



HUNTERS & FRANKAU LIMITED

**Financial Statements
31 December 2006**

HUNTERS & FRANKAU LIMITED

Directors' report for the year ended 31 December 2006

The directors present their report and the audited financial statements for the year ended 31 December 2006

Review of the business

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

The results for the year have been adversely affected by the impact of the ban on smoking in bars, restaurants and other public areas enforced in Scotland from March 2006 and a decline in duty free sales following the increased airport security commenced in August 2006. These factors contributed to turnover falling by 2.7% from the 2005 level, which, combined with a 0.5% decrease in gross profit margins (due to changes in sales mix), reduced gross profits by approximately £450,000 with a corresponding impact on operating results.

Whilst the directors consider the performance of the company, and the financial position as at 31 December 2006 to be satisfactory, 2007 is likely to be further affected by bans similar to that in Scotland due to be phased in over the rest of the United Kingdom during 2007.

Results and dividends

The results for the year ended 31 December 2006 are shown in the profit and loss account on page 5. The group profit for the year after taxation was £3,022,521.

A final dividend for 2005 of 18.4p per ordinary share and an interim dividend of 18.4p per ordinary share for 2006 were paid in the year, making a total of 202.8p paid in the year.

The directors are recommending that a final dividend of 18.4p per ordinary share be paid for 2006.

Directors and their interests

The directors who served during the year were

Executive

D G Lewis (Chairman)
Miss J K N Freeman (Managing)
S G Chase (Marketing)
J H Darnton (Sales)
P J Hambidge (Finance)
Mrs A Lopez Garcia (Corporate)

Non-executive

D A J Baxter
M Garcia Morejon
F J Terres de Ercilla

No director had any direct beneficial interest in the shares of the company at 1 January 2006 or 31 December 2006.

The interests of Mr D A J Baxter, Miss J K N Freeman, Mr P J Hambidge and Mr D G Lewis in the shares of the ultimate parent undertaking, Hunters & Frankau Group Limited, are given in the financial statements of that company.

HUNTERS & FRANKAU LIMITED

Directors' report for the year ended 31 December 2006

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for that year. In preparing those financial statements, the directors are required to

- select suitable accounting policies and apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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 1985. 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 10 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.

Close company status

The close company provisions of the Income and Corporation Taxes Act 1988 apply to the company.

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 13 February 2007

Chantrey Vellacott DFK LLP

HUNTERS & FRANKAU LIMITED

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

We have audited the group and parent company financial statements of Hunters & Frankau Limited for the year ended 31 December 2006 which comprise the consolidated profit and loss account, the consolidated and company balance sheets, the consolidated cash flow statement, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the parent company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the parent 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 parent company and the parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

HUNTERS & FRANKAU LIMITED

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

Opinion

In our opinion

- The financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 December 2006 and of the group's profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements

Chantrey Vellacott DFK LLP

Chantrey Vellacott DFK LLP

CHANTREY VELLACOTT DFK LLP

Chartered Accountants
Registered Auditor

LONDON

13 February 2007

HUNTERS & FRANKAU LIMITED

Consolidated profit and loss account For the year ended 31 December 2006

	Notes	2006 £	2005 £
Turnover	2	23,421,881	24,074,701
Cost of sales		14,365,869	14,576,183
Gross profit		9,056,012	9,498,518
Distribution costs		2,028,942	2,012,483
Other operating expenses	3	2,691,441	2,753,556
		4,720,383	4,766,039
Operating profit		4,335,629	4,732,479
Interest receivable		19,587	31,420
Interest payable	4	(14,697)	(3,228)
Profit on ordinary activities before taxation	5	4,340,519	4,760,671
Tax on profit on ordinary activities	8	1,317,998	1,438,408
Profit for the financial year	17	3,022,521	3,322,263

The group had no recognised gains and losses other than those included in the profits above, and therefore no separate statement of total recognised gains and losses has been presented. There is no difference between the profits shown above and their historical cost equivalents.

The notes on pages 9 to 18 form part of these financial statements.

HUNTERS & FRANKAU LIMITED

Consolidated balance sheet as at 31 December 2006

	Notes	2006 £	2005 £
Fixed assets			
Tangible assets	10	<u>839,833</u>	<u>674,676</u>
Current assets			
Stocks	12	6,945,850	6,805,017
Debtors	13	4,849,104	4,913,615
Cash at bank and in hand		<u>9,853</u>	<u>6,662</u>
		11,804,807	11,725,294
Creditors amounts falling due within one year	14	<u>4,765,768</u>	<u>4,793,619</u>
Net current assets		<u>7,039,040</u>	<u>6,931,675</u>
Total assets less current liabilities		<u>7,878,872</u>	<u>7,606,351</u>
Capital and reserves			
Called up share capital	16	678,001	678,001
Share premium account		1,250	1,250
Profit and loss account	17	<u>7,199,621</u>	<u>6,927,100</u>
Equity shareholders' funds	18	<u>7,878,872</u>	<u>7,606,351</u>

Approved by the Board on 13 February 2007

D G LEWIS

)
) Directors
)
)

P J HAMBIDGE

[Handwritten signatures and initials]
PS 11

The notes on pages 9 to 18 form part of these financial statements

HUNTERS & FRANKAU LIMITED

Balance sheet as at 31 December 2006

	Notes	2006 £	2005 £
Fixed assets			
Tangible assets	10	839,833	674,676
Investments	11	399,664	399,664
		<u>1,239,497</u>	<u>1,074,340</u>
Current assets			
Stocks	12	6,945,850	6,805,017
Debtors	13	4,848,924	4,913,435
Cash at bank and in hand		9,853	6,661
		<u>11,804,627</u>	<u>11,725,113</u>
Creditors amounts falling due within one year	14	<u>5,445,561</u>	<u>5,473,411</u>
Net current assets		<u>6,359,066</u>	<u>6,251,702</u>
Total assets less current liabilities		<u>7,598,563</u>	<u>7,326,042</u>
Capital and reserves			
Called up share capital	16	678,001	678,001
Share premium account		1,250	1,250
Profit and loss account	17	6,919,312	6,646,791
Equity shareholders' funds	18	<u>7,598,563</u>	<u>7,326,042</u>

Approved by the Board on 13 February 2007

D G LEWIS

P J HAMBIDGE

Directors

The notes on pages 9 to 18 form part of these financial statements

HUNTERS & FRANKAU LIMITED

Consolidated cash flow statement for the year ended 31 December 2006

	Notes	2006 £	2005 £
Cash flow from operating activities	(a)	4,696,565	4,412,522
Returns on investments and servicing of finance	(b)	4,890	28,192
Taxation paid		(1,397,726)	(1,457,100)
Capital expenditure and financial investment	(c)	(343,545)	(188,762)
Equity dividends paid		(2,750,000)	(2,750,000)
Increase in cash in period	(e)	<u>210,184</u>	<u>44,852</u>

Chantrey Vellacott DFK LLP

The notes on pages 9 to 18 form part of these financial statements

HUNTERS & FRANKAU LIMITED

Notes to the consolidated cash flow statement For the year ended 31 December 2006

(a) **Reconciliation of operating profit to net cash inflow from operating activities**

	2006 £	2005 £
Operating profit	4,335,629	4,732,479
Depreciation charges	192,548	192,592
Profit on sale of fixed assets	(14,160)	(27,192)
Changes in stocks	(140,833)	(538,247)
Changes in debtors	54,115	(33,928)
Changes in creditors	269,266	86,818
Net cash inflow from operating activities	<u>4,696,565</u>	<u>4,412,522</u>

(b) **Returns on investments and servicing of finance**

	2006 £	2005 £
Interest received	19,587	31,420
Interest paid	(14,697)	(3,228)
Net cash flow from returns on investments and servicing of finance	<u>4,890</u>	<u>28,192</u>

(c) **Capital expenditure and financial investment**

	2006 £	2005 £
Sale of tangible fixed assets	27,000	53,550
Purchase of tangible fixed assets	(370,545)	(242,312)
Net cash flow from capital expenditure and financial investment	<u>(343,545)</u>	<u>(188,762)</u>

(d) **Analysis of net debt**

	At 1 January 2006 £	Cash flow £	At 31 December 2006 £
Cash at bank and in hand	6,662	3,191	9,853
Overdrafts	(797,428)	206,993	(590,435)
	<u>(790,766)</u>	<u>210,184</u>	<u>(580,582)</u>

(e) **Reconciliation of net cash flow to movement in net debt**

	2006 £	2005 £
Increase in cash	210,184	44,852
Net debt at 1 January 2006	(790,766)	(835,618)
Net debt at 31 December 2006	<u>(580,582)</u>	<u>(790,766)</u>

HUNTERS & FRANKAU LIMITED

Notes to the financial statements For the year ended 31 December 2006

1 Accounting policies

(a) **Basis of accounting**

The financial statements are prepared on the historical cost basis of accounting, and in accordance with applicable 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 purchase cost on a first-in, first-out basis. 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

(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

(i) **Pension costs**

The cost of pensions in respect of the group's defined benefit pension scheme is charged to the profit and loss account so as to spread the cost of pensions over the service lives of employees. Variations from the regular cost are spread over the expected service lives of current employees in the scheme

HUNTERS & FRANKAU LIMITED

Notes to the financial statements For the year ended 31 December 2006

1 Accounting policies

i) Pension costs

Additional costs in respect of current and deferred pensioners' benefits are charged to the profit and loss account when incurred

The cost in respect of the group's defined contribution scheme is charged to the profit and loss account when paid

2 Turnover

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

	2006 £	2005 £
United Kingdom	22,780,663	23,570,451
Europe	641,218	504,250
	<u>23,421,881</u>	<u>24,074,701</u>

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

3 Other operating expenses

Included in other operating expenses are exceptional pension contributions in respect of current and deferred pensioners' benefits

2006 £	2005 £
499,000	499,000
<u>499,000</u>	<u>499,000</u>

4 Interest payable

Interest on bank overdrafts and loans wholly repayable within 5 years

2006 £	2005 £
14,697	3,228
<u>14,697</u>	<u>3,228</u>

HUNTERS & FRANKAU LIMITED

Notes to the financial statements For the year ended 31 December 2006

5	Profit on ordinary activities before taxation	2006	2005
		£	£
	Is stated after charging		
	Depreciation	192,548	192,592
	Auditor's remuneration	24,250	23,500
	Property rentals	187,200	189,200
		<u> </u>	<u> </u>
	Fees charged by the group's auditor for other services were £8,512 (2005 £8,600)		
	and after crediting		
	Profit on disposal of tangible fixed assets	14,160	27,192
		<u> </u>	<u> </u>
6	Staff costs	2006	2005
		£	£
(a)	Staff costs including directors during the year amounted to		
	Wages and salaries	2,220,606	2,144,592
	Social security costs	235,084	227,090
	Other pension costs	374,597	360,398
		<u> </u>	<u> </u>
		2,830,287	2,732,080
		<u> </u>	<u> </u>
(b)	The weekly average number of employees including executive directors during the year was made up as follows		
		2006	2005
		Number	Number
	Warehousing and distribution	31	31
	Office and management	22	22
		<u> </u>	<u> </u>
		53	53
		<u> </u>	<u> </u>

HUNTERS & FRANKAU LIMITED

Notes to the financial statements For the year ended 31 December 2006

7	Directors' emoluments	2006	2005
		£	£
(a)	Fees and management remuneration	747,151	740,203
	Company contributions to money purchase pension schemes	9,265	8,975
		756,416	749,178
(b)	Highest paid director	2006	2005
		£	£
	Fees and management remuneration	147,439	145,000
4 directors benefited from contributions to the group's defined benefit pension scheme (2004 4)			
8	Tax on profit on ordinary activities	2006	2005
		£	£
	UK corporation tax based on the profit for the year	1,307,602	1,428,186
	Deferred taxation	10,396	10,222
		1,317,998	1,438,408
	Factors affecting the tax charge for the year		
	Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2005 30%)	1,302,156	1,428,200
	Effects of		
	Expenses not deductible for tax purposes	15,812	13,496
	Difference between depreciation and capital allowances	(10,396)	(10,222)
	Adjustment to tax charge in respect of previous periods	30	(3,288)
		1,307,602	1,428,186

HUNTERS & FRANKAU LIMITED

Notes to the financial statements For the year ended 31 December 2006

9	Dividends	2006	2005
		£	£
	On the 'A' and 'B' ordinary shares		
	Interim paid	2,500,000	2,500,000
	Final paid for 2005 (2004)	250,000	250,000
		<u>2,750,000</u>	<u>2,750,000</u>

10 Tangible fixed assets

Group and company

	Freehold property £	Short leasehold improvements £	Plant, equipment, fixtures & fittings £	Motor vehicles £	Total £
Cost:					
At 1 January 2006	548,434	252,241	994,482	468,359	2,263,516
Additions	-	138,947	187,321	44,277	370,545
Disposals	-	(45,143)	(234,914)	(72,481)	(352,538)
At 31 December 2006	<u>548,434</u>	<u>346,045</u>	<u>946,889</u>	<u>440,155</u>	<u>2,281,523</u>
Depreciation:					
At 1 January 2006	205,320	252,241	836,340	294,939	1,588,840
Provision for year	10,968	20,842	98,879	61,859	192,548
Disposals	-	(45,143)	(234,914)	(59,641)	(339,698)
At 31 December 2006	<u>216,288</u>	<u>227,940</u>	<u>700,305</u>	<u>297,157</u>	<u>1,441,690</u>
Net book value:					
At 31 December 2006	<u>332,146</u>	<u>118,105</u>	<u>246,584</u>	<u>142,998</u>	<u>839,833</u>
At 31 December 2005	<u>343,114</u>	<u>-</u>	<u>158,142</u>	<u>173,420</u>	<u>674,676</u>

HUNTERS & FRANKAU LIMITED

Notes to the financial statements For the year ended 31 December 2006

11	Investments - Company	£
	Shares in subsidiary undertakings	
	Cost:	
	At 1 January 2006 and 31 December 2006	4,120,714
	Provisions:	
	At 1 January 2006 and 31 December 2006	<u>3,721,050</u>
	Net book value:	
	At 31 December 2005 and 31 December 2006	<u><u>399,664</u></u>

At 31 December 2006 the company's direct wholly owned subsidiary undertakings are 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

12	Stocks	Group		Company	
		2006	2005	2006	2005
		£	£	£	£
	Goods purchased for resale	<u>6,945,850</u>	<u>6,805,017</u>	<u>6,945,850</u>	<u>6,805,017</u>
13	Debtors	Group		Company	
		2006	2005	2006	2005
		£	£	£	£
	Amounts due within one year				
	Trade debtors	4,429,209	4,500,722	4,429,209	4,500,722
	Other debtors	134,993	85,922	134,813	85,742
	Prepayments and accrued income	246,292	277,965	246,292	277,965
		<u>4,810,494</u>	<u>4,864,609</u>	<u>4,810,314</u>	<u>4,864,429</u>
	Amounts due after more than one year				
	Deferred tax (note 15)	38,6120	49,006	38,610	49,006
		<u>4,849,104</u>	<u>4,913,615</u>	<u>4,848,924</u>	<u>4,913,435</u>

HUNTERS & FRANKAU LIMITED

Notes to the financial statements For the year ended 31 December 2006

14 Creditors: amounts falling due within one year

	Group		Company	
	2006 £	2005 £	2006 £	2005 £
Bank loans and overdrafts	590,435	797,428	590,435	797,428
Amount owed to subsidiary undertaking	-	-	681,382	681,382
Trade creditors	644,868	224,156	644,868	224,156
Corporation tax	628,822	718,946	628,822	718,946
Other taxes, duties and social security costs	827,179	1,025,226	827,179	1,025,226
Other creditors and accruals	2,074,464	2,027,863	2,072,875	2,026,273
	<u>4,765,768</u>	<u>4,793,619</u>	<u>5,445,561</u>	<u>5,743,411</u>

The bank loans and overdrafts are secured by a mortgage debenture over the group's assets

15 Deferred taxation

	Group		Company	
	2006 £	2005 £	2006 £	2005 £
Capital allowances	38,610	49,006	38,610	49,006
Deferred tax asset	<u>38,610</u>	<u>49,006</u>	<u>38,610</u>	<u>49,006</u>

The provision for deferred taxation has been calculated based on a corporation tax rate of 30% (2005 30%)

The movement during the year is analysed as follows

	Group		Company	
	2006 £	2005 £	2006 £	2005 £
Balance at 1 January 2006	49,006	59,228	49,006	59,228
(Charge)/release for the year	<u>10,396</u>	<u>(10,222)</u>	<u>10,396</u>	<u>(10,222)</u>
Balance at 31 December 2006	<u>38,610</u>	<u>49,006</u>	<u>38,610</u>	<u>49,006</u>

HUNTERS & FRANKAU LIMITED

Notes to the financial statements For the year ended 31 December 2006

16	Share capital	Authorised, allotted and fully paid	
		2006 £	2005 £
	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

17	Profit and loss account	Group		Company	
		2006 £	2005 £	2006 £	2005 £
	Profit for the financial year	3,022,521	3,322,263	3,022,521	3,322,263
	Dividends (note 9)	(2,750,000)	(2,750,000)	(2,750,000)	(2,750,000)
		<u>272,521</u>	<u>572,263</u>	<u>272,521</u>	<u>572,263</u>
	Retained profit at 1 January	6,927,100	6,354,837	6,646,791	6,074,528
	Retained profit at 31 December	<u>7,199,621</u>	<u>6,927,100</u>	<u>6,919,312</u>	<u>6,646,791</u>

As permitted by Section 230 of the Companies Act 1985, 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

18	Reconciliation of movements in equity shareholders' funds	Group		Company	
		2006 £	2005 £	2006 £	2005 £
	Profit for the financial year	3,022,521	3,322,263	3,022,521	3,322,263
	Dividends	2,750,000	2,750,000	2,750,000	2,750,000
		<u>272,521</u>	<u>572,263</u>	<u>272,521</u>	<u>572,263</u>
	Net addition to shareholders' funds	272,521	572,263	272,521	572,263
	Opening equity shareholders' funds	7,606,351	7,034,088	7,326,042	6,753,779
	Closing equity shareholders' funds	<u>7,878,872</u>	<u>7,606,351</u>	<u>7,598,563</u>	<u>7,326,042</u>

HUNTERS & FRANKAU LIMITED

Notes to the financial statements For the year ended 31 December 2005

19	Lease commitments	Group		Company	
		2006	2005	2006	2005
		£	£	£	£
	Annual property rentals payable under leases which expire				
	Within one year	4,767	4,767	4,767	4,767
	After five years	140,000	140,000	140,000	140,000
		<u>144,767</u>	<u>144,767</u>	<u>144,767</u>	<u>144,767</u>

20 Pension commitments

The group operates a pension scheme providing benefits based on final pensionable salary. The assets of the scheme are held separately from those of the group being invested with major asset management companies. The contributions are determined by a qualified actuary on the basis of triennial valuations using the "projected unit" method. The most recent valuation was as at 31 December 2003. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rate of increase in salaries and pensions. It was assumed that the yield on the fund would exceed the rate of increase in pensionable salaries by 2.5% per annum. This is consistent with assumptions usually used for longer term funding.

The most recent actuarial valuation showed that the market value of the scheme's assets was £9,809,000 and that the actuarial value of those assets represented 70 per cent of the benefits that had accrued to members. The deficit on the scheme calculated at the triennial valuation was £4,123,000.

The group also operates a defined contribution scheme.

The total pension cost charge, was £873,597 (2005 - £859,398), including a special contribution of £499,000 (2005 - £499,000) in respect of current and deferred pensioners' benefits and £21,939 (2005- £19,620) in respect of the defined contribution scheme.

Financial Reporting Standard 17

The company is unable to identify its share of the underlying assets of the defined benefits pension scheme, as it participates in the scheme with another company. Each participating employer is exposed to actuarial risks associated with the current and former employees of the other employer participating in the scheme. The pension cost to the group under Financial Reporting Standard 17 is therefore the contributions paid to the scheme by the group in the year, as detailed above.

21 Ultimate parent undertaking

The ultimate parent undertaking is Hunters & Frankau Group Limited, which is registered in England.