

COMPANY REGISTRATION NUMBER: 00022169



HUNTERS & FRANKAU LIMITED

**Annual Report
31 December 2018**

HUNTERS & FRANKAU LIMITED

Annual Report for the year ended 31 December 2018

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HUNTERS & FRANKAU LIMITED

Annual Report for the year end 31 December 2018

Strategic report

Review of the business

The group and parent company are engaged in importing and distributing cigars and allied products.

The results for 2018 showed continuing growth in sales of Premium Habanos Cigars with sustained demand for the Habanos Limited Edition range. Sales of European manufactured cigars were satisfactory. Please refer to 'Key performance indicators' below for sales growth and margins this year.

The directors consider the results for the year to be satisfactory. The financial position as at 31 December 2018 remains strong with £14.5m of net assets and £3.0m of cash. This position allows the group to take advantage of opportunities to increase inventory levels and more fully meet the requirements of the group's customers in the future.

The directors believe that the group remains in a strong position in its sectors of the market.

Risks and uncertainty

The group is exposed to a variety of financial 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. The policies set by the directors are implemented by the group's finance department.

The group seeks to manage liquidity risk by ensuring that sufficient liquidity is available from the group's own cash resources and agreed bank facilities to meet its foreseeable needs. The group expects to meet its financial obligations through operating cash flows. In the event that the operating cash flows would not cover all the financial obligations the group has credit facilities available

The group's principal financial assets are cash and trade debtors. The principal credit risk arises therefore from its trade debtors. The group may offer credit terms to its customers which allow payment of the debt after delivery of the goods or services. The group is at risk to the extent that a customer may be unable to pay the debt on the specified due date. This risk is managed and mitigated by the policies and procedures in place and the strong on-going customer relationships.

The group is exposed to foreign currency exchange rate risk due to a significant proportion of its trade creditors being denominated in non-Sterling currencies. The net exposure of each currency is monitored and managed by the regular forecast and review of transition exposures along with the group's strategic stock position.

The group'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.

The group'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.

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

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

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

HUNTERS & FRANKAU LIMITED

Annual Report for the year end 31 December 2018

Strategic report (continued)

Key performance indicators

In managing the business the directors monitor the results against the budget and the previous year through monthly management reports and snapshots of the trading results following each period end.

The key performance indicators for the year to 31 December 2018 were:

| | 2018 | 2017 |
|--------------------|-------|-------|
| Sales growth % | 3.1% | 6.4% |
| Gross margin % | 39.7% | 39.8% |
| Operating profit % | 23.8% | 23.7% |

Demand for Premium Habanos Cigars remained strong in 2018. Sales were boosted by sustained demand for premium speciality limited edition and regional edition Habanos products during 2018.

This report was approved by the Board on 12 February 2019 and signed on its behalf by:



P.J. HAMBIDGE
Director

HUNTERS & FRANKAU LIMITED

Annual Report for the year end 31 December 2018

Directors' report

The directors present their report and the consolidated financial statements of the company and its subsidiaries for the year ended 31 December 2018.

Results and dividends

The results for the year ended 31 December 2018 are shown in the consolidated profit and loss account on page 7. The group profit for the year after taxation was £5,925,669 (2017: £5,654,860).

A final dividend for 2017 of 110.6195p per 'A' & 'B' ordinary share was paid on 19 June 2018.

An interim dividend of 258.1121p per 'A' & 'B' ordinary share was paid on 20 November 2018 in respect of the year.

The directors are recommending the payment of a final dividend for the year of 147.493p per 'A' & 'B' ordinary share.

Directors

The directors who served during the year were:

Executive

D G Lewis (Chairman)
J K N Freeman (Managing)
P J Hambidge (Finance)
S G M Croley (Sales and Marketing)
Y Bulnes Lopez (Corporate)

Non-executive

S G Chase
L Cintra Gonzalez
J M Lopez Inchaurre

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 the group and of the profit or loss of the group for that year.

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;
- 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 also responsible for keeping adequate accounting records that are sufficient to show and explain the group's transactions and disclose with reasonable accuracy, at any time, the financial position of the group 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.

Going concern

No material uncertainties that may cast significant doubt over the ability of the group to continue as a going concern have been identified by the directors.

Future developments

The directors intend to maintain and further develop the management policies which have resulted in the group's growth in recent years.

HUNTERS & FRANKAU LIMITED

Annual Report for the year end 31 December 2018

Directors' report (continued)

Events since the end of the financial year

There were no events to report after the year end.

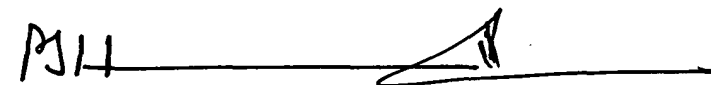
Auditor

On 1 February 2019 Moore Stephens LLP merged its practice with BDO LLP and so resigned as auditors with effect from that date. BDO LLP were appointed as auditors with effect from 4 February 2019 and a resolution for their re-appointment will be proposed at the forthcoming AGM.

Each director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the group's auditor is unaware; and
- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the group's auditor is aware of that information.

This report was approved by the Board on 12 February 2019 and signed on its behalf by:

A handwritten signature in black ink, appearing to be 'PJH', followed by a horizontal line and a stylized flourish.

P. J. HAMBIDGE
Secretary

HUNTERS & FRANKAU LIMITED

Annual Report for the year end 31 December 2018

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

Opinion

We have audited the financial statements of Hunters & Frankau Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2018 which comprise the consolidated profit and loss account, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows, company statement of financial position, company statement of changes in equity, company statement of cash flows 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 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 group's and the parent company's affairs as at 31 December 2018 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.

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 group 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 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 audit opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in 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 group's or the parent 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 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.

HUNTERS & FRANKAU LIMITED

Annual Report for the year end 31 December 2018

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

Matters on which we are required to report by exception

In light of the knowledge and understanding of the group and the parent 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 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 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.

Responsibilities of directors

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, 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 group's and the parent 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 group or the parent 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 consolidated 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 consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located on the Financial Reporting Councils website at: 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.



Benjamin Courts, *Senior Statutory Auditor*

For and on behalf of BDO LLP, Statutory Auditor
150 Aldersgate Street
London
EC1A 4AB

Date: 14 February 2019

HUNTERS & FRANKAU LIMITED

Annual Report for the year end 31 December 2018

Consolidated profit and loss account

| | | 2018 £ | 2017 £ |
|--|----------|-------------------|------------|
| | Note | | |
| Revenue | 4 | 30,809,888 | 29,881,288 |
| Cost of sales | | 18,576,468 | 17,982,759 |
| Gross profit | | 12,233,420 | 11,898,529 |
| Distribution costs | | 2,337,965 | 2,272,836 |
| Other operating expenses | | 2,569,572 | 2,541,088 |
| | | 4,907,537 | 4,813,924 |
| Operating profit | 5 | 7,325,883 | 7,084,605 |
| Net finance income/(costs) | 6 | 17,394 | (45,302) |
| Profit on ordinary activities before taxation | | 7,343,277 | 7,039,303 |
| Tax on profit on ordinary activities | 9 | 1,417,608 | 1,384,443 |
| Profit for the financial year | | 5,925,669 | 5,654,860 |

The notes on pages 15 to 29 form part of these financial statements.

HUNTERS & FRANKAU LIMITED

Annual Report for the year end 31 December 2018

Consolidated statement of comprehensive income

| | Note | 2018 £ | 2017 £ |
|---|------|-------------------------|-------------------------|
| Profit for the financial year | | 5,925,669 | 5,654,860 |
| Actuarial gains on post-employment benefit obligations | | 1,159,000 | 2,000 |
| Difference between the expected and actual returns on pension scheme assets | | <u>(1,741,000)</u> | <u>1,490,000</u> |
| Other comprehensive income for the year before tax | | 5,343,669 | 7,146,860 |
| Total tax relating to components of other comprehensive income | 9 | <u>99,000</u> | <u>(254,000)</u> |
| Total comprehensive income for the year | | <u>5,442,669</u> | <u>6,892,860</u> |

The notes on pages 15 to 29 form part of these financial statements.

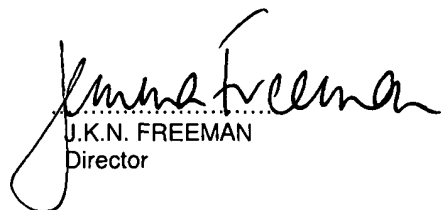
HUNTERS & FRANKAU LIMITED


Annual Report for the year end 31 December 2018

Consolidated statement of financial position

| | Note | 2018 £ | 2017 £ |
|---|------|--------------------|--------------------|
| Fixed assets | | | |
| Tangible assets | 11 | 771,998 | 879,003 |
| | | <u>771,998</u> | <u>879,003</u> |
| Current assets | | | |
| Stocks | 13 | 9,073,328 | 9,456,965 |
| Debtors | 14 | 5,738,630 | 6,509,241 |
| Cash and cash equivalents | | 3,044,292 | 787,593 |
| | | <u>17,856,250</u> | <u>16,753,799</u> |
| Creditors: amounts falling due within one year | 15 | <u>(3,583,097)</u> | <u>(3,401,190)</u> |
| Net current assets | | <u>14,273,153</u> | <u>13,352,609</u> |
| Total assets less current liabilities | | <u>15,045,151</u> | <u>14,231,612</u> |
| Provisions for liabilities | | | |
| Pension scheme deficit | 19 | (496,000) | (118,000) |
| Deferred tax | 16 | - | (7,130) |
| | | <u></u> | <u></u> |
| Net assets | | <u>14,549,151</u> | <u>14,106,482</u> |
| Capital and reserves | | | |
| Share capital | 17 | 678,001 | 678,001 |
| Share premium | | 1,250 | 1,250 |
| Revaluation reserve | | 406,978 | 409,509 |
| Profit and loss account | | 13,462,922 | 13,017,722 |
| | | <u>14,549,151</u> | <u>14,106,482</u> |
| Shareholders' funds | | <u>14,549,151</u> | <u>14,106,482</u> |

These financial statements were approved by the board of directors and authorised for issue on 12 February 2019, and signed on behalf of the board by:


J.K.N. FREEMAN
Director


P.J. HAMBIDGE
Director

Company registration number: 00022169

The notes on pages 15 to 29 form part of these financial statements.

HUNTERS & FRANKAU LIMITED

Annual Report for the year end 31 December 2018

Consolidated statement of changes in equity

| | Share capital £ | Share premium £ | Revaluation reserve £ | Profit and loss account £ | Total £ |
|---|-----------------------|-----------------------|-----------------------------|---------------------------------|-------------------|
| At 1 January 2017 | 678,001 | 1,250 | 412,040 | 10,622,331 | 11,713,622 |
| Profit for the year | — | — | — | 5,654,860 | 5,654,860 |
| Other comprehensive income for the year: | | | | | |
| Actuarial gains on post-employment benefit obligations | — | — | — | 2,000 | 2,000 |
| Difference between the expected and actual returns on pension scheme assets | — | — | — | 1,490,000 | 1,490,000 |
| Tax on components of other comprehensive income | — | — | — | (254,000) | (254,000) |
| Excess depreciation on revaluation | — | — | (2,531) | 2,531 | — |
| Total comprehensive income for the year | — | — | (2,531) | 6,895,391 | 6,892,860 |
| Dividends (note 10) | — | — | — | (4,500,000) | (4,500,000) |
| At 1 January 2018 | 678,001 | 1,250 | 409,509 | 13,017,722 | 14,106,482 |
| Profit for the year | — | — | — | 5,925,669 | 5,925,669 |
| Other comprehensive income for the year: | | | | | |
| Actuarial gains on post-employment benefit obligations | — | — | — | 1,159,000 | 1,159,000 |
| Difference between the expected and actual returns on pension scheme assets | — | — | — | (1,741,000) | (1,741,000) |
| Tax on components of other comprehensive income | — | — | — | 99,000 | 99,000 |
| Excess depreciation on revaluation | — | — | (2,531) | 2,531 | — |
| Total comprehensive income for the year | — | — | (2,531) | 5,445,200 | 5,442,669 |
| Dividends (note 10) | — | — | — | (5,000,000) | (5,000,000) |
| At 31 December 2018 | 678,001 | 1,250 | 406,978 | 13,462,922 | 14,549,151 |

The notes on pages 15 to 29 form part of these financial statements.

HUNTERS & FRANKAU LIMITED

Annual Report for the year end 31 December 2018

Consolidated statement of cash flows

| | 2018 £ | 2017 £ |
|--|-------------|-------------|
| Cash flows from operating activities | | |
| Profit for the financial year | 5,925,669 | 5,654,860 |
| <i>Adjustments for:</i> | | |
| Depreciation of tangible assets | 126,537 | 129,996 |
| Loss/(Profit) on sale of fixed assets | 161 | (5,513) |
| Net finance (income)/costs | (17,394) | 45,302 |
| Tax on profit on ordinary activities | 1,417,608 | 1,384,443 |
| Difference between pension service cost and cash contributions | (204,000) | (384,000) |
| <i>Changes in:</i> | | |
| Stocks | 383,637 | (1,796,970) |
| Trade and other debtors | 825,699 | (823,735) |
| Trade and other creditors | 4,996 | (185,945) |
| Cash generated from operations | 8,462,913 | 4,018,438 |
| Interest received | 17,394 | 1,698 |
| Tax paid | (1,203,915) | (1,329,216) |
| Net cash from operating activities | 7,276,392 | 2,690,920 |
| Cash flows from investing activities | | |
| Purchase of tangible assets | (19,693) | (152,109) |
| Proceeds from sale of tangible assets | - | 5,650 |
| Net cash used in investing activities | (19,693) | (146,459) |
| Cash flows from financing activities | | |
| Dividends paid to company's shareholders | (5,000,000) | (4,500,000) |
| Net cash used in financing activities | (5,000,000) | (4,500,000) |
| Net increase/(decrease) in cash and cash equivalents | 2,256,699 | (1,955,539) |
| Cash and cash equivalents at beginning of year | 787,593 | 2,743,132 |
| Cash and cash equivalents at end of year | 3,044,292 | 787,593 |

The notes on pages 15 to 29 form part of these financial statements.

HUNTERS & FRANKAU LIMITED

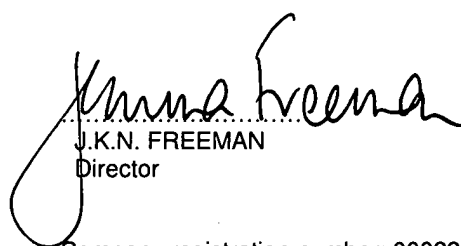
Annual Report for the year end 31 December 2018


Company statement of financial position

| | Note | 2018 £ | 2017 £ |
|---|------|--------------------|--------------------|
| Fixed assets | | | |
| Tangible assets | 11 | 771,998 | 879,003 |
| Investments | 12 | 399,664 | 399,664 |
| | | <u>1,171,662</u> | <u>1,278,667</u> |
| Current assets | | | |
| Stocks | 13 | 9,073,328 | 9,456,965 |
| Debtors | 14 | 5,738,451 | 6,509,062 |
| Cash and cash equivalents | | 3,044,292 | 787,593 |
| | | <u>17,856,071</u> | <u>16,753,620</u> |
| Creditors: amounts falling due within one year | 15 | <u>(4,262,891)</u> | <u>(4,080,984)</u> |
| Net current assets | | <u>13,593,180</u> | <u>12,672,636</u> |
| Total assets less current liabilities | | <u>14,764,842</u> | <u>13,951,303</u> |
| Provisions for liabilities | | | |
| Pension scheme deficit | 19 | (496,000) | (118,000) |
| Deferred tax | 16 | - | (7,130) |
| | | <u></u> | <u></u> |
| Net assets | | <u>14,268,842</u> | <u>13,826,173</u> |
| Capital and reserves | | | |
| Share capital | 17 | 678,001 | 678,001 |
| Share premium | | 1,250 | 1,250 |
| Revaluation reserve | | 406,978 | 409,509 |
| Profit and loss account | | 13,182,613 | 12,737,413 |
| | | <u>14,268,842</u> | <u>13,826,173</u> |

As a consolidated statement of comprehensive income is published, a separate statement of comprehensive income for the parent company is omitted from the group financial statements by virtue of section 408 of the Companies Act 2006. The profit for the Company for the year ended 31 December 2018 was £5,925,669 (2017: £5,654,860).

These financial statements were approved by the board of directors and authorised for issue on 12 February 2019, and are signed on behalf of the board by:


J.K.N. FREEMAN
Director


P.J. HAMBIDGE
Director

Company registration number: 00022169

The notes on pages 15 to 29 form part of these financial statements.

HUNTERS & FRANKAU LIMITED

Annual Report for the year end 31 December 2018

Company statement of changes in equity

| | Share capital £ | Share premium £ | Revaluation reserve £ | Profit and loss account £ | Total £ |
|---|-----------------------|-----------------------|-----------------------------|---------------------------------|-------------------|
| At 1 January 2017 | 678,001 | 1,250 | 412,040 | 10,342,022 | 11,433,313 |
| Profit for the year | — | — | — | 5,654,860 | 5,654,860 |
| Other comprehensive income for the year: | | | | | |
| Actuarial gains on post-employment benefit obligations | — | — | — | 2,000 | 2,000 |
| Difference between the expected and actual returns on pension scheme assets | — | — | — | 1,490,000 | 1,490,000 |
| Tax on components of other comprehensive income | — | — | — | (254,000) | (254,000) |
| Excess depreciation on revaluation | — | — | (2,531) | 2,531 | — |
| Total comprehensive income for the year | — | — | (2,531) | 6,895,391 | 6,892,860 |
| Dividends (note 10) | — | — | — | (4,500,000) | (4,500,000) |
| At 1 January 2018 | 678,001 | 1,250 | 409,509 | 12,737,413 | 13,826,173 |
| Profit for the year | — | — | — | 5,925,669 | 5,925,669 |
| Other comprehensive income for the year: | | | | | |
| Actuarial gains on post-employment benefit obligations | — | — | — | 1,159,000 | 1,159,000 |
| Difference between the expected and actual returns on pension scheme assets | — | — | — | (1,741,000) | (1,741,000) |
| Tax on components of other comprehensive income | — | — | — | 99,000 | 99,000 |
| Excess depreciation on revaluation | — | — | (2,531) | 2,531 | — |
| Total comprehensive income for the year | — | — | (2,531) | 5,445,200 | 5,442,669 |
| Dividends (note 10) | — | — | — | (5,000,000) | (5,000,000) |
| At 31 December 2018 | 678,001 | 1,250 | 406,978 | 13,182,613 | 14,268,842 |

The notes on pages 15 to 29 form part of these financial statements.

HUNTERS & FRANKAU LIMITED

Annual Report for the year end 31 December 2018

Company statement of cash flows

| | 2018 £ | 2017 £ |
|--|-------------|-------------|
| Cash flows from operating activities | | |
| Profit for the financial year | 5,925,669 | 5,654,860 |
| <i>Adjustments for:</i> | | |
| Depreciation of tangible assets | 126,537 | 129,996 |
| Loss/(Profit) on sale of fixed asset | 161 | (5,513) |
| Net finance (income)/costs | (17,394) | 45,302 |
| Tax on profit on ordinary activities | 1,417,608 | 1,384,443 |
| Difference between pension service cost and cash contributions | (204,000) | (384,000) |
| <i>Changes in:</i> | | |
| Stocks | 383,637 | (1,796,970) |
| Trade and other debtors | 825,699 | (823,738) |
| Trade and other creditors | 4,996 | (185,942) |
| Cash generated from operations | 8,462,913 | 4,018,438 |
| Interest received | 17,394 | 1,698 |
| Tax paid | (1,203,915) | (1,329,216) |
| Net cash from operating activities | 7,276,392 | 2,690,920 |
| Cash flows from investing activities | | |
| Purchase of tangible assets | (19,693) | (152,109) |
| Proceeds from sale of tangible assets | - | 5,650 |
| Net cash used in investing activities | (19,693) | (146,459) |
| Cash flows from financing activities | | |
| Dividends paid to company's shareholders | (5,000,000) | (4,500,000) |
| Net cash used in financing activities | (5,000,000) | (4,500,000) |
| Net increase/(decrease) in cash and cash equivalents | 2,256,699 | (1,955,539) |
| Cash and cash equivalents at beginning of year | 787,593 | 2,743,132 |
| Cash and cash equivalents at end of year | 3,044,292 | 787,593 |

The notes on pages 15 to 29 form part of these financial statements.

HUNTERS & FRANKAU LIMITED

Annual Report for the year end 31 December 2018

Notes to the financial statements

1. Accounting policies

a) Statement of compliance

These consolidated financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland' and the Companies Act 2006.

These financial statements are presented in Pounds Sterling (GBP), as that is the currency in which the majority of the group's transactions are denominated. They comprise the financial statements of the company and its subsidiaries drawn up for the year ended 31 December 2018.

The continuing activities of Hunters & Frankau Limited are importing and distributing cigars and allied products. Its subsidiaries are dormant.

The company is a United Kingdom private company limited by shares. It is both incorporated and domiciled in England and Wales (registered number 00022169). The address of its registered office is 16–19 Hurlingham Business Park, Sullivan Road, London, SW6 3DU.

b) Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all the years presented, unless otherwise stated.

Basis of preparation

The financial statements have been prepared under the historical cost convention, including some assets revalued to deemed cost on the transition to FRS 102.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies selected for use by the group. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2. Use of available information and application of judgement are inherent in the formation of estimates. Actual outcomes in the future could differ from such estimates.

Going concern

The financial statements have been prepared on a going concern basis. The directors are continually reviewing future projections for the business and the financing arrangements that are in place, and are satisfied that the business will continue to have access to sufficient funds to meet its liabilities.

Consolidation

The consolidated financial statements comprise those of the company and its subsidiaries. Subsidiaries which are directly or indirectly controlled by the group are consolidated. Control is achieved where the company has the power to govern the financial and operating policies of an investee so as to obtain benefits from its activities, which generally accompanies a shareholding of more than one half of the voting rights.

The acquisition method of accounting is used by the group when it undertakes a business combination. The fair value of consideration transferred at the acquisition date includes the fair value of assets transferred, liabilities incurred by the owners and equity instruments issued by the group. Consideration can include cash, contingent consideration and options. The assets acquired and liabilities assumed are recognised at the acquisition date at their fair value. At the acquisition date any equity interest held prior to the acquisition date is recognised as consideration at its fair value as at the time of the original transaction.

Goodwill is measured as the excess of the consideration transferred over the group's share of the fair value of the assets acquired and liabilities assumed.

Prior to 31 December 1997, the group eliminated purchased goodwill by immediate write off to reserves on acquisition. This will be credited to the profit and loss account on disposal of the subsidiary. The cumulative amount of goodwill written off to the consolidated profit and loss account in prior years is £766,200.

HUNTERS & FRANKAU LIMITED

Annual Report for the year end 31 December 2018

Notes to the financial statements (continued)

1. Accounting policies (*continued*)

Consolidation (*continued*)

The consolidated financial statements are based on the financial statements of the individual companies drawn up using the standard group accounting policies. Accounting policies applied by individual subsidiaries are consistent with group policies for consolidation purposes. All trading companies in the group have the same reporting date of 31 December.

All significant intra-group transactions and balances between group entities are eliminated on consolidation.

Foreign currency translation

The group has determined that the GBP is its functional currency, as this is the currency of the economic environment in which the group predominantly operates.

Transactions in currencies other than GBP are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. The group does not operate in any hyper-inflationary economies.

Revenue recognition

Revenue represents amounts due from the sales of goods in the normal activities of the business to the extent that the group obtains a right to consideration in exchange for its performance of those activities, exclusive of VAT. The right to consideration is deemed to be the point of delivery to the customer.

Taxation

The tax expense represents the sum of current tax and deferred tax.

The charge for current tax is based on the results for the year adjusted for items which are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Current and deferred tax is recognised in the same component of the profit and loss account, other comprehensive income or equity as the transaction or event that resulted in the tax expense or income.

Deferred tax is the tax expected to be payable or recoverable on timing differences between taxable profits and the total comprehensive income as reported in the financial statements.

Deferred tax liabilities are recognised for all material timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits will be available against which timing differences can be utilised. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither taxable profit nor total comprehensive income.

Deferred tax liabilities are recognised for timing differences arising on investments in subsidiaries, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amounts of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax is calculated at the tax rates that have been enacted, or substantively enacted by the reporting date, and are expected to apply in the period when the liability is settled or the asset realised.

A change in deferred tax assets and liabilities as a result of a change in the tax rates or laws is recognised in profit and loss, or other comprehensive income to the extent that it relates to items previously recognised in other comprehensive income.

HUNTERS & FRANKAU LIMITED

Annual Report for the year end 31 December 2018

Notes to the financial statements (continued)

1. Accounting policies (continued)

Taxation (continued)

Deferred tax assets and liabilities are offset when they relate to taxes levied by the same taxation authority and the group intends to settle its current tax assets and liabilities on a net basis.

Tangible fixed assets

Tangible fixed assets are stated at historical (and deemed) 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.

Depreciation is charged so as to write off the cost or valuation of assets, over their estimated useful lives, less estimated residual value, using the straight-line method on the following bases:

| | |
|---|----------|
| Freehold property | 2% |
| Short leasehold improvements | 15% |
| Plant, equipment, fixtures and fittings | 15 – 25% |
| Motor vehicles | 25% |

Excess depreciation arising on the uplift of the freehold property value to deemed cost is charged against the revaluation reserve. On a subsequent sale of the freehold property, the attributable surplus remaining in the revaluation reserve will be transferred directly to the profit and loss reserve.

Impairment of non-financial assets

At each reporting date, the group reviews the carrying amounts of its non-financial 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). Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. Where an impairment loss subsequently reverses (except for goodwill), the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Financial assets and liabilities

The group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors.

Debt instruments that are payable or receivable within one year, typically trade creditors or debtors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received.

Financial assets that are measured at 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 profit and loss account. 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 group would receive for the asset if it were to be sold at the reporting date.

Investments in preference and ordinary shares classified as basic financial instruments, and all financial instruments not classified as basic are measured at fair value at the end of the reporting period, with the resulting changes recognised in profit or loss. Where their fair value cannot be reliably measured, they are recognised at cost less impairment.

HUNTERS & FRANKAU LIMITED

Annual Report for the year end 31 December 2018

Notes to the financial statements (continued)

1. Accounting policies (continued)

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Investments

Investments in subsidiaries are stated at cost less impairment. Impairment reviews are carried out as required.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is the actual purchase cost including, where appropriate, inwards carriage and excise duty using the first in first out method. Selling price is the price at which the stock can be realised in the normal course of business. Provision is made for slow moving stocks.

Trade debtors

Trade debtors are amounts due from customers for merchandise sold in the ordinary course of business. Trade debtors are recognised at the undiscounted amount of cash receivable, which is normally the invoice price, less any allowances for doubtful debts.

Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and balances with banks including deposits with an original maturity of three months or less. Cash and cash equivalents are measured at fair value.

Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are classified as creditors falling due within one year if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as creditors falling due after one year.

Trade creditors are recognised at the undiscounted amount owed to the supplier, which is normally the invoice price.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares in relation to ordinary shares are shown in equity as a deduction, net of taxation, from the proceeds.

Employee benefits

The group operates a defined benefit pension scheme providing benefits based on final pensionable pay ("the Scheme") and also contributes to individual employees' stakeholder pension plans. 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. The estimated proportion of Scheme assets and liabilities attributable to the other employer is not material to the group and therefore the group has included the whole of the Scheme liabilities.

For defined benefit retirement plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each reporting date by an independent actuary. Actuarial gains and losses arising from experience adjustments and changes in assumptions are recognised immediately in other comprehensive income. All costs related to the defined benefit plan are recognised in the profit and loss account within employee benefit and finance costs.

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

HUNTERS & FRANKAU LIMITED

Annual Report for the year end 31 December 2018

Notes to the financial statements (continued)

1. Accounting policies (continued)

Employee benefits (continued)

The retirement benefit obligation recognised in the statement of financial position represents the present value of the defined benefit obligation as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to the present value of available refunds and reductions in future contributions to the plan.

Operating leases

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

2. Critical accounting judgements and key sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions which affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and application of judgement are inherent in the formation of estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates.

Critical accounting estimates and assumptions

Defined benefit pension and other post-employment benefits

The present value of the defined benefit pension and other post-employment benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pension and other post-employment benefits include the discount rate. Any changes in these assumptions will have an effect on the carrying amount of pension and other post-employment benefits.

After taking appropriate professional advice, group management determines the appropriate discount rate at the end of each reporting period. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, consideration is given to the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits are to be paid and that have terms to maturity approximating the terms of the related pension liability.

During the year The English High Court ruling in *Lloyds Banking Group Pension Trustees Limited v Lloyds Bank plc and others* was published, and held that UK pension schemes with Guaranteed Minimum Pensions (GMPs) accrued from 17 May 1990 must equalise for the different effects of these GMPs between men and women. The directors have reviewed the potential liability exposure of the equalisation in the defined benefit scheme and have concluded that the impact is immaterial to warrant adjustment at this stage.

Other key assumptions relevant to the defined benefit pension and other post-employment benefit obligations are based in part on current market conditions. Additional disclosures concerning these obligations are given in note 19.

Depreciation and residual values

The directors have reviewed the asset lives and associated residual values of all fixed asset classes and have concluded that the asset lives and residual values are appropriate.

3. Financial risk management

The group has exposure to three main areas of risk - foreign exchange currency exposure, liquidity risk and customer credit exposure.

Foreign exchange transactional currency exposure

The group is exposed to currency exchange rate risk due to a significant proportion of its trade creditors being denominated in non-Sterling currencies. The net exposure of each currency is monitored and managed by the regular forecast and review of transition exposures along with the group's strategic stock position.

HUNTERS & FRANKAU LIMITED

Annual Report for the year end 31 December 2018

Notes to the financial statements (continued)

3. Financial risk management (*continued*)

Liquidity risk

The objective of the group in managing liquidity risk is to ensure that it can meet its financial obligations as and when they fall due. The group expects to meet its financial obligations through operating cash flows. In the event that the operating cash flows would not cover all the financial obligations the group has credit facilities available.

Customer credit exposure

The group may offer credit terms to its customers which allow payment of the debt after delivery of the goods or services. The group is at risk to the extent that a customer may be unable to pay the debt on the specified due date. This risk is managed and mitigated by the policies and procedures in place and the strong on-going customer relationships.

4. Revenue

Revenue arises from:

| | 2018 £ | 2017 £ |
|----------------|-------------------|-------------------|
| United Kingdom | 29,839,810 | 28,764,404 |
| Rest of Europe | 970,078 | 1,116,884 |
| | <u>30,809,888</u> | <u>29,881,288</u> |

5. Operating profit

Operating profit is stated after charging/(crediting):

| | 2018 £ | 2017 £ |
|--|-----------------|----------------|
| Depreciation | 126,537 | 129,996 |
| Auditor's remuneration: | | |
| - audit services | 33,250 | 32,500 |
| - taxation services | 3,350 | 3,450 |
| - other services | 7,625 | 8,125 |
| Property rentals | 190,100 | 180,200 |
| Loss/(profit) on disposal of tangible fixed assets | 161 | (5,513) |
| Debtors (reversal)/impairment | (125,065) | 126,412 |
| Stock (reversal)/impairment | <u>(54,492)</u> | <u>(2,657)</u> |

Excess depreciation of £2,531 (2017: £2,531) arising on the revalued portion of the freehold property is charged against the revaluation reserve.

6. Net finance income/(costs)

| | 2018 £ | 2017 £ |
|--|---------------|-----------------|
| Bank interest receivable | 17,394 | 1,698 |
| Net interest on pension scheme deficit | - | (47,000) |
| | <u>17,394</u> | <u>(45,302)</u> |

HUNTERS & FRANKAU LIMITED

Annual Report for the year end 31 December 2018

Notes to the financial statements (continued)

7. Staff costs

The staff costs for the year, including the directors, amounted to:

| | 2018 £ | 2017 £ |
|-----------------------|------------------|------------------|
| Wages and salaries | 2,854,669 | 2,745,582 |
| Social security costs | 351,673 | 350,255 |
| Pension costs | | |
| - Service cost | 231,000 | 232,000 |
| - Other | 103,606 | 97,478 |
| | <u>3,540,948</u> | <u>3,425,315</u> |

The weekly average number of persons employed by the group during the year, excluding the directors, was as follows:

| | 2018 | 2017 |
|------------------------------|-----------|-----------|
| Warehousing and distribution | 33 | 33 |
| Office and management | 14 | 14 |
| | <u>47</u> | <u>47</u> |

8. Directors remuneration

(a) The directors aggregate remuneration in respect of qualifying services was:

| | 2018 £ | 2017 £ |
|---|------------------|------------------|
| Fees and management remuneration | 1,075,914 | 1,032,064 |
| Company contributions to money purchase pension plans | 12,600 | 12,210 |
| | <u>1,088,514</u> | <u>1,044,274</u> |

(b) Highest paid director:

| | 2018 £ | 2017 £ |
|----------------------------------|----------------|----------------|
| Fees and management remuneration | <u>336,630</u> | <u>321,985</u> |

Two directors benefited from contributions to the group's defined benefit pension scheme (2017: two).

One director benefited from contributions to money purchase pension schemes (2017: one).

HUNTERS & FRANKAU LIMITED

Annual Report for the year end 31 December 2018

Notes to the financial statements (continued)

9. Tax on profit on ordinary activities

(a) Tax expense included in profit and loss account

| | 2018 £ | 2017 £ |
|--|------------------|------------------|
| Current tax: | | |
| UK current tax expense | 1,429,932 | 1,327,713 |
| Prior year overprovision | (49,106) | (36,887) |
| Total current tax | 1,380,826 | 1,290,826 |
| Deferred tax: | | |
| Origination and reversal of timing differences | 35,000 | 76,000 |
| Prior year underprovision | 1,782 | 17,617 |
| Tax on profit on ordinary activities | 1,417,608 | 1,384,443 |

(b) Tax credit/(expense) included in other comprehensive income

| | 2018 £ | 2017 £ |
|--|---------------|------------------|
| Deferred tax: | | |
| Origination and reversal of timing differences | 99,000 | (254,000) |
| Total tax credit/(expense) included in other comprehensive income | 99,000 | (254,000) |

(c) Reconciliation of tax expense

The tax assessed for the year is higher than (2017: higher than) the standard rate of corporation tax in the UK of 19% (2017: 19.25%). The differences are explained below:

| | 2018 £ | 2017 £ |
|---|------------------|------------------|
| Profit on ordinary activities before taxation | 7,343,277 | 7,039,303 |
| Profit on ordinary activities multiplied by rate of tax | 1,395,223 | 1,354,825 |
| Adjustment to tax charge in respect of prior periods | (49,106) | (36,887) |
| Effect of expenses not deductible for tax purposes | 62,831 | 72,925 |
| Re-measurement of deferred tax – change in tax rate | 8,660 | (6,420) |
| Tax on profit on ordinary activities | 1,417,608 | 1,384,443 |

The UK tax rate remained at 19% during the year. Deferred tax takes effect of the change in future tax rates of 17%.

10. Dividends

| | 2018 £ | 2017 £ |
|-------------------------------------|------------------|------------------|
| On the 'A' and 'B' ordinary shares: | | |
| First interim paid for year | 3,500,000 | 3,500,000 |
| Final paid for prior year | 1,500,000 | 1,000,000 |
| | 5,000,000 | 4,500,000 |

HUNTERS & FRANKAU LIMITED

Annual Report for the year end 31 December 2018

Notes to the financial statements (continued)

11. Tangible fixed assets Group and company

| | Freehold property £ | Short leasehold improvements £ | Plant, equipment, fixtures and fittings £ | Motor vehicles £ | Total £ |
|------------------------|---------------------------|---|---|------------------------|------------------|
| Cost: | | | | | |
| At 1 January 2018 | 675,000 | 290,360 | 830,142 | 364,812 | 2,160,314 |
| Additions | - | - | 19,693 | - | 19,693 |
| Disposals | - | - | (24,823) | - | (24,823) |
| At 31 December 2018 | <u>675,000</u> | <u>290,360</u> | <u>825,012</u> | <u>364,812</u> | <u>2,155,186</u> |
| Depreciation: | | | | | |
| At 1 January 2018 | 54,000 | 289,819 | 700,461 | 237,031 | 1,281,311 |
| Provision for year | 13,500 | 541 | 56,235 | 56,261 | 126,537 |
| Disposals | - | - | (24,662) | - | (24,662) |
| At 31 December 2018 | <u>67,500</u> | <u>290,360</u> | <u>732,034</u> | <u>293,292</u> | <u>1,383,186</u> |
| Net book value: | | | | | |
| At 31 December 2018 | <u>607,500</u> | <u>-</u> | <u>92,978</u> | <u>71,520</u> | <u>771,998</u> |
| At 31 December 2017 | <u>621,000</u> | <u>541</u> | <u>129,681</u> | <u>127,781</u> | <u>879,003</u> |

In respect of freehold property stated at deemed cost on transition to FRS 102, the comparable historical cost and depreciation values are as follows:

| | 2018 £ | 2017 £ |
|---------------------------------------|----------------|----------------|
| Historical cost | <u>548,434</u> | <u>548,434</u> |
| Depreciation: | | |
| At 1 January | 336,943 | 325,974 |
| At 31 December | <u>347,912</u> | <u>336,943</u> |
| Historical cost net book value | <u>200,522</u> | <u>211,491</u> |

HUNTERS & FRANKAU LIMITED

Annual Report for the year end 31 December 2018

Notes to the financial statements (continued)

12. Investments - company

| | |
|--|----------------|
| Shares in subsidiary undertakings: | £ |
| Cost: | |
| At 1 January 2018 and 31 December 2018 | 4,120,713 |
| Provisions: | |
| At 1 January 2018 and 31 December 2018 | 3,721,049 |
| Net book value: | |
| At 31 December 2017 and 31 December 2018 | <u>399,664</u> |

At 31 December 2018, 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 issued 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

The registered office of the above companies is 16 – 19 Hurlingham Business Park, Sullivan Road, London, SW6 3DU.

13. Stocks

| | Group | | Company | |
|----------------------------|------------------|------------------|------------------|------------------|
| | 2018 | 2017 | 2018 | 2017 |
| | £ | £ | £ | £ |
| Goods purchased for resale | <u>9,073,328</u> | <u>9,456,965</u> | <u>9,073,328</u> | <u>9,456,965</u> |

Stock recognised as an expense in the year amounted to £18,388,183 (2017: £17,402,844).

14. Debtors

| | Group | | Company | |
|---------------------------------------|------------------|------------------|------------------|------------------|
| | 2018 | 2017 | 2018 | 2017 |
| | £ | £ | £ | £ |
| Amounts due within one year: | | | | |
| Trade debtors | 5,415,586 | 6,293,070 | 5,415,586 | 6,293,070 |
| Other debtors | 72,660 | 69,364 | 72,481 | 69,185 |
| Prepayments and accrued income | 195,296 | 146,807 | 195,296 | 146,807 |
| | <u>5,683,542</u> | <u>6,509,241</u> | <u>5,683,363</u> | <u>6,509,062</u> |
| Amounts due after more than one year: | | | | |
| Deferred tax (note 16) | 55,088 | - | 55,088 | - |
| | <u>5,738,630</u> | <u>6,509,241</u> | <u>5,738,451</u> | <u>6,509,062</u> |

Trade, other debtors and accrued income included above are carried at amortised cost.

HUNTERS & FRANKAU LIMITED

Annual Report for the year end 31 December 2018

Notes to the financial statements (continued)

15. Creditors

| | Group | | Company | |
|---|------------------|------------------|------------------|------------------|
| | 2018 | 2017 | 2018 | 2017 |
| | £ | £ | £ | £ |
| Amount owed to subsidiary undertaking | - | - | 681,382 | 681,382 |
| Trade creditors | 942,709 | 1,324,569 | 942,709 | 1,324,569 |
| Corporation tax | 717,635 | 540,724 | 717,635 | 540,724 |
| Other taxes, duties and social security costs | 1,299,843 | 882,924 | 1,299,843 | 882,924 |
| Other creditors and accruals | 622,910 | 652,973 | 621,322 | 651,385 |
| | <u>3,583,097</u> | <u>3,401,190</u> | <u>4,262,891</u> | <u>4,080,984</u> |

Trade, other creditors, accruals and amounts owed to subsidiary undertakings included above are carried at amortised cost. Amounts owed to subsidiary undertakings are non-interest bearing and repayable on demand.

HSBC has a fixed and floating charge over the freehold property of the group as security over the overdraft facility and the HMRC deferred duty guarantee. The overdraft facility was not utilised during the year.

16. Deferred taxation asset/(liability)

| | Group | | Company | |
|--|---------------|----------------|---------------|----------------|
| | 2018 | 2017 | 2018 | 2017 |
| | £ | £ | £ | £ |
| Capital allowances | (29,912) | (28,130) | (29,912) | (28,130) |
| Defined benefit pension scheme deficit | 85,000 | 21,000 | 85,000 | 21,000 |
| Deferred tax asset/(liability) | <u>55,088</u> | <u>(7,130)</u> | <u>55,088</u> | <u>(7,130)</u> |

The provision for deferred taxation has been calculated based on a corporation tax rate of 17.0% (2017 : 17.0%).

The movement during the year is analysed as follows:

| | Group | | Company | |
|-----------------------------|---------------|---------------|---------------|---------------|
| | 2018 | 2017 | 2018 | 2017 |
| | £ | £ | £ | £ |
| Balance at 1 January 2018 | 28,130 | 10,513 | 28,130 | 10,513 |
| Charge for the year | 1,782 | 17,617 | 1,782 | 17,617 |
| Balance at 31 December 2018 | <u>29,912</u> | <u>28,130</u> | <u>29,912</u> | <u>28,130</u> |

17. Share capital

| | Authorised, allotted and fully paid | |
|---|-------------------------------------|----------------|
| | 2018 | 2017 |
| | £ | £ |
| 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.

HUNTERS & FRANKAU LIMITED

Annual Report for the year end 31 December 2018

Notes to the financial statements (continued)

18. Lease commitments

| | Group | | Company | |
|---|--------------|---------------|--------------|---------------|
| | 2018 | 2017 | 2018 | 2017 |
| | £ | £ | £ | £ |
| Total property rentals payable under leases are as follows: | | | | |
| Within one year | 5,600 | 37,436 | 5,600 | 37,436 |
| | <u>5,600</u> | <u>37,436</u> | <u>5,600</u> | <u>37,436</u> |

The group has agreed heads of terms (which remain subject to contract) with its landlord for a new lease on its offices and warehouses at 16-20 Hurlingham Business Park at an annual rental of £200,000 p.a. The new lease will be for a ten year term with a rent review and mutual break clause on the fifth anniversary.

19. Pension commitments – group and company

The group operates a defined benefit pension scheme providing benefits based on final pensionable pay ("the Scheme") and also contributes to individual employees' stakeholder pension plans.

Defined benefit pension plan:

A full actuarial valuation was carried out at 31 December 2015 by a qualified actuary, independent of the Scheme's principal participating employer.

Employer contributions in 2018 were paid at the rate of 25.9% of pensionable salary plus a £226,300 deficit repair contribution. In 2019, employer contributions are expected to be £204,255.

Pension benefits depend upon age, length of service and salary level.

There were no changes to the scheme during the year and no amounts owing to the scheme at the year end.

| | 2018 | 2017 |
|--|---------------|---------------|
| | £'000s | £'000s |
| <i>Reconciliation of present value of plan liabilities</i> | | |
| At the beginning of the year | 23,787 | 23,667 |
| Current service cost | 231 | 232 |
| Interest cost | 599 | 621 |
| Actuarial (gains) | (1,108) | (12) |
| Benefits paid | (796) | (721) |
| | <u>22,713</u> | <u>23,787</u> |
| At the end of the year | 22,713 | 23,787 |

HUNTERS & FRANKAU LIMITED

Annual Report for the year end 31 December 2018

Notes to the financial statements (continued)

19. Pension commitments – group and company (continued)

| | 2018 £'000s | 2017 £'000s |
|--|----------------|----------------|
| <i>Reconciliation of fair value of plan assets</i> | | |
| At the beginning of the year | 23,669 | 21,720 |
| Interest income on plan assets | 599 | 574 |
| Actuarial (losses) / gains | (1,690) | 1,480 |
| Contributions by employer | 435 | 616 |
| Benefits paid | (796) | (721) |
| | <hr/> | <hr/> |
| At the end of the year | 22,217 | 23,669 |
| | <hr/> | <hr/> |
| Fair value of plan assets | 22,217 | 23,669 |
| Present value of plan liabilities | (22,713) | (23,787) |
| | <hr/> | <hr/> |
| Deficit in scheme | (496) | (118) |
| | <hr/> | <hr/> |
| <i>Amounts recognised in the profit and loss amount are as follows:</i> | | |
| Current service cost | 231 | 232 |
| Net interest cost | - | 47 |
| | <hr/> | <hr/> |
| | 231 | 279 |
| | <hr/> | <hr/> |
| <i>Analysis of actuarial (loss)/gain recognised in other comprehensive income:</i> | | |
| Actual return less interest income included in net interest income | (1,690) | 1,480 |
| Experience gains and losses arising on the scheme liabilities | (51) | 10 |
| Changes in assumptions underlying the present value of the scheme liabilities | 1,159 | 2 |
| | <hr/> | <hr/> |
| | (582) | 1,492 |
| | <hr/> | <hr/> |

HUNTERS & FRANKAU LIMITED

Annual Report for the year end 31 December 2018

Notes to the financial statements (continued)

19. Pension commitments – group and company (continued)

| | 2018 £'000s | 2017 £'000s |
|-------------------------------------|----------------|----------------|
| <i>Composition of plan assets</i> | | |
| Equity/property | 14,847 | 16,281 |
| Bonds | 5,399 | 5,703 |
| Cash and other | 1,971 | 1,685 |
| | <hr/> | <hr/> |
| Total plan assets | 22,217 | 23,669 |
| | <hr/> | <hr/> |
| <i>Actual return on plan assets</i> | (1,091) | 2,054 |
| | <hr/> | <hr/> |

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.

| | 2018 | 2017 |
|---|------------|------------|
| <i>Principal actuarial assumptions used at the reporting date</i> | | |
| Discount rates | 2.80% | 2.55% |
| Future pension in payment increases | 3.15% | 3.15% |
| Future deferred pension increases | 2.30% | 2.30% |
| Inflation assumption (RPI) | 3.30% | 3.30% |
| Inflation assumption (CPI) | 2.30% | 2.30% |
| Salary growth | 2.95% | 2.85% |
| Mortality rates | | |
| - for a male aged 65 now | 21.8 Years | 21.9 Years |
| - at 65 for a male member aged 45 now | 22.8 Years | 23.0 Years |
| - for female aged 65 now | 23.7 Years | 23.7 Years |
| - at 65 for a female member aged 45 now | 24.9 Years | 25.0 Years |

Defined contribution scheme:

The amount recognised in the profit and loss account as an expense in relation to the group's defined contribution schemes is £103,606 (2017: £97,478). There were no amounts owing at the year end.

HUNTERS & FRANKAU LIMITED

Annual Report for the year end 31 December 2018

Notes to the financial statements (continued)

20. Transactions with directors and other related party transactions

During the year the group entered into transactions in the ordinary course of business with related parties.

Simon Chase Limited, a company controlled by Mr S G Chase provides marketing and regulatory consultancy services to the group. During the year Simon Chase Limited invoiced the group £82,800 (2017: £82,800). At 31 December 2018 £8,280 (2017: £8,280) was owed by the group to Simon Chase Limited.

The group 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 2018 was £155,000 (2017: £140,000).

The group paid fees for directors and management services to Altabana S.L. a company which has a 49.99% interest in the issued share capital of Hunters & Frankau Limited. Fees paid to Altabana S.L. in the year ended 31 December 2018 totalled £105,000 (2017: £105,000).

The group paid fees for management services to Hunters & Frankau Group Limited, a company which has a 50.01% interest in the issued share capital of Hunters & Frankau Limited. Fees paid to Hunters & Frankau Group Limited in the year ended 31 December 2018 totalled £97,500 (2017: £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.

L. Cintra Gonzalez and J M Lopez Inchaurre are members of the board of Habanos S.A. During the year, the group purchased cigars to the value of £5,553,800 (2017: £6,231,695) from Habanos S.A. At 31 December 2018, £473,392 (2017: £650,461) was owed by the group to Habanos S.A.

The Directors believe there are no key management personnel outside of the Board of Directors.

21. Controlling party

The company's immediate parent undertaking is J Frankau & Company Limited and its ultimate parent undertaking is Hunters & Frankau Group Limited, which are companies registered in England. The company's financial statements are consolidated in those of its ultimate parent and this is the smallest and largest consolidation that it is included. Copies of the financial statements for of the ultimate parent company can be obtained from Companies House in the UK.

In the opinion of the directors, the ultimate controlling party is the Nicholas Freeman Business Trust, constituted under English Law.

22. Reserves

Share capital – This reserve records the nominal value received for shares sold. Details of the shares can be found within note 17.

Share premium - This reserve records the amount above the nominal value received for shares sold, less transaction costs.

Revaluation reserve – Although not required under the accounting standards, the revaluation reserve remains in order to distinguish between the distributable and non-distributable reserves. Excess depreciation arising on the historically revalued portion of the freehold property is charged against the revaluation reserve. On a subsequent sale of the freehold property, the attributable surplus remaining in the revaluation reserve will be transferred directly to the profit and loss reserve.

Profit and loss account - This reserve records retained earnings and accumulated losses.