit and loss account	Total equity
	£	£	£	£
At 1 June 2015	15,098	14,902	5,071,309	5,101,309
Profit for the year	-	-	549,731	549,731
Dividends	-	-	(98,137)	(98,137)
AT 31 MAY 2016	15,098	14,902	5,522,903	5,552,903

The notes on pages 10 to 24 form part of these financial statements.

FREDERIC SMART & SON LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MAY 2017**

	2017 £	2016 £
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the financial year	730,661	549,731
ADJUSTMENTS FOR:		
Depreciation of tangible assets	96,877	92,949
Loss on disposal of tangible assets	(5,501)	(6,060)
Interest paid	34,621	51,937
Interest received	(2,327)	(1,710)
Taxation charge	175,239	129,088
Decrease in stocks	507,517	149,620
(Increase)/decrease in debtors	(381,760)	554,284
Increase/(decrease) in creditors	406,953	(913,399)
Corporation tax (paid)/received	(139,476)	37,850
NET CASH GENERATED FROM OPERATING ACTIVITIES	1,422,804	644,290
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of tangible fixed assets	(63,453)	(317,041)
Sale of tangible fixed assets	12,000	13,277
Purchase of investment properties	(6,733)	-
Interest received	2,327	1,710
NET CASH FROM INVESTING ACTIVITIES	(55,859)	(302,054)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of loans	(408,247)	(100,786)
Dividends paid	-	(98,137)
Interest paid	(34,621)	(51,937)
NET CASH USED IN FINANCING ACTIVITIES	(442,868)	(250,860)
INCREASE IN CASH AND CASH EQUIVALENTS	924,077	91,376
Cash and cash equivalents at beginning of year	701,393	610,017
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	1,625,470	701,393
CASH AND CASH EQUIVALENTS AT THE END OF YEAR COMPRISE:		
Cash at bank and in hand	1,625,470	701,393
	1,625,470	701,393

FREDERIC SMART & SON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2017

1. ACCOUNTING POLICIES

1.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 2).

The following principal accounting policies have been applied:

1.2 TURNOVER

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Company and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before turnover is recognised:

Sale of goods

Turnover from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of turnover can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Turnover from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of turnover can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

FREDERIC SMART & SON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2017

1. ACCOUNTING POLICIES (CONTINUED)

1.3 TANGIBLE FIXED ASSETS

Tangible fixed assets under the cost model, other than investment properties, are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Freehold property	- No depreciation charged
Plant and machinery	- 10% straight line
Motor vehicles	- Lorries 12.5% straight line, cars 20% straight line
Fixtures and fittings	- 10% - 25% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

1.4 INVESTMENT PROPERTY

Investment property is carried at fair value determined annually by the directors and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in the Statement of Comprehensive Income.

1.5 STOCKS

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a weighted average basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

1.6 DEBTORS

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

FREDERIC SMART & SON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2017

1. ACCOUNTING POLICIES (CONTINUED)

1.7 CASH AND CASH EQUIVALENTS

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

1.8 FINANCIAL INSTRUMENTS

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an 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.

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 income as appropriate. The company does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

FREDERIC SMART & SON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2017

1. ACCOUNTING POLICIES (CONTINUED)

1.8 FINANCIAL INSTRUMENTS (CONTINUED)

Forward contracts are entered into by the Company to purchase and/or sell grain commodities, and management judge that these forward commodity contracts are entered into for the Company's "own use" rather than trading instruments. They continue to be held in accordance with the Company's expected purchase, sale and/or usage requirements.

1.9 CREDITORS

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

1.10 FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

1.11 FINANCE COSTS

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

1.12 DIVIDENDS

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

1.13 INTEREST INCOME

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

FREDERIC SMART & SON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2017

1. ACCOUNTING POLICIES (CONTINUED)

1.14 BORROWING COSTS

All borrowing costs are recognised in the Statement of Comprehensive Income in the year in which they are incurred.

1.15 PROVISIONS FOR LIABILITIES

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

1.16 CURRENT AND DEFERRED TAXATION

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

FREDERIC SMART & SON LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2017**

**2. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION
UNCERTAINTY**

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made include:

Depreciation

Depreciation is charged annually based on the management's estimate of economic useful life of the asset per the accounting policies above. Freehold buildings are not depreciated as the directors believe the residual value of the property is in line with fair value.

Stock

Stock provisions are recognised for slow-moving and obsolete stock and are reviewed on an annual basis. The directors review all old and slow-moving items and consider whether a provision is required.

Debtors

An allowance for doubtful accounts is maintained for potential credit losses based upon management's assessment of expected collectability of all accounts receivable. The allowance for doubtful accounts is reviewed periodically to assess the adequacy of the allowance. In making this assessment, management takes into consideration any circumstances of which they are aware regarding a customer's inability to meet its financial obligations.

3. TURNOVER

An analysis of turnover by class of business is as follows:

	2017 £	2016 £
Agriculture	29,575,750	29,173,635
	<u>29,575,750</u>	<u>29,173,635</u>

All turnover arose within the United Kingdom.

4. OTHER OPERATING INCOME

	2017 £	2016 £
Net rents receivable	111,352	147,274
	<u>111,352</u>	<u>147,274</u>

FREDERIC SMART & SON LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2017**

5. OPERATING PROFIT

The operating profit is stated after charging:

	2017	2016
	£	£
Depreciation of tangible fixed assets	96,877	92,949
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	5,600	5,450
Fees payable to the Company's auditor for taxation compliance services	900	875
Exchange differences	(7,521)	(8,930)
Defined contribution pension cost	3,932	-
	<u>96,877</u>	<u>92,949</u>

6. EMPLOYEES

Staff costs, including directors' remuneration, were as follows:

	2017	2016
	£	£
Wages and salaries	611,365	567,601
Social security costs	60,981	65,656
Cost of defined contribution scheme	3,932	-
	<u>676,278</u>	<u>633,257</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2017	2016
	No.	No.
Employees	19	17
	<u>19</u>	<u>17</u>

The directors do not consider there to be any key management personnel outside of the directorship.

7. DIRECTORS' REMUNERATION

	2017	2016
	£	£
Directors' emoluments	95,431	97,491
	<u>95,431</u>	<u>97,491</u>

FREDERIC SMART & SON LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2017**

8. INTEREST RECEIVABLE

	2017 £	2016 £
Other interest receivable	2,327	1,710
	<u>2,327</u>	<u>1,710</u>

9. INTEREST PAYABLE AND SIMILAR CHARGES

	2017 £	2016 £
Bank interest payable	34,597	42,058
Other loan interest payable	24	9,879
	<u>34,621</u>	<u>51,937</u>

10. TAXATION

	2017 £	2016 £
CORPORATION TAX		
Current tax on profits for the year	183,161	139,476
TOTAL CURRENT TAX	<u>183,161</u>	<u>139,476</u>
DEFERRED TAX		
Origination and reversal of timing differences	(7,922)	(10,388)
TOTAL DEFERRED TAX	<u>(7,922)</u>	<u>(10,388)</u>
TAXATION ON PROFIT ON ORDINARY ACTIVITIES	<u>175,239</u>	<u>129,088</u>

FREDERIC SMART & SON LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2017**

10. TAXATION (CONTINUED)

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is lower than (2016 - lower than) the standard rate of corporation tax in the UK of 19.83% (2016 - 20%). The differences are explained below:

	2017 £	2016 £
Profit on ordinary activities before tax	905,900	678,819
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.83% (2016 - 20%)	179,666	135,764
EFFECTS OF:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	643	3,298
Capital allowances for year in excess of depreciation	3,706	414
Other fixed asset differences, adjustments & movements	(854)	-
Deferred tax for the year	(7,922)	(10,388)
TOTAL TAX CHARGE FOR THE YEAR	175,239	129,088

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

There are no factors that may affect future tax charges.

11. DIVIDENDS

	2017 £	2016 £
Dividends paid during the year	-	98,137
	-	98,137

FREDERIC SMART & SON LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2017**

12. TANGIBLE FIXED ASSETS

	Freehold property £	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Total £
COST OR VALUATION					
At 1 June 2016	4,076,686	658,306	64,074	131,979	4,931,045
Additions	-	63,453	-	-	63,453
Disposals	-	(14,035)	(29,686)	(1,050)	(44,771)
At 31 May 2017	4,076,686	707,724	34,388	130,929	4,949,727
DEPRECIATION					
At 1 June 2016	-	166,683	48,862	65,000	280,545
Charge for the year on owned assets	-	69,970	6,878	20,029	96,877
Disposals	-	(7,536)	(29,686)	(1,050)	(38,272)
At 31 May 2017	-	229,117	26,054	83,979	339,150
NET BOOK VALUE					
At 31 May 2017	4,076,686	478,607	8,334	46,950	4,610,577
At 31 May 2016	4,076,686	491,623	15,212	66,979	4,650,500

Included in land and buildings is freehold land at valuation and cost of £816,897 (2016 - £816,897), which is not depreciated.

Included in land and buildings are building costs of £3,259,788 (2016 - £3,259,788), which is not depreciated as the directors believe the useful economic life and the high residual value of the building mean that depreciation is immaterial.

The net book value of land and buildings may be further analysed as follows:

	2017 £	2016 £
Freehold	4,076,686	4,076,686
	<u>4,076,686</u>	<u>4,076,686</u>

FREDERIC SMART & SON LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2017**

13. INVESTMENT PROPERTY

	Freehold investment property £
VALUATION	
At 1 June 2016	804,885
Additions at cost	6,733
AT 31 MAY 2017	811,618

The 2017 valuations were made by the directors, on an open market value for existing use basis.

14. STOCKS

	2017 £	2016 £
Finished goods and goods for resale	134,981	642,498
	134,981	642,498

Stock recognised in cost of sales during the year as an expense was £25,692,146 (2016 - £25,469,582).

An impairment loss of £NIL (2016 - £NIL) was recognised in cost of sales against stock during the year due to slow-moving and obsolete stock.

15. DEBTORS

	2017 £	2016 £
Trade debtors	3,175,742	2,802,652
Other debtors	11,972	3,894
Prepayments and accrued income	12,565	11,973
	3,200,279	2,818,519

FREDERIC SMART & SON LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2017**

16. CASH AND CASH EQUIVALENTS

	2017 £	2016 £
Cash at bank and in hand	1,625,470	701,393
	<u>1,625,470</u>	<u>701,393</u>

17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017 £	2016 £
Bank loans	117,243	104,694
Trade creditors	2,191,510	1,748,009
Corporation tax	183,161	139,476
Other taxation and social security	31,476	13,740
Other creditors	97,138	155,362
Accruals and deferred income	255,586	251,646
	<u>2,876,114</u>	<u>2,412,927</u>

Secured Loans

The bank loan is secured by fixed and floating charges over all property and undertakings of the company.

18. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2017 £	2016 £
Bank loans	1,132,573	1,553,369
	<u>1,132,573</u>	<u>1,553,369</u>

Secured loans

The bank loan is secured by fixed and floating charges over all the property and undertakings of the company.

FREDERIC SMART & SON LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2017**

19. LOANS

Analysis of the maturity of loans is given below:

	2017 £	2016 £
AMOUNTS FALLING DUE WITHIN ONE YEAR		
Bank loans	117,243	104,694
AMOUNTS FALLING DUE 1-2 YEARS		
Bank loans	119,777	107,224
AMOUNTS FALLING DUE 2-5 YEARS		
Bank loans	375,087	337,469
AMOUNTS FALLING DUE AFTER MORE THAN 5 YEARS		
Bank loans	637,709	1,108,676
	<u>1,249,816</u>	<u>1,658,063</u>

20. FINANCIAL INSTRUMENTS

	2017 £	2016 £
FINANCIAL ASSETS		
Financial assets measured at fair value through profit or loss	1,625,470	701,393
Financial assets that are debt instruments measured at amortised cost	3,187,714	2,806,546
	<u>4,813,184</u>	<u>3,507,939</u>
FINANCIAL LIABILITIES		
Financial liabilities measured at amortised cost	(3,696,912)	(3,657,718)
	<u>(3,696,912)</u>	<u>(3,657,718)</u>

Financial assets measured at fair value through profit or loss comprise cash at bank and in hand.

Financial assets measured at amortised cost comprise trade debtors and other debtors.

Financial liabilities measured at amortised cost comprise bank loans, trade creditors and accruals

FREDERIC SMART & SON LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2017**

21. DEFERRED TAXATION

	2017 £	2016 £
At beginning of year	(98,596)	(108,984)
Charged to profit or loss	7,922	10,388
AT END OF YEAR	(90,674)	(98,596)

The provision for deferred taxation is made up as follows:

	2017 £	2016 £
Accelerated capital allowances	(90,674)	(98,596)
	(90,674)	(98,596)

22. SHARE CAPITAL

	2017 £	2016 £
SHARES CLASSIFIED AS EQUITY		
ALLOTTED, CALLED UP AND FULLY PAID		
15,098 Ordinary shares of £1 each	15,098	15,098

23. RESERVES

Capital redemption reserve

Includes the nominal value of shares repurchased by the company in previous years.

Profit and loss account

Includes all current and prior year retained profits and losses net of dividends.

FREDERIC SMART & SON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2017

24. COMMITMENTS UNDER OPERATING LEASES

At 31 May 2017 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2017 £	2016 £
Not later than 1 year	9,518	8,762
Later than 1 year and not later than 5 years	9,396	2,312
	<u>18,914</u>	<u>11,074</u>

25. TRANSACTIONS WITH DIRECTORS

Other creditors includes a balance outstanding at 31 May 2017 of £30,843 (2016 - £87,283) due to Mr D N Smart, director.

Other creditors includes a balance outstanding at 31 May 2017 of £66,295 (2016 - £68,179) due to Mr F T A Smart, director.

During the year dividends of £NIL (2016 - £98,137) were paid to the directors.

26. RELATED PARTY TRANSACTIONS

During the year, the company donated £15,023 (2015 - £15,013) to The Grace Trust, a charity of which Mr D N Smart, a director of the company, is a Trustee.

27. CONTROLLING PARTY

The company is controlled by the directors by virtue of their ownership of the entire issued share capital.