
FREDERIC SMART & SON LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2018

TUESDAY



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11/12/2018
COMPANIES HOUSE

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 2018

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 increased due to a combination of business expansion and increased commodity values. Underlying uncertainty in UK and International markets coupled with increased overheads has however had a downward pressure on gross margins during the period. Notwithstanding this, the company's balance sheet at the year-end remains strong, and demonstrates sufficient cash resources to manage the ongoing working capital requirements of the business.

It is the opinion of the directors that trading conditions will stabilise over the next financial period, and profitability will return to historic levels. As a result, 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:

5th DEC 18

FREDERIC SMART & SON LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MAY 2018

The directors present their report and the financial statements for the year ended 31 May 2018.

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 £162,741 (2017 - £730,661).

No dividends were paid during the period 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.

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.

FREDERIC SMART & SON LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2018**

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:

5th Dec 18

FREDERIC SMART & SON LIMITED

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

OPINION

We have audited the financial statements of Frederic Smart & Son Limited (the 'Company') for the year ended 31 May 2018, 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 2018 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

FREDERIC SMART & SON LIMITED

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

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

We have nothing to report in 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.

FREDERIC SMART & SON LIMITED

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

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. This description forms part of our Auditors' Report.

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 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.

Warren Tilbury (Senior Statutory Auditor)

for and on behalf of
Peters Elworthy & Moore

Chartered Accountants
Statutory Auditors

Salisbury House
Station Road
Cambridge
CB1 2LA

5 December 2018

FREDERIC SMART & SON LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MAY 2018**

	Note	2018 £	2017 £
Turnover	3	35,504,003	29,575,750
Cost of sales		<u>(31,559,015)</u>	<u>(25,692,144)</u>
GROSS PROFIT		3,944,988	3,883,606
Distribution costs		<u>(2,045,505)</u>	<u>(1,693,075)</u>
Administrative expenses		<u>(1,808,470)</u>	<u>(1,363,689)</u>
Other operating income	4	<u>137,479</u>	<u>111,352</u>
OPERATING PROFIT	5	228,492	938,194
Interest receivable and similar income	9	1,393	2,327
Interest payable and expenses	10	<u>(27,692)</u>	<u>(34,621)</u>
PROFIT BEFORE TAX		202,193	905,900
Tax on profit	11	<u>(39,452)</u>	<u>(175,239)</u>
PROFIT FOR THE FINANCIAL YEAR		<u>162,741</u>	<u>730,661</u>

There were no recognised gains and losses for 2018 or 2017 other than those included in the statement of comprehensive income.

There was no other comprehensive income for 2018 (2017 - £NIL).

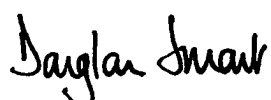
The notes on pages 11 to 25 form part of these financial statements.

FREDERIC SMART & SON LIMITED
REGISTERED NUMBER: 00879929

BALANCE SHEET
AS AT 31 MAY 2018

	Note	2018 £	2017 £
FIXED ASSETS			
Tangible assets	12	4,534,877	4,610,577
Investment property	13	805,718	811,618
		<u>5,340,595</u>	<u>5,422,195</u>
CURRENT ASSETS			
Stocks	14	626,517	134,981
Debtors: amounts falling due within one year	15	3,447,906	3,200,279
Cash at bank and in hand	16	920,892	1,625,470
		<u>4,995,315</u>	<u>4,960,730</u>
Creditors: amounts falling due within one year	17	(2,793,270)	(2,876,114)
NET CURRENT ASSETS		<u>2,202,045</u>	<u>2,084,616</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>7,542,640</u>	<u>7,506,811</u>
Creditors: amounts falling due after more than one year	18	(1,016,261)	(1,132,573)
PROVISIONS FOR LIABILITIES			
Deferred tax	21	(80,074)	(90,674)
		<u>(80,074)</u>	<u>(90,674)</u>
NET ASSETS		<u>6,446,305</u>	<u>6,283,564</u>
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	6,416,305	6,253,564
		<u>6,446,305</u>	<u>6,283,564</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: 5th December 2018

The notes on pages 11 to 25 form part of these financial statements.

FREDERIC SMART & SON LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MAY 2018**

	Called up share capital	Capital redemption reserve	Profit and loss account	Total equity
	£	£	£	£
AT 1 JUNE 2017	15,098	14,902	6,253,564	6,283,564
Profit for the year	-	-	162,741	162,741
AT 31 MAY 2018	15,098	14,902	6,416,305	6,446,305

**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

The notes on pages 11 to 25 form part of these financial statements.

FREDERIC SMART & SON LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MAY 2018**

	2018 £	2017 £
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the financial year	162,741	730,661
ADJUSTMENTS FOR:		
Depreciation of tangible assets	95,261	96,877
Loss on disposal of tangible assets	2,890	(5,501)
Interest paid	27,692	34,621
Interest received	(1,393)	(2,327)
Taxation charge	39,452	175,239
(Increase)/decrease in stocks	(491,536)	507,517
(Increase) in debtors	(247,627)	(381,760)
Increase in creditors	49,319	406,953
Corporation tax (paid)	(183,161)	(139,476)
NET CASH GENERATED FROM OPERATING ACTIVITIES	(546,362)	1,422,804
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of tangible fixed assets	(20,551)	(63,453)
Sale of tangible fixed assets	(1,900)	12,000
Purchase of investment properties	-	(6,733)
Sale of investment properties	5,900	-
Interest received	1,393	2,327
NET CASH FROM INVESTING ACTIVITIES	(15,158)	(55,859)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of loans	(115,366)	(408,247)
Interest paid	(27,692)	(34,621)
NET CASH USED IN FINANCING ACTIVITIES	(143,058)	(442,868)
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(704,578)	924,077
Cash and cash equivalents at beginning of year	1,625,470	701,393
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	920,892	1,625,470
CASH AND CASH EQUIVALENTS AT THE END OF YEAR COMPRISE:		
Cash at bank and in hand	920,892	1,625,470
	920,892	1,625,470

The notes on pages 11 to 25 form part of these financial statements.

FREDERIC SMART & SON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2018

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 judgment in applying the Company 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 2018

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 external valuers 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 2018

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 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 the 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 2018

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 INTEREST INCOME

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

1.13 BORROWING COSTS

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

FREDERIC SMART & SON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2018

1. ACCOUNTING POLICIES (CONTINUED)

1.14 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.

1.15 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 2018**

**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:

	2018 £	2017 £
Agriculture	35,504,003	29,575,750
	<u>35,504,003</u>	<u>29,575,750</u>

All turnover arose within the United Kingdom.

4. OTHER OPERATING INCOME

	2018 £	2017 £
Net rents receivable	137,479	111,352
	<u>137,479</u>	<u>111,352</u>

FREDERIC SMART & SON LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2018**

5. OPERATING PROFIT

The operating profit is stated after charging:

	2018	2017
	£	£
Exchange differences	(3,579)	(7,521)

6. AUDITORS' REMUNERATION

	2018	2017
	£	£
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	5,900	5,600

**FEES PAYABLE TO THE COMPANY'S AUDITOR AND ITS ASSOCIATES
IN RESPECT OF:**

Taxation compliance services	950	900
	950	900

7. EMPLOYEES

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

	2018	2017
	£	£
Wages and salaries	814,514	604,335
Social security costs	85,942	60,981
Cost of defined contribution scheme	9,372	3,932
	909,828	669,248

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

	2018	2017
	No.	No.
Employees	26	19

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

FREDERIC SMART & SON LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2018**

8. DIRECTORS' REMUNERATION

	2018 £	2017 £
Directors' emoluments	90,609	88,401
	<u>90,609</u>	<u>88,401</u>

9. INTEREST RECEIVABLE

	2018 £	2017 £
Other interest receivable	1,393	2,327
	<u>1,393</u>	<u>2,327</u>

10. INTEREST PAYABLE AND SIMILAR EXPENSES

	2018 £	2017 £
Bank interest payable	27,478	34,597
Other loan interest payable	214	24
	<u>27,692</u>	<u>34,621</u>

11. TAXATION

	2018 £	2017 £
CORPORATION TAX		
Current tax on profits for the year	50,052	183,161
TOTAL CURRENT TAX	<u>50,052</u>	<u>183,161</u>
DEFERRED TAX		
Origination and reversal of timing differences	(10,600)	(7,922)
TOTAL DEFERRED TAX	<u>(10,600)</u>	<u>(7,922)</u>
TAXATION ON PROFIT ON ORDINARY ACTIVITIES	<u>39,452</u>	<u>175,239</u>

FREDERIC SMART & SON LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2018**

11. TAXATION (CONTINUED)

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is higher than (2017 - lower than) the standard rate of corporation tax in the UK of 19% (2017 - 19.83%). The differences are explained below:

	2018 £	2017 £
Profit on ordinary activities before tax	202,193	905,900
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19.83%)	38,417	179,666
EFFECTS OF:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	72	643
Capital allowances for year in excess of depreciation	10,833	3,706
Other fixed asset differences, adjustments & movements	730	(854)
Deferred tax for the year	(10,600)	(7,922)
TOTAL TAX CHARGE FOR THE YEAR	39,452	175,239

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

There are no factors that may affect future tax charges.

FREDERIC SMART & SON LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2018**

12. TANGIBLE FIXED ASSETS

	Freehold property £	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Total £
COST OR VALUATION					
At 1 June 2017	4,076,686	707,724	34,388	130,929	4,949,727
Additions	-	4,936	12,500	3,115	20,551
Disposals	-	-	(9,900)	-	(9,900)
At 31 May 2018	4,076,686	712,660	36,988	134,044	4,960,378
DEPRECIATION					
At 1 June 2017	-	229,117	26,054	83,979	339,150
Charge for the year on owned assets	-	70,224	7,397	17,640	95,261
Disposals	-	-	(8,910)	-	(8,910)
At 31 May 2018	-	299,341	24,541	101,619	425,501
NET BOOK VALUE					
At 31 May 2018	4,076,686	413,319	12,447	32,425	4,534,877
At 31 May 2017	4,076,686	478,607	8,334	46,950	4,610,577

Included in land and buildings is freehold land at valuation and cost of £816,897 (2017 -£816,897), which is not depreciated.

Included in land and buildings are building costs of £3,259,788 (2017 - £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:

	2018 £	2017 £
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 2018**

13. INVESTMENT PROPERTY

	Freehold investment property £
VALUATION	
At 1 June 2017	811,618
Disposals	(5,900)
AT 31 MAY 2018	805,718

The 2018 valuations were made by the directors, on an open market value for existing use basis.

14. STOCKS

	2018 £	2017 £
Finished goods and goods for resale	626,517	134,981
	626,517	134,981

Stock recognised in cost of sales during the year as an expense was £31,559,015 (2017 - £25,692,144).

15. DEBTORS

	2018 £	2017 £
Trade debtors	3,413,739	3,175,742
Other debtors	21,539	11,972
Prepayments and accrued income	12,628	12,565
	3,447,906	3,200,279

16. CASH AND CASH EQUIVALENTS

	2018 £	2017 £
Cash at bank and in hand	920,892	1,625,470
	920,892	1,625,470

FREDERIC SMART & SON LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2018**

17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018	2017
	£	£
Bank loans	118,189	117,243
Trade creditors	2,408,966	2,191,510
Corporation tax	50,052	183,161
Other taxation and social security	24,294	31,476
Other creditors	69,205	97,138
Accruals and deferred income	122,564	255,586
	<u>2,793,270</u>	<u>2,876,114</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

	2018	2017
	£	£
Bank loans	1,016,261	1,132,573
	<u>1,016,261</u>	<u>1,132,573</u>

Secured Loans

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

FREDERIC SMART & SON LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2018**

19. LOANS

Analysis of the maturity of loans is given below:

	2018 £	2017 £
AMOUNTS FALLING DUE WITHIN ONE YEAR		
Bank loans	118,189	117,243
AMOUNTS FALLING DUE 1-2 YEARS		
Bank loans	119,862	119,777
AMOUNTS FALLING DUE 2-5 YEARS		
Bank loans	377,246	375,087
AMOUNTS FALLING DUE AFTER MORE THAN 5 YEARS		
Bank loans	519,153	637,709
	<u>1,134,450</u>	<u>1,249,816</u>

20. FINANCIAL INSTRUMENTS

	2018 £	2017 £
FINANCIAL ASSETS		
Financial assets measured at fair value through profit or loss	920,892	1,625,470
Financial assets that are debt instruments measured at amortised cost	3,427,878	3,187,714
	<u>4,348,770</u>	<u>4,813,184</u>
FINANCIAL LIABILITIES		
Financial liabilities measured at amortised cost	3,665,980	3,696,912

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 2018**

21. DEFERRED TAXATION

	2018 £	2017 £
At beginning of year	90,674	98,596
Charged to profit or loss	(10,600)	(7,922)
AT END OF YEAR	80,074	90,674

The provision for deferred taxation is made up as follows:

	2018 £	2017 £
Accelerated capital allowances	80,074	90,674
	80,074	90,674

22. SHARE CAPITAL

	2018 £	2017 £
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 2018**

24. COMMITMENTS UNDER OPERATING LEASES

At 31 May 2018 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2018 £	2017 £
Not later than 1 year	20,185	9,868
Later than 1 year and not later than 5 years	21,219	21,670
	41,404	31,538

25. RELATED PARTY TRANSACTIONS

During the year, the company donated £14,820 (2017 - £15,023) to The Grace Trust, a charity of which Mr D N Smart, a director of the company, is a Trustee.

26. CONTROLLING PARTY

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