

Chantrey Vellacott DFK LLP

22169.



**HUNTERS & FRANKAU LIMITED**

**Annual Report  
31 December 2012**

# HUNTERS & FRANKAU LIMITED

## Directors' report for the year ended 31 December 2012

The directors present their report and the audited financial statements for the year ended 31 December 2012

### Review of the business

The company is engaged in importing and distributing cigars and allied products

The results for 2012 demonstrate further progress following action taken by management to increase sales and profitability

The directors consider the results for the year and the financial position at 31 December 2012 to be satisfactory. The directors believe that the company remains in a good position to take advantage of any upturn in economic conditions

### Risks and uncertainty

The company is exposed to a variety of financial risks and business risks

#### Financial risk

Financial risk includes liquidity, credit, currency and interest rate risks

The directors have not delegated the responsibility of maintaining financial risk management to a sub-committee of the Board. The policies set by the Board are implemented by the company's finance department

#### Liquidity risk

The company seeks to manage liquidity risk by ensuring that sufficient liquidity is available from the company's own cash resources and agreed bank facilities to meet its foreseeable needs

#### Credit risk

The company's principal financial assets are cash and trade debtors. The principal credit risk arises therefore from its trade debtors. The company maintains policies and procedures to manage credit risk

#### Currency risk

The company is exposed to foreign exchange risk. Transaction exposures are regularly forecast and reviewed in order to mitigate currency risk. The company manages risk through its strategic stock position

#### Interest rate risk

The company's financial instruments comprise amounts receivable from customers, amounts payable to suppliers and bank overdraft facilities. Bank borrowings incur interest at variable market rates. Interest rate risk is not considered material

#### Business risks

Business risks include market, economic, climatic and other events and regulatory risk which are monitored and managed by the Board

#### Market risk

The company seeks to maintain its market presence and balance through its broad brand portfolio and diverse customer base

# HUNTERS & FRANKAU LIMITED

## Directors' report for the year ended 31 December 2012

### Economic risk

Demand for the company's products is sensitive to prevailing economic conditions but the company seeks to mitigate this by offering products at a wide range of price points

### Climatic and other events risk

The company manages the risk of disruption through climatic and other events by maintaining a strategic stock position

### Regulatory risk

The company's principal business of cigar distribution is subject to extensive government regulatory restrictions. The directors have put policies in place to ensure that existing restrictions are adhered to and seek to engage with government and its agents when new regulation is being considered

### Results and dividends

The results for the year ended 31 December 2012 are shown in the consolidated profit and loss account on page 6. The group profit for the year after taxation was £3,947,527 (2011: £3,906,088)

A final dividend for 2011 of 55.310p per ordinary share was paid on 28 June 2012

An interim dividend of 147.493p per ordinary share was paid on 24 October 2012 in respect of the year

The directors are recommending the payment of a final dividend of 55.310p per ordinary share

### Directors

The directors who served during the year were

#### Executive

D G Lewis (Chairman)  
Miss J K N Freeman (Managing)  
P J Hambidge (Finance)  
I Gutierrez-Balmaseda Hernandez (Corporate)  
S G M Croley (appointed 13 April 2012)

#### Non-executive

F J Terres de Ercilla  
S G Chase  
Mrs A Lopez Garcia

# HUNTERS & FRANKAU LIMITED

## Directors' report for the year ended 31 December 2012

### Statement of directors' responsibilities

The directors are responsible for preparing 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 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 the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time the financial position of the company and the group 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Insofar as the directors are aware

- there is no relevant audit information of which the company's auditor is unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information

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 may differ from legislation in other jurisdictions.

### Tangible fixed assets

The movements in tangible fixed assets are set out in note 9 to the financial statements. Additions to tangible fixed assets during the year comprised normal replacements.

### Donations

Charitable donations during the year amounted to £7,500 (2011: £7,500).

### Auditor

Chantrey Vellacott DFK LLP have indicated their willingness to continue as auditor of the company and a resolution to reappoint them will be proposed at the Annual General Meeting.

Signed on behalf of the  
Board of Directors

  
P J HAMBIDGE  
Secretary

Date: 12 February 2013

# HUNTERS & FRANKAU LIMITED

## Independent auditor's report to the shareholders of Hunters & Frankau Limited

Year ended 31 December 2012

We have audited the group and parent company financial statements ("the financial statements") of Hunters & Frankau Limited for the year ended 31 December 2012 which comprise the consolidated profit and loss account, consolidated balance sheet, company balance sheet, consolidated cash flow statement and the related notes. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's shareholders, 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 shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of directors and auditor

As explained more fully in the directors' responsibilities statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's and company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material inconsistencies we consider the implications for our report.

### Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2012 and of the group's 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.

### Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## HUNTERS & FRANKAU LIMITED

### Independent auditor's report to the shareholders of Hunters & Frankau Limited

Year ended 31 December 2012

#### Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Chantrey Vellacott DFK LLP

*Chantrey Vellacott DFK LLP*

Ian Staunton  
Senior Statutory Auditor  
For and on behalf of  
CHANTREY VELLACOTT DFK LLP  
Chartered Accountants  
Statutory Auditor

London  
12 February 2013

# HUNTERS & FRANKAU LIMITED

## Consolidated profit and loss account For the year ended 31 December 2012

	Notes	2012 £	2011 £
Turnover	2	25,075,203	23,752,892
Cost of sales		15,755,927	14,720,963
Gross profit		9,319,276	9,031,929
Distribution costs		1,907,676	1,851,081
Other operating expenses		2,244,409	2,213,140
		4,152,085	4,064,221
Operating profit		5,167,191	4,967,708
Net finance income	3	113,679	291,634
Profit on ordinary activities before taxation	4	5,280,870	5,259,342
Tax on profit on ordinary activities	7	1,333,343	1,353,254
Profit for the financial year	16	3,947,527	3,906,088

### Statement of total recognised gains and losses

	2012 £	2011 £
Profit for the financial year	3,947,527	3,906,088
Actuarial losses on pension scheme liabilities	(416,000)	(561,000)
Difference between the expected and actual returns on pension scheme assets	512,000	(1,738,000)
Deferred taxation	(22,000)	576,000
Total gains and losses relating to the year	4,021,527	2,183,088

There is no difference between the profits shown above and their historical cost equivalents

The notes on pages 10 to 22 form part of these financial statements

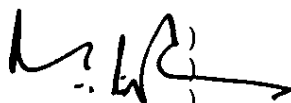
# HUNTERS & FRANKAU LIMITED

## Consolidated balance sheet as at 31 December 2012

	Notes	2012 £	2011 £
<b>Fixed assets</b>			
Tangible assets	9	<u>408,432</u>	<u>479,021</u>
<b>Current assets</b>			
Stocks	11	<b>6,996,992</b>	7,114,918
Debtors	12	<b>5,741,723</b>	4,447,817
Cash at bank and in hand		<b>457,034</b>	649,973
		<u><b>13,195,749</b></u>	<u>12,212,708</u>
Creditors amounts falling due within one year	13	<u><b>2,766,506</b></u>	<u>2,668,581</u>
Net current assets		<u><b>10,429,243</b></u>	<u>9,544,127</u>
Total assets less current liabilities		<b>10,837,675</b>	10,023,148
Pension scheme deficit	19	<u><b>(1,029,000)</b></u>	<u>(1,486,000)</u>
		<u><b>9,808,675</b></u>	<u>8,537,148</u>
<b>Capital and reserves</b>			
Called up share capital	15	<b>678,001</b>	678,001
Share premium account		<b>1,250</b>	1,250
Profit and loss account	16	<u><b>9,129,424</b></u>	<u>7,857,897</u>
<b>Equity shareholders' funds</b>	17	<u><b>9,808,675</b></u>	<u>8,537,148</u>

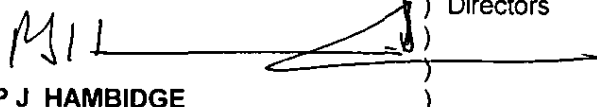
Approved by the Board and authorised for issue on 12 February 2013 and signed on its behalf by

D G LEWIS



Directors

P J HAMBIDGE



The notes on pages 10 to 22 form part of these financial statements



# HUNTERS & FRANKAU LIMITED

## Balance sheet as at 31 December 2012

	Notes	2012 £	2011 £
<b>Fixed assets</b>			
Tangible assets	9	<b>408,432</b>	479,021
Investments	10	<b>399,664</b>	399,664
		<b>808,096</b>	878,685
<b>Current assets</b>			
Stocks	11	<b>6,996,992</b>	7,114,919
Debtors	12	<b>5,741,542</b>	4,447,636
Cash at bank and in hand		<b>457,034</b>	649,973
		<b>13,195,568</b>	12,212,528
Creditors amounts falling due within one year	13	<b>3,446,298</b>	3,348,374
Net current assets		<b>9,749,270</b>	8,864,154
Total assets less current liabilities		<b>10,557,366</b>	9,742,839
Pension scheme deficit	19	<b>(1,029,000)</b>	(1,486,000)
		<b>9,528,366</b>	8,256,839
<b>Capital and reserves</b>			
Called up share capital	15	<b>678,001</b>	678,001
Share premium account		<b>1,250</b>	1,250
Profit and loss account	16	<b>8,849,115</b>	7,577,588
Equity shareholders' funds	17	<b>9,528,366</b>	8,256,839

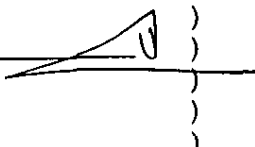
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D G LEWIS



M J

P J HAMBIDGE



Directors

Company registration number 22169

The notes on pages 10 to 22 form part of these financial statements

# HUNTERS & FRANKAU LIMITED

## Consolidated cash flow statement for the year ended 31 December 2012

	Notes	2012 £	2011 £
Cash flow from operating activities	(a)	<b>3,803,877</b>	4,172,864
Returns on investments and servicing of finance	(b)	<b>3,679</b>	3,634
Taxation paid		<b>(1,191,409)</b>	(1,141,590)
Capital expenditure and financial investment	(c)	<b>(59,086)</b>	(90,225)
Equity dividends paid		<b>(2,750,000)</b>	(2,500,000)
(Decrease)/increase in cash in period	(e)	<b><u>(192,939)</u></b>	<b><u>444,683</u></b>

ChantreyVellacottDFKLLP

The notes on pages 10 to 22 form part of these financial statements

# HUNTERS & FRANKAU LIMITED

## Notes to the consolidated cash flow statement For the year ended 31 December 2012

(a) Reconciliation of operating profit to net cash inflow from operating activities			
		2012 £	2011 £
Operating profit		5,167,191	4,967,708
Pension service cost		257,000	239,000
Pension contributions		(702,000)	(663,000)
Depreciation charges		130,742	137,455
Profit on sale of fixed assets		(1,067)	(4,900)
Changes in stocks		117,926	(348,980)
Changes in debtors		(1,297,646)	(57,468)
Changes in creditors		131,731	(96,951)
Net cash flow from operating activities		<u>3,803,877</u>	<u>4,172,864</u>
(b) Returns on investments and servicing of finance			
		2012 £	2011 £
Interest received		3,820	4,145
Interest paid		(141)	(511)
Net cash flow from returns on investments and servicing of finance		<u>3,679</u>	<u>3,634</u>
(c) Capital expenditure and financial investment			
		2012 £	2011 £
Sale of tangible fixed assets		3,750	4,900
Purchase of tangible fixed assets		(62,836)	(95,125)
Net cash flow from capital expenditure and financial investment		<u>(59,086)</u>	<u>(90,225)</u>
(d) Analysis of net funds			
	At 1 January 2012 £	Cash flow £	At 31 December 2012 £
Cash at bank and in hand	649,973	(192,939)	457,034
(e) Reconciliation of net cash flow to movement in net funds			
		2012 £	2011 £
(Decrease)/increase in cash		(192,939)	444,683
Net funds at 1 January 2012		649,973	205,290
Net funds at 31 December 2012		<u>457,034</u>	<u>649,973</u>

# HUNTERS & FRANKAU LIMITED

## Notes to the financial statements For the year ended 31 December 2012

### 1 Accounting policies

(a) **Basis of accounting**

The financial statements are prepared on the historical cost basis of accounting, and in accordance with applicable United Kingdom accounting standards

(b) **Basis of consolidation**

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings. The subsidiary undertakings prepare their financial statements to 31 December and are consolidated using the acquisition method of accounting.

(c) **Stocks**

Stocks are valued at the lower of cost and net realisable value. Cost is the actual purchase cost including, where appropriate, inwards carriage and excise duty. Net realisable value is the price at which the stock can be realised in the normal course of business. Provision is made for slow moving stocks.

(d) **Depreciation of tangible fixed assets**

Depreciation is provided at the following annual rates, on a straight line basis, so as to write off the cost of tangible fixed assets over their expected useful lives as follows:

Freehold property	- 2%
Short leasehold improvements	- 15%
Plant, equipment, fixtures and fittings	- 15 - 25% according to category
Motor vehicles	- 25%

(e) **Deferred taxation**

Deferred taxation is provided under the liability method in respect of all material timing differences between the profits as computed for taxation purposes and the profits as stated in the financial statements. The rate of tax used is that which is expected to be applied when the liability or asset is expected to crystallise.

Deferred taxation arising on the pension deficit is treated as a reduction in the deficit.

(f) **Foreign currencies**

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions denominated in foreign currencies are translated into sterling using the rate of exchange ruling at the date of the transaction. Gains and losses arising thereon are dealt with in the profit and loss account.

(g) **Goodwill**

Purchased goodwill arising on the acquisition of a subsidiary represents the difference between the fair value of the consideration given and the aggregate of the fair values of the separable net assets acquired.

Prior to 31 December 1997 the group eliminated purchased goodwill by immediate write off to reserves on acquisition.

(h) **Leases**

Rentals under operating leases are charged to the profit and loss account as they fall due.

# HUNTERS & FRANKAU LIMITED

## Notes to the financial statements For the year ended 31 December 2012

### 1 Accounting policies

#### (i) Pension costs

The group operates two types of pension scheme, a defined benefits pension scheme providing benefits based on final pensionable pay ("the Scheme") and also contributes to individual employees' stakeholder pension plans and self invested personal pensions (SIPPS)

In respect of the Scheme, contributions are paid in accordance with the recommendations of a Scheme actuary. The Scheme is funded, with the assets of the Scheme held separately from those of the group, in separate trustee administered funds

The Scheme includes a participating employer outside the group. However, the estimated proportion of Scheme assets and liabilities now considered to be attributable to the other participator is not material to the group and therefore the group has fully adopted Financial Reporting Standard 17

Current service costs, past service costs, gains and losses on settlements and curtailments, interest and the expected return on the Scheme assets are charged to operating profit. Regular contributions from the other participator are deducted from the attributable service cost

Special contributions from the other participator and actuarial gains and losses in respect of the Scheme are included in the statement of recognised gains and losses

As detailed in note 19, the Scheme assets are measured at fair value and liabilities are measured on an actuarial basis and discounted at a rate equivalent to the current rate of return of a high-quality corporate bond of equivalent currency and term of the Scheme liabilities. Full updated actuarial valuations are obtained triennially and are reviewed in the following two years at each balance sheet date. The Scheme surplus or deficit is presented separately on the face of the balance sheet

Contributions to stakeholder pension plans and SIPPS are charged to the profit and loss account as they become payable. The group has no further obligations in respect of stakeholder pension plans and SIPPS

### 2 Turnover

Turnover represents the amount receivable for goods sold during the year and is exclusive of VAT. Turnover arose as follows -

	2012 £	2011 £
United Kingdom	24,154,545	22,820,259
Rest of Europe	920,658	932,633
	<u>25,075,203</u>	<u>23,752,892</u>

Turnover and profit on ordinary activities before taxation is derived from importing and distributing cigars and allied products

# HUNTERS & FRANKAU LIMITED

## Notes to the financial statements For the year ended 31 December 2012

<b>3</b>	<b>Net finance income</b>	<b>2012</b>	<b>2011</b>
		£	£
	Bank interest receivable	<b>3,820</b>	4,145
	Interest payable on bank overdrafts and loans wholly repayable within 5 years	<b>(141)</b>	(511)
		<b>3,679</b>	3,634
	Expected return on pension scheme assets	<b>988,000</b>	1,234,000
	Interest cost on pension scheme liabilities	<b>(878,000)</b>	(946,000)
		<b>113,679</b>	291,634
<b>4</b>	<b>Profit on ordinary activities before taxation</b>	<b>2012</b>	<b>2011</b>
		£	£
	Is stated after charging		
	Depreciation	<b>130,742</b>	137,455
	Auditor's remuneration	<b>28,450</b>	27,625
	Property rentals	<b>167,300</b>	166,300
	and after crediting		
	Profit on disposal of tangible fixed assets	<b>1,067</b>	4,900
	Fees charged by the group's auditor for other services were £12,885 (2011 £11,360)		
<b>5</b>	<b>Staff costs</b>	<b>2012</b>	<b>2011</b>
		£	£
	(a) Staff costs including directors during the year amounted to		
	Wages and salaries	<b>2,212,985</b>	2,141,765
	Social security costs	<b>252,826</b>	245,619
	Pension costs - Service cost	<b>257,000</b>	239,000
	- Other	<b>54,229</b>	54,856
		<b>2,777,040</b>	2,681,240
	(b) The weekly average number of employees including executive directors during the year was made up as follows		
		<b>2012</b>	<b>2011</b>
		Number	Number
	Warehousing and distribution	<b>32</b>	31
	Office and management	<b>14</b>	14
		<b>46</b>	45

# HUNTERS & FRANKAU LIMITED

## Notes to the financial statements For the year ended 31 December 2012

<b>6</b>	<b>Directors' emoluments</b>	<b>2012</b>	<b>2011</b>
		£	£
(a)	Fees and management remuneration	<b>763,426</b>	620,991
	Company contributions to money purchase pension schemes	<b>16,423</b>	16,929
		<b>779,849</b>	<b>637,920</b>
(b)	Highest paid director	<b>2012</b>	<b>2011</b>
		£	£
	Fees and management remuneration	<b>222,697</b>	206,620
	Company contributions to money purchase pension scheme	<b>3,433</b>	2,659
		<b>226,130</b>	<b>209,279</b>
	Three directors benefited from contributions to the group's defined benefit pension scheme (2011 two) Three directors benefited from contributions to money purchase pension schemes (2011 three)		
<b>7</b>	<b>Tax on profit on ordinary activities</b>	<b>2012</b>	<b>2011</b>
		£	£
	UK corporation tax based on the profit for the year	<b>1,157,603</b>	1,164,623
	Deferred taxation	<b>175,740</b>	188,631
		<b>1,333,343</b>	<b>1,353,254</b>
	Factors affecting the corporation tax charge for the year		
	Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 24.5% (2011 26.5%)	<b>1,293,813</b>	1,393,715
	Effects of		
	Expenses not deductible for tax purposes	<b>26,102</b>	19,974
	Difference between the tax treatment of pension contributions, service cost, interest on pension scheme liabilities and expected returns on pension scheme assets	<b>(135,975)</b>	(183,000)
	Adjustment to tax charge in respect of previous periods	<b>(26,337)</b>	(66,066)
		<b>1,157,603</b>	<b>1,164,623</b>
<b>8</b>	<b>Dividends</b>	<b>2012</b>	<b>2011</b>
		£	£
	On the 'A' and 'B' ordinary shares		
	First interim paid	<b>2,000,000</b>	2,000,000
	Final paid for 2011	<b>750,000</b>	-
	Final paid for 2010	-	500,000
		<b>2,750,000</b>	<b>2,500,000</b>

# HUNTERS & FRANKAU LIMITED

## Notes to the financial statements For the year ended 31 December 2012

### 9 Tangible fixed assets Group and company

	Freehold property £	Short leasehold improvements £	Plant, equipment, fixtures and fittings £	Motor vehicles £	Total £
<b>Cost:</b>					
At 1 January 2012	548,434	284,959	843,135	321,074	1,997,602
Additions	-	5,401	14,567	42,868	62,836
Disposals	-	-	-	(31,581)	(31,581)
At 31 December 2012	<b>548,434</b>	<b>290,360</b>	<b>857,702</b>	<b>332,361</b>	<b>2,028,857</b>
<b>Depreciation.</b>					
At 1 January 2012	271,129	271,064	768,992	207,396	1,518,581
Provision for year	10,969	14,705	45,471	59,597	130,742
Disposals	-	-	-	(28,898)	(28,898)
At 31 December 2012	<b>282,098</b>	<b>285,769</b>	<b>814,463</b>	<b>238,095</b>	<b>1,620,425</b>
<b>Net book value:</b>					
At 31 December 2012	<b>266,336</b>	<b>4,591</b>	<b>43,239</b>	<b>94,266</b>	<b>408,432</b>
At 31 December 2011	<u>277,305</u>	<u>13,895</u>	<u>74,143</u>	<u>113,678</u>	<u>479,021</u>

### 10 Investments - Company

Shares in subsidiary undertakings

#### Cost:

At 1 January 2012 and 31 December 2012 4,120,714

#### Provisions.

At 1 January 2012 and 31 December 2012 3,721,050

#### Net book value.

At 31 December 2011 and 31 December 2012 399,664

At 31 December 2012, the company's direct wholly owned subsidiary undertakings were Joseph Samuel & Son Limited and Knight Brothers Cigar Shippers Limited, registered in England and dormant

The company also owns indirectly, the entire share capital of the following subsidiary undertakings which are registered in England and are dormant

Morris & Morris Limited  
Melbourne Hart & Co Limited  
Tabaco Torcido Traders Limited  
Lancha House Limited  
Incentive Marketing Services (UK) Limited  
Tropic Tobacco Co Limited  
Melbourne Hart Holdings Limited  
Jacon Financial Services Limited  
C H Downton Limited  
F J Downton Limited  
English Import Co Limited



# HUNTERS & FRANKAU LIMITED

## Notes to the financial statements For the year ended 31 December 2012

11	<b>Stocks</b>	<b>Group</b>		<b>Company</b>	
		<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
		£	£	£	£
	Goods purchased for resale	<u>6,996,992</u>	<u>7,114,918</u>	<u>6,996,992</u>	<u>7,114,919</u>
12	<b>Debtors</b>	<b>Group</b>		<b>Company</b>	
		<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
		£	£	£	£
	Amounts due within one year				
	Trade debtors	5,575,878	4,201,920	5,575,878	4,201,920
	Other debtors	22,828	46,915	22,647	46,734
	Prepayments and accrued income	<u>133,212</u>	<u>185,437</u>	<u>133,212</u>	<u>185,437</u>
		<u>5,731,918</u>	<u>4,434,272</u>	<u>5,731,737</u>	<u>4,434,091</u>
	Amounts due after more than one year				
	Deferred tax (note 14)	<u>9,805</u>	<u>13,545</u>	<u>9,805</u>	<u>13,545</u>
		<u>5,741,723</u>	<u>4,447,817</u>	<u>5,741,542</u>	<u>4,447,636</u>
13	<b>Creditors' amounts falling due within one year</b>	<b>Group</b>		<b>Company</b>	
		<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
		£	£	£	£
	Amount owed to subsidiary undertaking	-	-	681,382	681,382
	Trade creditors	252,673	631,038	252,673	631,038
	Corporation tax	519,227	553,033	519,227	553,033
	Other taxes, duties and social security costs	1,402,636	789,620	1,402,636	789,620
	Other creditors and accruals	<u>591,970</u>	<u>694,890</u>	<u>590,380</u>	<u>693,301</u>
		<u>2,766,506</u>	<u>2,668,581</u>	<u>3,446,298</u>	<u>3,348,374</u>
14	<b>Deferred taxation</b>	<b>Group</b>		<b>Company</b>	
		<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
		£	£	£	£
	Capital allowances	<u>(9,805)</u>	<u>(13,545)</u>	<u>(9,805)</u>	<u>(13,545)</u>
	Deferred tax asset	<u>(9,805)</u>	<u>(13,545)</u>	<u>(9,805)</u>	<u>(13,545)</u>
The provision for deferred taxation has been calculated based on a corporation tax rate of 23.00% (2011: 25.25%)					
The movement during the year is analysed as follows					
		<b>Group</b>		<b>Company</b>	
		<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
		£	£	£	£
	Balance at 1 January 2012	(13,545)	(19,176)	13,545	(19,176)
	Charge for the year	<u>3,740</u>	<u>5,631</u>	<u>3,740</u>	<u>5,631</u>
	Balance at 31 December 2012	<u>(9,805)</u>	<u>(13,545)</u>	<u>(9,805)</u>	<u>(13,545)</u>

# HUNTERS & FRANKAU LIMITED

## Notes to the financial statements For the year ended 31 December 2012

15	Share capital	Authorised, allotted and fully paid	
		2012 £	2011 £
	678,000 ordinary 'A' shares of 50p each	339,000	339,000
	678,000 ordinary 'B' shares of 50p each	339,000	339,000
	1 ordinary 'C' share of 50p	1	1
		<u>678,001</u>	<u>678,001</u>

The 'C' share does not carry any voting rights or rights to receive dividends, but otherwise carries equal rights to the 'A' and 'B' shares

16	Profit and loss account	Group		Company	
		2012 £	2011 £	2012 £	2011 £
	Profit for the financial year	3,947,527	3,906,088	3,947,527	3,906,088
	Dividends (note 8)	(2,750,000)	(2,500,000)	(2,750,000)	(2,500,000)
	Other gains and losses recognised	74,000	(1,723,000)	74,000	(1,723,000)
		<u>1,271,527</u>	<u>(316,912)</u>	<u>1,271,527</u>	<u>(316,912)</u>
	Retained profit at 1 January	7,857,897	8,174,809	7,577,588	7,894,500
	Retained profit at 31 December	<u>9,129,424</u>	<u>7,857,897</u>	<u>8,849,115</u>	<u>7,577,588</u>

As permitted by Section 408 of the Companies Act 2006, a separate profit and loss account for Hunters & Frankau Limited is not presented

The cumulative amount of goodwill written off to profit and loss account in prior years is £776,200

17	Reconciliation of movements in equity shareholders' funds	Group		Company	
		2012 £	2011 £	2012 £	2011 £
	Profit for the financial year	3,947,527	3,906,088	3,947,527	3,906,088
	Other gains and losses recognised	74,000	(1,723,000)	74,000	(1,723,000)
	Dividends	(2,750,000)	(2,500,000)	(2,750,000)	(2,500,000)
	Net addition to shareholders' funds	<u>1,271,527</u>	<u>(316,912)</u>	<u>1,271,527</u>	<u>(316,912)</u>
	Opening equity shareholders' funds as previously reported	8,537,148	8,854,060	8,256,839	8,573,751
	Closing equity shareholders' funds	<u>9,808,675</u>	<u>8,537,148</u>	<u>9,528,366</u>	<u>8,256,839</u>

# HUNTERS & FRANKAU LIMITED

## Notes to the financial statements For the year ended 31 December 2012

18	Lease commitments	Group		Company	
		2012	2011	2012	2011
		£	£	£	£
	Annual property rentals payable under leases which expire				
	Within one year	3,515	4,500	3,515	4,500
	After five years	140,000	140,000	140,000	140,000
		<u>143,515</u>	<u>144,550</u>	<u>143,515</u>	<u>144,550</u>

### 19 Pension commitments – Group and Company

The group operates a defined benefit scheme ("Scheme") in the UK. A full actuarial valuation was carried out at 31 December 2009 by a qualified actuary, independent of the Scheme's principal participating employer

Employer contributions in 2012 were paid at the rate of 19.7% of pensionable salary plus £400,000 deficit repair contribution and £95,172 paid on the advice of the actuary in respect of transfer values paid out by the Scheme in the year. In 2013, employer contributions are expected to be £575,600

#### Present values of Scheme liabilities, fair value of assets and deficit

	2012	2011	2010
	£'000s	£'000s	£'000s
Fair value of Scheme assets	17,152	16,647	17,492
Present value of Scheme liabilities	(18,489)	(18,635)	(17,893)
Deficit in Scheme	(1,337)	(1,988)	(401)
Deferred tax	308	502	109
Net liability to be recognised	<u>(1,029)</u>	<u>(1,486)</u>	<u>(292)</u>

#### Reconciliation of opening and closing balances of the present value of Scheme liabilities

	2012	2011
	£'000s	£'000s
Scheme liabilities at start of year	18,635	17,893
Current service cost	257	243
Interest cost	878	946
Actuarial losses	416	561
Benefits paid	(1,697)	(1,008)
Scheme liabilities at end of year	<u>18,489</u>	<u>18,635</u>

# HUNTERS & FRANKAU LIMITED

## Notes to the financial statements For the year ended 31 December 2012

### 19 Pension commitments

#### Reconciliation of opening and closing balances of the fair value of Scheme assets

	2012 £'000s	2011 £'000s
Fair value of Scheme assets at start of year	16,647	17,492
Expected return on Scheme assets	988	1,234
Difference between expected and actual return on Scheme assets	512	(1,738)
Contributions by employer	702	667
Benefits paid	(1,697)	(1,008)
Fair value of Scheme assets at end of year	<u>17,152</u>	<u>16,647</u>

The actual return on the Scheme assets over the year ended 31 December 2012 was £1,500,000

#### Total recognised in profit and loss account

	2012 £'000s	2011 £'000s
Current service cost	257	243
Contributions from other participator	-	(4)
Interest cost	878	946
Expected return on Scheme assets	(988)	(1,234)
Total recognised in profit and loss account	<u>147</u>	<u>(49)</u>

# HUNTERS & FRANKAU LIMITED

## Notes to the financial statements For the year ended 31 December 2012

### 19 Pension commitments

#### Statement of total recognised gains and losses

	2012 £'000s	2011 £'000s
Difference between expected and actual return on Scheme assets	512	(1,738)
Experience gains and losses arising on the Scheme liabilities	-	-
Effects of changes in the demographic and financial assumptions underlying the present value of Scheme liabilities	(416)	(561)
<b>Total amount recognised in statement of total recognised gains and losses</b>	<b>96</b>	<b>(2,299)</b>

The cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and losses since adoption of FRS17 on 1 January 2007 FRS17 is £(2,113,000)

#### Assets

	2012 £'000s	2011 £'000s	2010 £'000s
Equity/property	10,834	10,660	11,902
Bonds	4,876	4,866	4,254
Cash and other	1,442	1,121	1,336
<b>Total assets</b>	<b>17,152</b>	<b>16,647</b>	<b>17,492</b>

None of the fair values of the assets shown above includes any of the group's own financial instruments or any property occupied by, or other assets used by, the group

# HUNTERS & FRANKAU LIMITED

## Notes to the financial statements For the year ended 31 December 2012

### 19 Pension commitments

#### Assumptions

	2012 % per annum	2011 % per annum	2010 % per annum
Inflation	2.65%	3.00%	3.55%
Salary increases	2.60%	2.70%	3.20%
Rate of discount	4.60%	4.90%	5.40%
Allowance for pension in payment increases of RPI or 5% p a if less	2.65%	3.00%	3.55%
Allowance for revaluation of deferred pensions of RPI or 5% p a if less	2.55%	3.00%	3.55%
Allowance for commutation of pension for cash at retirement	Yes	Yes	Yes

The mortality assumptions adopted at 31 December 2012 imply the following life expectancies

	Years
Male retiring at age 65 in 2012	22.1
Female retiring at age 65 in 2012	24.4
Male retiring at age 65 in 2031	23.2
Female retiring at age 65 in 2031	25.4

#### Expected long term rates of return

The expected long-term rate of return on cash is determined by reference to market rates at the balance sheet dates. The expected long-term return on bonds is determined by reference to UK long dated government and corporate bond yields at the balance sheet date. The expected long-term rate of return on equities is based on the rate of return on bonds with an allowance for out-performance.

The expected long term-rates of return applicable at the start of each period are as follows

	2012 % per annum	2011 % per annum	2010 % per annum
Equity/property	7.0%	7.00%	8.00%
Bonds	4.9%	5.10%	5.40%
Cash and other	3.0%	3.00%	3.00%
Overall for Scheme	6.12%	6.17%	6.99%

#### Amounts for the current and previous four years

	2012 £'000s	2011 £'000s	2010 £'000s	2009 £'000s	2008 £'000s
Fair value of Scheme assets	17,152	16,647	17,492	15,407	13,572
Present value of Scheme liabilities	18,489	18,635	17,893	18,193	16,041
(Deficit) in Scheme	(1,337)	(1,988)	(401)	(2,786)	(2,469)
Experience adjustment on Scheme assets	512	(1,738)	863	1,393	(4,273)
Experience gains on Scheme liabilities	-	-	1,577	-	-

# HUNTERS & FRANKAU LIMITED

## Notes to the financial statements For the year ended 31 December 2012

### 20 Transactions with directors and other related party transactions

During the year the company entered into transactions in the ordinary course of business and under normal trading conditions, with related parties

Simon Chase Limited, a company controlled by Mr S G Chase provides marketing and regulatory consultancy services to the company During the year Simon Chase Limited invoiced the company £72,921 (2011 £72,250) At 31 December 2012 £7,200 (2011 £7,200) was owed by the company to Simon Chase Limited

The company occupies offices and warehouses in South West London under a 20 year lease dated 30 October 1998 from Reyker Properties Limited, a company in which Miss J K N Freeman is a shareholder and director The rent payable under the lease is determined by an independent qualified surveyor through rent reviews at 4 year intervals The rent paid in the year ended 31 December 2012 was £140,000 (2011 £140,000)

The company paid fees for directors and management services to Altabana S L a company which has a 49.99% interest in the share capital of Hunters & Frankau Limited Fees paid to Altabana S L in the year ended 31 December 2011 totalled £105,000 (2011 £105,000)

The company paid fees for directors and management services to Hunters & Frankau Group Limited, a company which has a 50.01% interest in the share capital of Hunters & Frankau Limited Fees paid to Hunters & Frankau Group Limited in the year ended 31 December 2012 totalled £97,500 (2011 £97,500) Miss J K N Freeman, Mr D G Lewis and Mr P J Hambidge are directors and shareholders of Hunters & Frankau Group Limited

### 21 Controlling party

The company's immediate parent undertaking is J Fankau & Company Limited and its ultimate parent undertaking is Hunters & Frankau Group Limited, which are registered in England The company's financial statements are consolidated in those of its ultimate parent

In the opinion of the board, the ultimate controlling party is the Nicholas Freeman Business Trust, based in England