

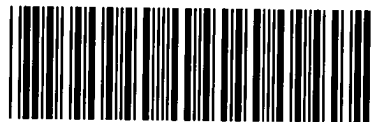
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**FREDERIC SMART & SON LIMITED**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MAY 2020**

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**FREDERIC SMART & SON LIMITED**

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**COMPANY INFORMATION**

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**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

**INDEPENDENT AUDITORS**

Peters Elworthy & Moore  
Chartered Accountants & Statutory Auditors  
Salisbury House  
Station Road  
Cambridge  
CB1 2LA

**BANKERS**

NatWest Bank  
7-9 High Street  
Royston  
Hertfordshire  
SG8 9YY

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**FREDERIC SMART & SON LIMITED**

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**FREDERIC SMART & SON LIMITED**

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**STRATEGIC REPORT  
FOR THE YEAR ENDED 31 MAY 2020**

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**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**

Sales during the year have decreased from the previous year, although a fall in commodity prices masks an increase in traded volumes, leading to an improved gross profit. However, overhead costs increased in line with the increased volumes, leading to broadly flat net profit growth. This continued profitability has led to a further strengthening of the balance sheet at the year-end, and the directors are confident that the ongoing investment in the business coupled with adequate cash resources will meet the ongoing working capital requirements.

The board plan to continue to invest and develop the ongoing corporate activities.

**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 A Smart**  
**Director**

Date: 9-10-20

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## **FREDERIC SMART & SON LIMITED**

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### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 MAY 2020**

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The directors present their report and the financial statements for the year ended 31 May 2020.

#### **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 £853,361 (2019 - £862,892).

Dividends of £98,137 were paid during the period (2019 - £NIL). 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 judgements 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements and other information included in Directors' Reports may differ from legislation in other jurisdictions.

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**FREDERIC SMART & SON LIMITED**

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**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 MAY 2020**

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**FUTURE DEVELOPMENTS**

The directors intend to continue to grow all areas of the business.

**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.

**POST BALANCE SHEET EVENTS**

There have been no significant events affecting the Company since the year end.

**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: 9-10-20

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## **FREDERIC SMART & SON LIMITED**

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### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FREDERIC SMART & SON LIMITED**

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#### **OPINION**

We have audited the financial statements of Frederic Smart & Son Limited (the 'Company') for the year ended 31 May 2020, which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes, including a summary of 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 the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 May 2020 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 OPINION**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **CONCLUSIONS RELATING TO GOING CONCERN**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

#### **OTHER INFORMATION**

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

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

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## **FREDERIC SMART & SON LIMITED**

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

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misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

#### **OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006**

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

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

#### **MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION**

In the light of the 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 or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which 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.

#### **RESPONSIBILITIES OF DIRECTORS**

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



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## **FREDERIC SMART & SON LIMITED**

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

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#### **AUDITORS' 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 Auditors' Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

#### **USE OF OUR REPORT**

This report is made solely to the Company's members 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 for our audit work, for this report, or for the opinions we have formed.

Warren Tilbury (Senior Statutory Auditor)

for and on behalf of  
**Peters Elworthy & Moore**

Chartered Accountants  
Statutory Auditors

Salisbury House  
Station Road  
Cambridge  
CB1 2LA

Date: 17 November 2020

**FREDERIC SMART & SON LIMITED**

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 MAY 2020**

	Note	2020 £	2019 £
Turnover	3	35,430,391	36,301,782
Cost of sales		<u>(30,061,574)</u>	<u>(31,738,455)</u>
<b>GROSS PROFIT</b>		<b>5,368,817</b>	<b>4,563,327</b>
Distribution costs		(2,128,192)	(1,821,284)
Administrative expenses		(2,172,287)	(1,766,883)
Other operating income	4	<u>60,492</u>	<u>106,819</u>
<b>OPERATING PROFIT</b>	5	<b>1,128,830</b>	<b>1,081,979</b>
Interest receivable and similar income	9	13,427	4,405
Interest payable and expenses	10	<u>(69,486)</u>	<u>(28,629)</u>
<b>PROFIT BEFORE TAX</b>		<b>1,072,771</b>	<b>1,057,755</b>
Tax on profit	11	<u>(219,410)</u>	<u>(194,863)</u>
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<b><u>853,361</u></b>	<b><u>862,892</u></b>

There were no recognised gains and losses for 2020 or 2019 other than those included in the statement of comprehensive income.

There was no other comprehensive income for 2020 (2019 - £NIL).

The notes on pages 12 to 26 form part of these financial statements.

**FREDERIC SMART & SON LIMITED**  
**REGISTERED NUMBER: 00879929**

**BALANCE SHEET**  
**AS AT 31 MAY 2020**

	Note	2020 £	2019 £
<b>FIXED ASSETS</b>			
Tangible assets	13	6,765,055	6,093,589
Investment property	14	805,718	805,718
		<u>7,570,773</u>	<u>6,899,307</u>
<b>CURRENT ASSETS</b>			
Stocks	15	100,702	513,452
Debtors: amounts falling due within one year	16	3,374,946	3,231,304
Cash at bank and in hand	17	3,044,600	708,069
		<u>6,520,248</u>	<u>4,452,825</u>
Creditors: amounts falling due within one year	18	(3,166,945)	(3,008,808)
<b>NET CURRENT ASSETS</b>		<u>3,353,303</u>	<u>1,444,017</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>10,924,076</u>	<u>8,343,324</u>
Creditors: amounts falling due after more than one year	19	(2,698,769)	(902,119)
<b>PROVISIONS FOR LIABILITIES</b>			
Deferred tax	22	(160,886)	(132,008)
		<u>(160,886)</u>	<u>(132,008)</u>
<b>NET ASSETS</b>		<u>8,064,421</u>	<u>7,309,197</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	23	15,098	15,098
Capital redemption reserve	24	14,902	14,902
Profit and loss account	24	8,034,421	7,279,197
		<u>8,064,421</u>	<u>7,309,197</u>

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

*Danla Smart*

**D N Smart**  
**Director**

Date: 1st October 2020

The notes on pages 12 to 26 form part of these financial statements.

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**FREDERIC SMART & SON LIMITED**

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**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 MAY 2020**

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	Called up share capital	Capital redemption reserve	Profit and loss account	Total equity
	£	£	£	£
At 1 June 2019	15,098	14,902	7,279,197	7,309,197
Profit for the year	-	-	853,361	853,361
Dividends: Equity capital	-	-	(98,137)	(98,137)
<b>AT 31 MAY 2020</b>	<b>15,098</b>	<b>14,902</b>	<b>8,034,421</b>	<b>8,064,421</b>

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 MAY 2019**

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	Called up share capital	Capital redemption reserve	Profit and loss account	Total equity
	£	£	£	£
At 1 June 2018	15,098	14,902	6,416,305	6,446,305
Profit for the year	-	-	862,892	862,892
<b>AT 31 MAY 2019</b>	<b>15,098</b>	<b>14,902</b>	<b>7,279,197</b>	<b>7,309,197</b>

The notes on pages 12 to 26 form part of these financial statements.

**FREDERIC SMART & SON LIMITED**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 MAY 2020**

	2020 £	2019 £
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit for the financial year	853,361	862,892
<b>ADJUSTMENTS FOR:</b>		
Depreciation of tangible assets	113,207	86,942
Loss on disposal of tangible assets	-	(417)
Interest paid	69,486	28,629
Interest received	(13,427)	(4,405)
Taxation charge	219,410	194,863
Decrease in stocks	412,750	113,065
(Increase)/decrease in debtors	(143,642)	216,602
Increase in creditors	31,934	123,507
Corporation tax (paid)	(142,929)	(50,052)
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>	<u>1,400,150</u>	<u>1,571,626</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of tangible fixed assets	(784,673)	(1,655,654)
Sale of tangible fixed assets	-	10,417
Interest received	13,427	4,405
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<u>(771,246)</u>	<u>(1,640,832)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
New secured loans	3,065,000	-
Repayment of loans	(1,189,750)	(114,988)
Dividends paid	(98,137)	-
Interest paid	(69,486)	(28,629)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<u>1,707,627</u>	<u>(143,617)</u>
<b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>2,336,531</u>	<u>(212,823)</u>
Cash and cash equivalents at beginning of year	708,069	920,892
<b>CASH AND CASH EQUIVALENTS AT THE END OF YEAR</b>	<u><u>3,044,600</u></u>	<u><u>708,069</u></u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF YEAR COMPRISE:</b>		
Cash at bank and in hand	3,044,600	708,069
	<u><u>3,044,600</u></u>	<u><u>708,069</u></u>

The notes on pages 12 to 26 form part of these financial statements.

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**FREDERIC SMART & SON LIMITED**

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**ANALYSIS OF NET DEBT  
FOR THE YEAR ENDED 31 MAY 2020**

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	At 1 June 2019 £	Cash flows £	Other non- cash changes £	At 31 May 2020 £
Cash at bank and in hand	708,069	2,336,531	-	3,044,600
Debt due after 1 year	(902,119)	(1,992,593)	195,943	(2,698,769)
Debt due within 1 year	(117,343)	117,343	(195,943)	(195,943)
	<u>(311,393)</u>	<u>461,281</u>	<u>-</u>	<u>149,888</u>

The notes on pages 12 to 26 form part of these financial statements.

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## **FREDERIC SMART & SON LIMITED**

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### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2020**

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#### **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.

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## FREDERIC SMART & SON LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2020

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#### 1. ACCOUNTING POLICIES (CONTINUED)

##### 1.3 TANGIBLE FIXED ASSETS

Tangible fixed assets under the cost model 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.

Assets in the course of construction are included at cost. Depreciation on these assets is not charged until they are brought into use.

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 profit or loss.

##### 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 profit or loss.

##### 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.



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## FREDERIC SMART & SON LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2020

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#### 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 instrument 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 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 in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

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.

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## **FREDERIC SMART & SON LIMITED**

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### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2020**

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#### **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 profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

##### **1.11 FINANCE COSTS**

Finance costs are charged to profit or loss 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.

##### **1.13 INTEREST INCOME**

Interest income is recognised in profit or loss using the effective interest method.

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## FREDERIC SMART & SON LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2020

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#### 1. ACCOUNTING POLICIES (CONTINUED)

##### 1.14 BORROWING COSTS

All borrowing costs are recognised in profit or loss 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 profit or loss 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 profit or loss 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.

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**FREDERIC SMART & SON LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MAY 2020**

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**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 activity and geographical region has not been disclosed as, in the opinion of the directors, such disclosure would be detrimental to the interests of the company.

**4. OTHER OPERATING INCOME**

	2020 £	2019 £
Net rents receivable	60,492	106,819
	<u>60,492</u>	<u>106,819</u>

**5. OPERATING PROFIT**

The operating profit is stated after charging:

	2020 £	2019 £
Exchange differences	(613)	253
Other operating lease rentals	17,682	20,185
	<u>17,682</u>	<u>20,185</u>

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**FREDERIC SMART & SON LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MAY 2020**

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**6. AUDITORS' REMUNERATION**

	2020 £	2019 £
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	<u>6,300</u>	<u>6,100</u>
<b>FEES PAYABLE TO THE COMPANY'S AUDITOR IN RESPECT OF:</b>		
Taxation compliance services	<u>1,100</u>	<u>1,000</u>
	<u>1,100</u>	<u>1,000</u>

**7. EMPLOYEES**

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

	2020 £	2019 £
Wages and salaries	1,014,452	928,148
Social security costs	103,471	94,143
Cost of defined contribution scheme	15,607	11,102
	<u>1,133,530</u>	<u>1,033,393</u>

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

	2020 No.	2019 No.
Employees	<u>30</u>	<u>28</u>

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

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**FREDERIC SMART & SON LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MAY 2020**

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**8. DIRECTORS' REMUNERATION**

	2020 £	2019 £
Directors' emoluments	104,015	107,031
	<u>104,015</u>	<u>107,031</u>

**9. INTEREST RECEIVABLE**

	2020 £	2019 £
Other interest receivable	13,427	4,405
	<u>13,427</u>	<u>4,405</u>

**10. INTEREST PAYABLE AND SIMILAR EXPENSES**

	2020 £	2019 £
Bank interest payable	69,428	27,857
Other loan interest payable	58	772
	<u>69,486</u>	<u>28,629</u>

**11. TAXATION**

	2020 £	2019 £
<b>CORPORATION TAX</b>		
Current tax on profits for the year	190,532	142,929
<b>TOTAL CURRENT TAX</b>	<u>190,532</u>	<u>142,929</u>
<b>DEFERRED TAX</b>		
Origination and reversal of timing differences	28,878	51,934
<b>TOTAL DEFERRED TAX</b>	<u>28,878</u>	<u>51,934</u>
<b>TAXATION ON PROFIT ON ORDINARY ACTIVITIES</b>	<u>219,410</u>	<u>194,863</u>

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**FREDERIC SMART & SON LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MAY 2020**

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**11. TAXATION (CONTINUED)**

**FACTORS AFFECTING TAX CHARGE FOR THE YEAR**

The tax assessed for the year is higher than (2019 - lower than) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

	2020 £	2019 £
Profit on ordinary activities before tax	<u>1,072,771</u>	<u>1,057,755</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	203,826	200,973
<b>EFFECTS OF:</b>		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	55	-
Capital allowances for year in excess of depreciation	(13,349)	(58,317)
Other fixed asset differences, adjustments & movements	-	273
Deferred tax for the year	<u>28,878</u>	<u>51,934</u>
<b>TOTAL TAX CHARGE FOR THE YEAR</b>	<u><b>219,410</b></u>	<u><b>194,863</b></u>

**FACTORS THAT MAY AFFECT FUTURE TAX CHARGES**

There are no factors that may affect future tax charges.

**12. DIVIDENDS**

	2020 £	2019 £
Dividends paid during the year	<u>98,137</u>	-
	<u><b>98,137</b></u>	-

**FREDERIC SMART & SON LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MAY 2020**

**13. TANGIBLE FIXED ASSETS**

	Freehold property £	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Assets in course of construction £	Total £
<b>COST OR VALUATION</b>						
At 1 June 2019	4,085,831	1,009,682	24,488	138,300	1,344,601	6,602,902
Additions	-	130,918	-	8,560	645,195	784,673
Disposals	-	-	-	(1,657)	-	(1,657)
Transfers between classes	2,051,009	(61,213)	-	-	(1,989,796)	-
At 31 May 2020	<u>6,136,840</u>	<u>1,079,387</u>	<u>24,488</u>	<u>145,203</u>	<u>-</u>	<u>7,385,918</u>
<b>DEPRECIATION</b>						
At 1 June 2019	-	369,689	24,488	115,136	-	509,313
Charge for the year on owned assets	-	102,551	-	10,656	-	113,207
Disposals	-	-	-	(1,657)	-	(1,657)
At 31 May 2020	<u>-</u>	<u>472,240</u>	<u>24,488</u>	<u>124,135</u>	<u>-</u>	<u>620,863</u>
<b>NET BOOK VALUE</b>						
At 31 May 2020	<u>6,136,840</u>	<u>607,147</u>	<u>-</u>	<u>21,068</u>	<u>-</u>	<u>6,765,055</u>
At 31 May 2019	<u>4,085,831</u>	<u>639,993</u>	<u>-</u>	<u>23,164</u>	<u>1,344,601</u>	<u>6,093,589</u>

Included in land and buildings is freehold land at valuation and cost of £816,897 (2019 - £816,897), which is not depreciated.

Included in land and buildings are building costs of £5,319,943 (2019 - £3,268,934), 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:

	2020 £	2019 £
Freehold	<u>6,136,840</u>	<u>4,085,831</u>
	<u>6,136,840</u>	<u>4,085,831</u>



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**FREDERIC SMART & SON LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MAY 2020**

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**14. INVESTMENT PROPERTY**

	Freehold investment property £
<b>VALUATION</b>	
At 1 June 2019	805,718
<b>AT 31 MAY 2020</b>	<b>805,718</b>

The 2020 valuations were made by the directors, on an open market value for existing use basis.

**15. STOCKS**

	2020 £	2019 £
Finished goods and goods for resale	100,702	513,452
	<b>100,702</b>	<b>513,452</b>

**16. DEBTORS**

	2020 £	2019 £
Trade debtors	3,347,045	2,888,515
Other debtors	3,624	321,353
Prepayments and accrued income	24,277	21,436
	<b>3,374,946</b>	<b>3,231,304</b>

**17. CASH AND CASH EQUIVALENTS**

	2020 £	2019 £
Cash at bank and in hand	3,044,600	708,069
	<b>3,044,600</b>	<b>708,069</b>

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**FREDERIC SMART & SON LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MAY 2020**

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**18. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2020 £	2019 £
Bank loans	195,943	117,343
Trade creditors	2,394,113	2,570,691
Corporation tax	190,532	142,929
Other taxation and social security	10,727	-
Other creditors	147,265	66,363
Accruals and deferred income	228,365	111,482
	<u>3,166,945</u>	<u>3,008,808</u>

**Secured Loans**

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

**19. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	2020 £	2019 £
Bank loans	2,698,769	902,119
	<u>2,698,769</u>	<u>902,119</u>

**Secured Loans**

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

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**FREDERIC SMART & SON LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MAY 2020**

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**20. LOANS**

Analysis of the maturity of loans is given below:

	2020 £	2019 £
<b>AMOUNTS FALLING DUE WITHIN ONE YEAR</b>		
Bank loans	195,943	117,343
<b>AMOUNTS FALLING DUE 1-2 YEARS</b>		
Bank loans	199,101	120,479
<b>AMOUNTS FALLING DUE 2-5 YEARS</b>		
Bank loans	2,499,668	381,099
<b>AMOUNTS FALLING DUE AFTER MORE THAN 5 YEARS</b>		
Bank loans	-	400,541
	<u>2,894,712</u>	<u>1,019,462</u>

**21. FINANCIAL INSTRUMENTS**

	2020 £	2019 £
<b>FINANCIAL ASSETS</b>		
Financial assets measured at amortised cost	<u>6,411,677</u>	<u>3,604,029</u>
<b>FINANCIAL LIABILITIES</b>		
Financial liabilities measured at amortised cost	<u>5,664,455</u>	<u>3,767,998</u>

Financial assets measured at amortised cost comprise trade debtors, other debtors and cash at bank and in hand.

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

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**FREDERIC SMART & SON LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MAY 2020**

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**22. DEFERRED TAXATION**

	2020 £	2019 £
At beginning of year	132,008	80,074
Charged to profit or loss	28,878	51,934
<b>AT END OF YEAR</b>	<b>160,886</b>	<b>132,008</b>

The provision for deferred taxation is made up as follows:

	2020 £	2019 £
Accelerated capital allowances	160,886	132,008
	<b>160,886</b>	<b>132,008</b>

**23. SHARE CAPITAL**

	2020 £	2019 £
<b>ALLOTTED, CALLED UP AND FULLY PAID</b>		
15,098 (2019 - 15,098) Ordinary shares of £1.00 each	15,098	15,098

**24. 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.

**25. CAPITAL COMMITMENTS**

At 31 May 2020 the Company had capital commitments as follows:

	2020 £	2019 £
Contracted for but not provided in these financial statements	29,477	607,396
	<b>29,477</b>	<b>607,396</b>

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**FREDERIC SMART & SON LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MAY 2020**

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**26. COMMITMENTS UNDER OPERATING LEASES**

At 31 May 2020 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2020 £	2019 £
Not later than 1 year	11,048	17,682
Later than 1 year and not later than 5 years	9,472	12,200
	<u>20,520</u>	<u>29,882</u>

**27. RELATED PARTY TRANSACTIONS**

During the year, the company donated £32,500 (2018 - £21,145) to The Grace Trust, a charity of which Mr D N Smart, a director of the company, is a Trustee.

**28. CONTROLLING PARTY**

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