

Company Registration No. 01129885 (England and Wales)

**DUTTON
MOORE**

Chartered Accountants
& Business Advisers

F. SMALES & SON (FISH MERCHANTS) LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2020

TUESDAY



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F. SMALES & SON (FISH MERCHANTS) LIMITED

COMPANY INFORMATION

Directors L. Smales
S. Smales
R. A. Orr B.Com CA CTA

Company number 01129885

Registered office 30 West Dock Street
Hull
HU3 4HL

Auditor Dutton Moore
Aldgate House
1-4 Market Place
Hull
HU1 1RS

Bankers Lloyds Bank plc
2nd Floor
116 Wellington Street
Leeds
LS1 4LT

F. SMALES & SON (FISH MERCHANTS) LIMITED

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F. SMALES & SON (FISH MERCHANTS) LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 AUGUST 2020

The directors present the strategic report for the year ended 31 August 2020.

Principal activities

The principal activities of the company are those of the sale and distribution of frozen fish, frozen seafood and frozen catering products to the fish and chip shop sector, fish wholesalers and food service operators. During the year ended 31 August 2019 the company's fish processing activity ceased on the closure of the chilled seafood division.

Results and dividends

The company reported a turnover of £62,950,175 in the financial year ended 31 August 2020 and had an operating loss of £(241,729) and an Earnings Before Interest Taxation Depreciation and Amortisation (E.B.I.T.D.A.) of £(129,272). The operating loss includes a loss of £290,380 relating to the discontinued chilled seafood division.

The company is operating within the financial facilities available to it from its bankers, Lloyds Bank plc.

Principle risks and uncertainties

The company faces competition risk from other companies in the fish industry and from fluctuating fish prices. The company needs to ensure that there is sufficient supply of raw material available to meet the demand of its customers. These risks are faced by all companies operating in this industry.

The Coronavirus ("COVID-19") pandemic has had an effect on the distribution of frozen fish and more predominantly on the food service sector of the business. The ongoing impact of COVID-19 is increasingly uncertain and difficult to assess. This risk and uncertainty is affecting all companies operating in the sector.

Key performance indicators

	2020 £	2019 £	2018 £	2017 £
Turnover	62,950,175	88,609,332	93,283,139	92,383,368
Gross profit percentage	9.7%	10.5%	12.6%	12.0%
Operating (loss)/profit	(241,729)	(674,157)	454,288	261,828
Shareholders' funds	5,856,721	6,104,084	6,673,997	6,324,604

Financial instruments

The company's principal financial instruments comprised bank balances, trade debtors and trade creditors. The main purpose of these instruments is to raise funds for the company's operations and to finance the company's working capital.

Due to the nature of the financial instruments used by the company there is no exposure to price risk. The company's approach to managing other risks applicable to the financial instruments concerned are shown below.

In respect of bank balances the liquidity risk is managed by maintaining a balance between the continuity of funding and flexibility through the use of overdrafts at floating rates of interest.

Trade debtors are managed in respect of credit and cash flow risk by policies concerning the credit offered to customers and the regular monitoring of amounts outstanding for both time and credit limits.

Trade creditors liquidity risk is managed by ensuring sufficient funds are available to meet amounts due.

F. SMALES & SON (FISH MERCHANTS) LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2020

S172 statement

The directors have a legal responsibility under Section 172 of the Companies Act 2006 to act in such a way that is most likely to promote the company's success for the benefit of its members as a whole, and to have regard to the long-term effect of decisions on the company and its stakeholders.

When making decisions each director considers: the likely consequences of decisions in the long-term; the interest of the company's employees; the need to foster the company's relationship with suppliers and customers; the impact of the company's operations on the community and environment; the desirability of the company maintaining a reputation for high standards of business conduct; and the need to act fairly between members of the company.

The business was originally founded in 1937 and the company remains wholly and independently owned by the Smales family. The business has developed an excellent reputation throughout the UK, thanks to its sourcing of quality fish and seafood, coupled with its experienced and dedicated team of employees.

We continually train and invest in key personnel which allows us to ensure that our customers have access to the best and most relevant market information as well as a high standard of customer service. The company continues to work closely with long standing supply partners to enable us to introduce and develop innovative products in order to give our customers the choice and variation they need to stay ahead of the market.

We are committed to offering the best possible choice in sustainable products and to provide the highest quality service to our customers. To ensure this, we hold full MSC chain of custody certification, stock the widest range of MSC certified brands in the market and also hold BRC accreditation in storage, wholesale and distribution.

The company operates with strategically placed national distribution centres. We recognise the importance of providing our customers with a consistent quality of products so that they can be sure their main ingredient is the best it can be. The company has been moving its car fleet to hybrid and electric vehicles providing a positive impact on the environment.

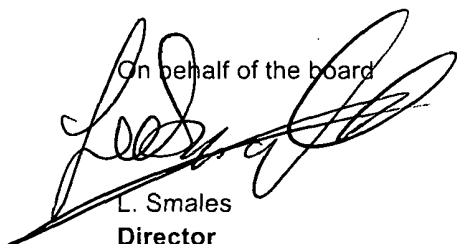
At Smales we recognise how essential responsible sourcing is. As well as holding full MSC chain of custody certification, we have also gone on to work with GLOBAL G.A.P. accredited supply partners. The traceability of fish and seafood is a fundamental element of responsible sourcing which can be found throughout the entire supply chain. We do our utmost to ensure that sustainable choices underline our approach to the products we source.

As part of our commitment to provide the best in all that we do, we are also members of FASFA, BFFF and RHA.

Future outlook

The business has developed an excellent reputation throughout the UK and Europe, thanks to its sourcing of quality fish and seafood. The Board believes that the company's strategy, together with its experienced management, will be a solid foundation to increase market share and sales volume within its core trading division. The company has a 2,500 customer base and going forward will employ around 95 logistics, sales and administrative staff to continue the development of this into the future.

On behalf of the board



L. Smales

Director

26 February 2021

F. SMALES & SON (FISH MERCHANTS) LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 AUGUST 2020

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

Directors

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

L. Smales

S. Smales

R. A. Orr B.Com CA CTA

N. J. Holt

(Resigned 11 June 2020)

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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 and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditor

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

F. SMALES & SON (FISH MERCHANTS) LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2020

Carbon and energy report

i. Introduction

The company monitors and seeks to continually reduce energy usage and related carbon emissions as part of its commitment to sustainability and environmental performance. This report covers the usage for the year ended 31 August 2020. Comparative period information is not stated as this is the first year in which the Directors' Report includes this information.

ii. Efficiency achievements

LED fittings have been fitted to parts of the main office to achieve energy saving through using efficient lighting. Employees are encouraged to consider switching to hybrid vehicles.

iii. Energy usage (premises)

	KWh	Equivalent CO2 emissions (tonnes)
Total usage	566,460	132

iv. Energy usage (transport)

	KWh	Equivalent CO2 emissions (tonnes)
Total usage	5,674,024	1,365

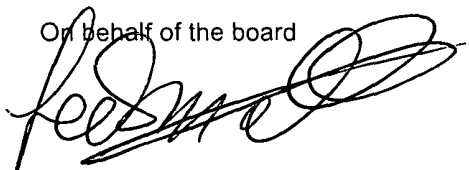
v. Emissions data

	2020
Emissions from combustion of fuel and operation of facilities (scope 1)	1,365 tCO2e
Emissions from purchase of electricity for own use. (scope 2, location-based)	132 tCO2e
Total scope 1 and scope 2 emissions	1,497 tCO2e

Energy consumption used to calculate above emissions
Tonnes of CO2e per £100,000 of revenue
Methodology used is UK Government's GHG Conversion Factors for
Company Reporting 2020.

6,240,484 kWh
2.38

On behalf of the board



L. Smales
Director

26 February 2021

F. SMALES & SON (FISH MERCHANTS) LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF F. SMALES & SON (FISH MERCHANTS) LIMITED

Opinion

We have audited the financial statements of F. Smales & Son (Fish Merchants) Limited (the 'company') for the year ended 31 August 2020 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, 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 FRS 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 August 2020 and of its loss 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 Auditor's 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 UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We 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 auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

F. SMALES & SON (FISH MERCHANTS) LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF F. SMALES & SON (FISH MERCHANTS) LIMITED

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 and the Directors' Report.

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.

Responsibilities of directors

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

In preparing the financial statements, the directors are responsible for assessing the 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.

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Jonathan Waters BA FCA (Senior Statutory Auditor)
for and on behalf of Dutton Moore

26 February 2021

Chartered Accountants
Statutory Auditor

Aldgate House
1-4 Market Place
Hull
HU1 1RS

F. SMALES & SON (FISH MERCHANTS) LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 AUGUST 2020

	Notes	Continuing operations £	Discontinued operations £	2020 £	Continuing operations £	Discontinued operations £	2019 £
Turnover	3,4	62,875,339	74,836	62,950,175	71,224,006	17,385,326	88,609,332
Cost of sales		(56,778,235)	(51,140)	(56,829,375)	(64,176,808)	(15,160,107)	(79,336,915)
Gross profit		6,097,104	23,696	6,120,800	7,047,198	2,225,219	9,272,417
Distribution costs		(2,970,204)	(2,133)	(2,972,337)	(3,304,518)	(2,154,817)	(5,459,335)
Administrative expenses		(3,388,155)	(311,943)	(3,700,098)	(3,365,029)	(1,133,261)	(4,498,290)
Other operating income		309,906	-	309,906	-	11,051	11,051
Operating loss	5	48,651	(290,380)	(241,729)	377,651	(1,051,808)	(674,157)
Other interest receivable and similar income	10	3,017	-	3,017	-	-	-
Interest payable and similar expenses	11	-	-	-	(10,831)	-	(10,831)
Loss before taxation		51,668	(290,380)	(238,712)	366,820	(1,051,808)	(684,988)
Taxation	12			41,349			115,075
Loss for the financial year				<u>(197,363)</u>			<u>(569,913)</u>

F. SMALES & SON (FISH MERCHANTS) LIMITED

BALANCE SHEET

AS AT 31 AUGUST 2020

	Notes	2020 £	£	2019 £	£
Fixed assets					
Tangible assets	15		2,280,139		2,573,133
Current assets					
Stocks	16	6,020,148		5,730,510	
Debtors	17	7,869,468		9,837,250	
Cash at bank and in hand		2,993,162		789,847	
		<u>16,882,778</u>		<u>16,357,607</u>	
Creditors: amounts falling due within one year	18	<u>(13,216,310)</u>		<u>(12,695,421)</u>	
Net current assets			3,666,468		3,662,186
Total assets less current liabilities			<u>5,946,607</u>		<u>6,235,319</u>
Provisions for liabilities	19		(89,886)		(131,235)
Net assets			<u>5,856,721</u>		<u>6,104,084</u>
Capital and reserves					
Called up share capital	21	350,500		350,500	
Capital redemption reserve	22	49,500		49,500	
Profit and loss reserve	22	5,456,721		5,704,084	
Total equity			<u>5,856,721</u>		<u>6,104,084</u>

The financial statements were approved by the board of directors and authorised for issue on 26 February 2021 and are signed on its behalf by:



L. Smales
Director

Company Registration No. 01129885

F. SMALES & SON (FISH MERCHANTS) LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 AUGUST 2020

	Note	Share capital £	Capital redemption reserve £	Profit and loss reserve £	Total £
Balance at 1 September 2018		350,500	49,500	6,273,997	6,673,997
Year ended 31 August 2019:					
Loss and total comprehensive income for the year		-	-	(569,913)	(569,913)
Balance at 31 August 2019		350,500	49,500	5,704,084	6,104,084
Year ended 31 August 2020:					
Loss and total comprehensive income for the year		-	-	(197,363)	(197,363)
Dividends	13	-	-	(50,000)	(50,000)
Balance at 31 August 2020		350,500	49,500	5,456,721	5,856,721

F. SMALES & SON (FISH MERCHANTS) LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 AUGUST 2020

	Note	2020 £	£	2019 £	£
Cash flows from operating activities					
Cash generated from/(absorbed by) operations	25		1,954,643		(659,590)
Interest paid			-		(10,831)
Income taxes refunded/(paid)			115,118		(115,118)
Net cash inflow/(outflow) from operating activities			2,069,761		(785,539)
Investing activities					
Purchase of tangible fixed assets		(24,031)		(226,592)	
Proceeds on disposal of tangible fixed assets		204,568		19,745	
Interest received		3,017		-	
Net cash generated from/(used in) investing activities			183,554		(206,847)
Financing activities					
Dividends paid		(50,000)		-	
Net cash used in financing activities			(50,000)		-
Net increase/(decrease) in cash and cash equivalents			2,203,315		(992,386)
Cash and cash equivalents at beginning of year			789,847		1,782,233
Cash and cash equivalents at end of year			2,993,162		789,847

F. SMALES & SON (FISH MERCHANTS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2020

1 Accounting policies

Company information

F. Smales & Son (Fish Merchants) Limited is a company limited by shares incorporated in England and Wales. The registered office is 30 West Dock Street, Hull, HU3 4HL.

1.1 Accounting convention

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

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

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

1.2 Going concern

At the time of approving the financial statements the directors have a reasonable expectation that the company has adequate resources to continue its operational existence for the foreseeable future. Coronavirus is affecting all companies at the current time but the company was able to mitigate the effect by utilising the UK Government's Coronavirus Job Retention Scheme. The directors consider that the going concern basis of accounting should be used in preparing the financial statements.

1.3 Turnover

Turnover represents the fair value of the consideration received or receivable for the sale of goods and provision of services derived from the company's ordinary activities and is stated net of VAT and discounts.

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

1.4 Tangible fixed assets

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

Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Freehold property	Between 1% p.a. and 2% p.a. on cost
Plant and machinery	Between 4% p.a. and 25% p.a. on cost

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to the Profit and Loss Account.

1.5 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

F. SMALES & SON (FISH MERCHANTS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2020

1 Accounting policies

(Continued)

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in the Profit and Loss Account, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply.

1.6 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is calculated using the first-in first-out method and consists of material and direct labour costs, together with an appropriate proportion of production overheads.

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

1.7 Cash and cash equivalents

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

1.8 Financial instruments

Financial assets and liabilities are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets

Financial assets are classified according to the substance of the financial instrument's contractual obligations, rather than its legal form.

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

Financial assets, other than those held at fair value through the Profit and Loss Account, are assessed for indicators of impairment at each reporting end date. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the Profit and Loss Account. If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in the Profit and Loss Account.

Financial liabilities and equity

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

F. SMALES & SON (FISH MERCHANTS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2020

1 Accounting policies

(Continued)

Basic financial liabilities are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Financial liabilities that are not classified as financial instruments are recorded at transaction cost. All changes to transaction cost are recognised in the Profit and Loss Account.

1.9 Equity instruments

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

1.10 Taxation

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

Current tax

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

Deferred tax

Deferred tax is provided in full on all material timing differences that have originated but not reversed at the balance sheet date. A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax assets and liabilities are not discounted.

1.11 Employee benefits

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

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

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

1.12 Retirement benefits

The company makes payments to money purchase pension schemes. Contributions are charged to the Profit and Loss Account as they become payable in accordance with the rules of the schemes.

1.13 Leases

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

F. SMALES & SON (FISH MERCHANTS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2020

1 Accounting policies

(Continued)

1.14 Government grants

Grants towards capital expenditure are credited to deferred income and released to the Profit and Loss Account over the expected useful life of the asset.

Grants towards revenue expenditure are released to the Profit and Loss Account as the related expenditure is incurred.

1.15 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the Profit and Loss Account.

1.16 Goodwill

Acquired goodwill is written off in equal annual instalments over its estimated useful economic life of 10 years.

2 Judgements and key sources of estimation uncertainty

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

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

3 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2020 £	2019 £
Turnover		
Sale of goods	62,950,175	88,609,332
	<u>62,950,175</u>	<u>88,609,332</u>
 Turnover analysed by geographical market		
	2020 £	2019 £
UK	62,168,850	87,763,068
Europe	781,325	846,264
	<u>62,950,175</u>	<u>88,609,332</u>

F. SMALES & SON (FISH MERCHANTS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2020

4 Discontinued operations

On 29 July 2019 the company lost its contract with the main customer of the Chilled Seafood Division and as a result the Board took the decision to close this division of the company. This discontinued operation incurred a loss of £290,380 for the year.

5 Operating loss

	2020 £	2019 £
Operating loss for the year is stated after charging/(crediting):		
Exchange gains	(10,922)	-
Government grants	-	(11,051)
Depreciation of owned tangible fixed assets	106,888	323,961
Loss on disposal of tangible fixed assets	5,569	20,190
Operating lease charges	1,120,075	1,028,957

6 Auditor's remuneration

	2020 £	2019 £
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the company	17,000	16,500
For other services		
All other non-audit services	9,775	9,500

7 Employees

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

	2020 Number	2019 Number
Sales, administration and management	41	50
Production	2	102
Cold store and transport	54	58
Total	97	210

F. SMALES & SON (FISH MERCHANTS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2020

7 Employees (Continued)

Their aggregate remuneration comprised:

	2020 £	2019 £
Wages and salaries	2,798,874	5,617,030
Social security costs	357,152	491,891
Pension costs	219,012	255,518
	<u>3,375,038</u>	<u>6,364,439</u>

8 Directors' remuneration

	2020 £	2019 £
Remuneration for qualifying services	437,902	457,311
Company pension contributions to defined contribution schemes	85,156	110,965
	<u>523,058</u>	<u>568,276</u>

The key management personnel are considered to be the directors.

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 3 (2019 - 4).

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2020 £	2019 £
Remuneration for qualifying services	196,836	168,652
Company pension contributions to defined contribution schemes	-	30,042
	<u>-</u>	<u>30,042</u>

9 Retirement benefit schemes

	2020 £	2019 £
Defined contribution schemes		
Charge to the Profit and Loss Account	<u>219,012</u>	<u>255,518</u>

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

F. SMALES & SON (FISH MERCHANTS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2020

10 Other interest receivable and similar income

	2020 £	2019 £
Other interest	3,017	-

11 Interest payable and similar expenses

	2020 £	2019 £
Bank interest	-	10,831

12 Taxation

	2020 £	2019 £
Current tax		
UK corporation tax on profits for the current period	-	(115,118)
Deferred tax		
Origination and reversal of timing differences	(41,349)	43
Total tax credit	(41,349)	(115,075)

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

	2020 £	2019 £
Loss before taxation	(238,712)	(684,988)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	(45,355)	(130,148)
Tax effect of expenses that are not deductible in determining taxable profit	4,006	5,423
Unutilised tax losses brought forward	(2,836)	-
Unutilised tax losses carried forward	34,249	2,836
Depreciation in excess of capital allowances	9,936	6,771
Deferred tax adjustments in respect of prior years	(41,349)	43
Taxation for the year	(41,349)	(115,075)

F. SMALES & SON (FISH MERCHANTS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2020

13 Dividends

	2020 £	2019 £
Interim paid	50,000	-

14 Intangible fixed assets

	Goodwill £
Cost	
At 1 September 2019 and 31 August 2020	29,250
Amortisation and impairment	
At 1 September 2019 and 31 August 2020	29,250
Carrying amount	
At 31 August 2020	-
At 31 August 2019	-

15 Tangible fixed assets

	Freehold property £	Plant and machinery £	Total £
Cost			
At 1 September 2019	3,122,153	2,549,895	5,672,048
Additions	-	24,031	24,031
Disposals	-	(875,425)	(875,425)
At 31 August 2020	3,122,153	1,698,501	4,820,654
Depreciation and impairment			
At 1 September 2019	1,666,263	1,432,652	3,098,915
Depreciation charged in the year	-	106,888	106,888
Eliminated in respect of disposals	-	(665,288)	(665,288)
At 31 August 2020	1,666,263	874,252	2,540,515
Carrying amount			
At 31 August 2020	1,455,890	824,249	2,280,139
At 31 August 2019	1,455,890	1,117,243	2,573,133

The directors have reviewed the carrying amount of the company's freehold property and concluded that there is no impairment.

F. SMALES & SON (FISH MERCHANTS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2020

16 Stocks

	2020 £	2019 £
Finished goods and goods for resale	6,020,148	5,730,510

17 Debtors

	2020 £	2019 £
Amounts falling due within one year:		
Trade debtors	7,508,089	9,384,174
Corporation tax recoverable	-	115,118
Other debtors	184,992	165,864
Prepayments and accrued income	176,387	172,094
	7,869,468	9,837,250

18 Creditors: amounts falling due within one year

	2020 £	2019 £
Trade creditors	12,822,580	11,404,653
Other taxation and social security	90,510	145,328
Other creditors	136,299	136,299
Accruals and deferred income	166,921	1,009,141
	13,216,310	12,695,421

19 Provisions for liabilities

	Note	2020 £	2019 £
Deferred tax liabilities	20	89,886	131,235

F. SMALES & SON (FISH MERCHANTS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2020

20 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Liabilities 2020 £	Liabilities 2019 £
Balances:		
Accelerated capital allowances	124,135	134,071
Tax losses	(34,249)	(2,836)
	<u>89,886</u>	<u>131,235</u>
Movements in the year:		2020 £
Liability at 1 September 2019		131,235
Credit to Profit and Loss Account		(41,349)
Liability at 31 August 2020		<u>89,886</u>

21 Share capital

	2020 £	2019 £
Ordinary share capital		
Issued and fully paid		
280,500 Ordinary shares of £1 each	280,500	280,500
70,000 A Ordinary shares of £1 each	70,000	70,000
	<u>350,500</u>	<u>350,500</u>

The rights attaching to the shares are as follows:

Dividends

The holders of the A ordinary shares are not entitled to receive any dividends.

Capital

On a return of capital the holders of the A ordinary shares are entitled to receive 0.001p per share.

Voting

The A ordinary shares carry no voting rights.

22 Reserves

Capital redemption reserve

This reserve represents the nominal value of own shares purchased by the company.

Profit and loss reserve

This reserve represents cumulative retained profits and losses.

F. SMALES & SON (FISH MERCHANTS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2020

23 Bank security

The bank holds a debenture and charges over company assets.

24 Operating lease commitments

Lessee

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

	2020 £	2019 £
Within one year	843,153	640,809
Between two and five years	923,014	751,705
In over five years	6,300	-
	<u>1,772,467</u>	<u>1,392,514</u>

25 Cash generated from/(absorbed by) operations

	2020 £	2019 £
Loss for the year after tax	(197,363)	(569,913)
Adjustments for:		
Taxation credited	(41,349)	(115,075)
Finance costs	-	10,831
Investment income	(3,017)	-
Loss on disposal of tangible fixed assets	5,569	20,190
Depreciation and impairment of tangible fixed assets	106,888	323,961
Movements in working capital:		
(Increase)/decrease in stocks	(289,638)	2,124,543
Decrease in debtors	1,852,664	340,689
Increase/(decrease) in creditors	520,889	(2,794,816)
Cash generated from/(absorbed by) operations	<u>1,954,643</u>	<u>(659,590)</u>

26 Analysis of changes in net funds

	1 September 2019 £	Cash flows £	31 August 2020 £
Cash at bank and in hand	<u>789,847</u>	<u>2,203,315</u>	<u>2,993,162</u>

F. SMALES & SON (FISH MERCHANTS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2020

27 Ultimate controlling party

The company is ultimately controlled by Mr L. Smales and Mr S. Smales, who both hold 50% of the company's ordinary shares.