

Chantrey Vellacott DFK LLP

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COMPANIES HOUSE

**HUNTERS & FRANKAU LIMITED**

**Financial Statements  
31 December 2007**

# HUNTERS & FRANKAU LIMITED

## Directors' report for the year ended 31 December 2007

The directors present their report and the audited financial statements for the year ended 31 December 2007

### Review of the business

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

The results for the year reflect the impact of the smoking ban in indoor public places which was extended throughout the UK from 1 July 2007. This legislation impacted particularly on the company's well developed catering business. Overall sales declined 11.3% but the gross profit margin remained steady. The reduction in sales, combined with increased legal costs, contributed to a £1.36m reduction in operating profits in the year.

The directors consider in the circumstances the results for the year and the financial position at 31 December 2007 to be satisfactory. 2008 will see the first full year's impact on sales and operating profits of the ban on smoking in enclosed public places.

### Results and dividends

The results for the year ended 31 December 2007 are shown in the consolidated profit and loss account on page 5. The group profit for the year after taxation was £2,094,652.

A final dividend for 2006 of 18.4p per ordinary share and an interim dividend of 147.5p per ordinary share for 2007 were paid in the year, making a total of 165.9p paid in the year.

The directors are not recommending the payment of a final dividend for 2007.

### Directors

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 (died 23 December 2007)  
M Garcia Morejon  
F J Terres de Ercilla

# HUNTERS & FRANKAU LIMITED

## Directors' report for the year ended 31 December 2007

### 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

14<sup>th</sup> February 2008

## 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 2007 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 auditor

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 2007 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

*15 February 2008*

# HUNTERS & FRANKAU LIMITED

## Consolidated profit and loss account For the year ended 31 December 2007

	Notes	2007 £	2006 £
Turnover	2	20,766,303	23,421,881
Cost of sales		12,706,226	14,365,869
Gross profit		<u>8,060,077</u>	<u>9,056,012</u>
Distribution costs		1,989,638	2,028,942
Other operating expenses	3	3,091,955	2,691,441
		<u>5,081,593</u>	<u>4,720,383</u>
Operating profit		2,978,484	4,335,629
Interest receivable		37,964	19,587
Interest payable	4	(2,660)	(14,697)
Profit on ordinary activities before taxation	5	3,013,788	4,340,519
Tax on profit on ordinary activities	8	919,136	1,317,998
Profit for the financial year	17	<u>2,094,652</u>	<u>3,022,521</u>

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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 2007

	Notes	2007 £	2006 £
<b>Fixed assets</b>			
Tangible assets	10	<u>724,995</u>	<u>839,833</u>
<b>Current assets</b>			
Stocks	12	7,636,975	6,945,850
Debtors	13	3,574,820	4,849,104
Cash at bank and in hand		<u>4,785</u>	<u>9,853</u>
		<b>11,216,580</b>	<b>11,804,807</b>
<b>Creditors</b> amounts falling due within one year	14	<u>4,218,051</u>	<u>4,765,768</u>
<b>Net current assets</b>		<b>6,998,529</b>	<b>7,039,040</b>
<b>Total assets less current liabilities</b>		<b><u>7,723,524</u></b>	<b><u>7,878,872</u></b>
<b>Capital and reserves</b>			
Called up share capital	16	678,001	678,001
Share premium account		1,250	1,250
Profit and loss account	17	<u>7,044,273</u>	<u>7,199,621</u>
<b>Equity shareholders' funds</b>	18	<b><u>7,723,524</u></b>	<b><u>7,878,872</u></b>

Approved by the Board and authorised for issue on *14th February* 2008 and signed on its behalf by

D G LEWIS



Directors

P J HAMBIDGE



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

# HUNTERS & FRANKAU LIMITED

## Balance sheet as at 31 December 2007

	Notes	2007 £	2006 £
<b>Fixed assets</b>			
Tangible assets	10	724,995	839,833
Investments	11	399,664	399,664
		<u>1,124,659</u>	<u>1,239,497</u>
<b>Current assets</b>			
Stocks	12	7,636,975	6,945,850
Debtors	13	3,574,639	4,848,924
Cash at bank and in hand		4,785	9,853
		<u>11,216,399</u>	<u>11,804,627</u>
<b>Creditors</b> amounts falling due within one year	14	<u>4,897,843</u>	<u>5,445,561</u>
<b>Net current assets</b>		<u>6,318,556</u>	<u>6,359,066</u>
<b>Total assets less current liabilities</b>		<u>7,443,215</u>	<u>7,598,563</u>
<b>Capital and reserves</b>			
Called up share capital	16	678,001	678,001
Share premium account		1,250	1,250
Profit and loss account	17	6,763,964	6,919,312
<b>Equity shareholders' funds</b>	18	<u>7,443,215</u>	<u>7,598,563</u>

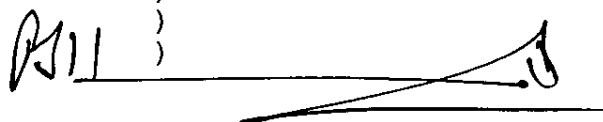
Approved by the Board and authorised for issue on 14th February 2008 and signed on its behalf by

D G LEWIS



Directors

P J HAMBIDGE



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 2007

	Notes	2007 £	2006 £
Cash flow from operating activities	(a)	<b>2,799,908</b>	4,696,565
Returns on investments and servicing of finance	(b)	<b>35,304</b>	4,890
Taxation paid		<b>(1,048,822)</b>	(1,397,726)
Capital expenditure and financial investment	(c)	<b>(66,101)</b>	(343,545)
Equity dividends paid		<b>(2,250,000)</b>	(2,750,000)
(Decrease)/increase in cash in period	(e)	<b><u>(529,711)</u></b>	<u>210,184</u>

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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 2007

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

	2007 £	2006 £
Operating profit	2,978,484	4,335,629
Depreciation charges	183,239	192,548
Profit on sale of fixed assets	(2,300)	(14,160)
Changes in stocks	(691,125)	(140,833)
Changes in debtors	1,274,284	54,115
Changes in creditors	(942,674)	269,266
Net cash inflow from operating activities	<u>2,799,908</u>	<u>4,696,565</u>

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

	2007 £	2006 £
Interest received	37,964	19,587
Interest paid	(2,660)	(14,697)
Net cash flow from returns on investments and servicing of finance	<u>35,304</u>	<u>4,890</u>

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

	2007 £	2006 £
Sale of tangible fixed assets	2,302	27,000
Purchase of tangible fixed assets	(68,403)	(370,545)
Net cash flow from capital expenditure and financial investment	<u>(66,101)</u>	<u>(343,545)</u>

(d) **Analysis of net debt**

	At 1 January 2007 £	Cash flow £	At 31 December 2007 £
Cash at bank and in hand	9,853	(5,068)	4,785
Overdrafts	(590,435)	(524,643)	(1,115,078)
	<u>(580,582)</u>	<u>(529,711)</u>	<u>(1,110,293)</u>

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

	2007 £	2006 £
(Decrease)/increase in cash	(529,711)	210,184
Net debt at 1 January 2007	(580,582)	(790,766)
Net debt at 31 December 2007	<u>(1,110,293)</u>	<u>(580,582)</u>

# HUNTERS & FRANKAU LIMITED

## Notes to the financial statements For the year ended 31 December 2007

### 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 2007

### 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 -

	2007 £	2006 £
United Kingdom	19,961,582	22,780,663
Europe	804,721	641,218
	<u>20,766,303</u>	<u>23,421,881</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

2007 £	2006 £
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

2007 £	2006 £
2,660	14,697
<u>2,660</u>	<u>14,697</u>

# HUNTERS & FRANKAU LIMITED

## Notes to the financial statements For the year ended 31 December 2007

5	<b>Profit on ordinary activities before taxation</b>	<b>2007</b>	<b>2006</b>
		£	£
	Is stated after charging		
	Depreciation	183,239	192,548
	Auditor's remuneration	25,100	24,250
	Property rentals	192,644	187,200

Fees charged by the group's auditor for other services were £7,825 (2006 £8,512)

and after crediting

Profit on disposal of tangible fixed assets	<u>2,300</u>	<u>14,160</u>
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6	<b>Staff costs</b>	<b>2007</b>	<b>2006</b>
		£	£
(a)	Staff costs including directors during the year amounted to		
	Wages and salaries	2,196,794	2,220,606
	Social security costs	227,980	235,084
	Other pension costs	417,587	374,597
		<u>2,842,361</u>	<u>2,830,287</u>

(b) The weekly average number of employees including executive directors during the year was made up as follows

	<b>2007</b>	<b>2006</b>
	Number	Number
Warehousing and distribution	30	31
Office and management	22	22
	<u>52</u>	<u>53</u>

# HUNTERS & FRANKAU LIMITED

## Notes to the financial statements For the year ended 31 December 2007

<b>7</b>	<b>Directors' emoluments</b>	<b>2007</b>	<b>2006</b>
		<b>£</b>	<b>£</b>
(a)	Fees and management remuneration	<b>764,818</b>	747,151
	Company contributions to money purchase pension schemes	<b>28,508</b>	9,265
		<b>793,326</b>	<b>756,416</b>
(b)	Highest paid director	<b>2007</b>	<b>2006</b>
		<b>£</b>	<b>£</b>
	Fees and management remuneration	<b>157,833</b>	147,439

4 directors benefited from contributions to the group's defined benefit pension scheme (2006 4)

<b>8</b>	<b>Tax on profit on ordinary activities</b>	<b>2007</b>	<b>2006</b>
		<b>£</b>	<b>£</b>
	UK corporation tax based on the profit for the year	<b>919,136</b>	1,307,602
	Deferred taxation	-	10,396
		<b>919,136</b>	<b>1,317,998</b>
	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% (2006 30%)	<b>904,136</b>	1,302,156
	Effects of		
	Expenses not deductible for tax purposes	<b>15,000</b>	15,812
	Difference between depreciation and capital allowances	-	(10,396)
	Adjustment to tax charge in respect of previous periods	-	30
		<b>919,136</b>	<b>1,307,602</b>

# HUNTERS & FRANKAU LIMITED

## Notes to the financial statements For the year ended 31 December 2007

9	<b>Dividends</b>	<b>2007</b>	<b>2006</b>
		<b>£</b>	<b>£</b>
	On the 'A' and 'B' ordinary shares		
	Interim paid	<b>2,000,000</b>	2,500,000
	Final paid for 2006 (2005)	<b>250,000</b>	250,000
		<b><u>2,250,000</u></b>	<b><u>2,750,000</u></b>

### 10 Tangible fixed assets

#### Group and company

	<b>Freehold property £</b>	<b>Short leasehold improvements £</b>	<b>Plant, equipment, fixtures &amp; fittings £</b>	<b>Motor vehicles £</b>	<b>Total £</b>
<b>Cost.</b>					
At 1 January 2007	548,434	346,045	946,889	440,155	2,281,523
Additions	-	-	36,009	32,394	68,403
Disposals	-	-	(7,268)	(29,379)	(36,647)
At 31 December 2007	<b><u>548,434</u></b>	<b><u>346,045</u></b>	<b><u>975,630</u></b>	<b><u>443,170</u></b>	<b><u>2,313,279</u></b>
<b>Depreciation:</b>					
At 1 January 2007	216,288	227,940	700,305	297,157	1,441,690
Provision for year	10,968	20,842	91,596	59,833	183,239
Disposals	-	-	(7,266)	(29,379)	(36,645)
At 31 December 2007	<b><u>227,256</u></b>	<b><u>248,782</u></b>	<b><u>784,635</u></b>	<b><u>327,611</u></b>	<b><u>1,588,284</u></b>
<b>Net book value:</b>					
At 31 December 2007	<b><u>321,178</u></b>	<b><u>97,263</u></b>	<b><u>190,995</u></b>	<b><u>115,559</u></b>	<b><u>724,995</u></b>
At 31 December 2006	<b><u>332,146</u></b>	<b><u>118,105</u></b>	<b><u>246,584</u></b>	<b><u>142,998</u></b>	<b><u>839,833</u></b>

# HUNTERS & FRANKAU LIMITED

## Notes to the financial statements For the year ended 31 December 2007

### 11 Investments - Company £

Shares in subsidiary undertakings

#### Cost:

At 1 January 2007 and 31 December 2007 4,120,714

#### Provisions:

At 1 January 2007 and 31 December 2007 3,721,050

#### Net book value:

At 31 December 2006 and 31 December 2007 399,664

At 31 December 2007 the company's direct wholly owned subsidiary undertakings were Joseph Samuel & Son Limited and Knight Brothers Cigar Shippers Limited, registered in England and dormant

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

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

12	Stocks	Group		Company	
		2007 £	2006 £	2007 £	2006 £
	Goods purchased for resale	<u>7,636,975</u>	<u>6,945,850</u>	<u>7,636,975</u>	<u>6,945,850</u>
13	Debtors	Group		Company	
		2007 £	2006 £	2007 £	2006 £
	Amounts due within one year				
	Trade debtors	3,334,146	4,429,209	3,334,146	4,429,209
	Other debtors	41,233	134,993	41,052	134,813
	Prepayments and accrued income	<u>160,831</u>	<u>246,292</u>	<u>160,831</u>	<u>246,292</u>
		3,536,210	4,810,494	3,536,029	4,810,314
	Amounts due after more than one year				
	Deferred tax (note 15)	<u>38,610</u>	<u>38,610</u>	<u>38,610</u>	<u>38,610</u>
		<u>3,574,820</u>	<u>4,849,104</u>	<u>3,574,639</u>	<u>4,848,924</u>



# HUNTERS & FRANKAU LIMITED

## Notes to the financial statements For the year ended 31 December 2007

### 14 Creditors: amounts falling due within one year

	Group		Company	
	2007 £	2006 £	2007 £	2006 £
Bank loans and overdrafts	1,115,078	590,435	1,115,078	590,435
Amount owed to subsidiary undertaking	-	-	681,382	681,382
Trade creditors	194,691	644,868	194,691	644,868
Corporation tax	499,136	628,822	499,136	628,822
Other taxes, duties and social security costs	726,678	827,179	726,678	827,179
Other creditors and accruals	1,682,468	2,074,464	1,680,878	2,072,875
	<u>4,218,051</u>	<u>4,765,768</u>	<u>4,897,843</u>	<u>5,445,561</u>

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

### 15 Deferred taxation

	Group		Company	
	2007 £	2006 £	2007 £	2006 £
Capital allowances	38,610	38,610	38,610	38,610
Deferred tax asset	<u>38,610</u>	<u>38,610</u>	<u>38,610</u>	<u>38,610</u>

The provision for deferred taxation has been calculated based on a corporation tax rate of 30% (2006 30%)

The movement during the year is analysed as follows

	Group		Company	
	2007 £	2006 £	2007 £	2006 £
Balance at 1 January 2007	38,610	49,006	38,610	49,006
Release for the year	-	10,396	-	10,396
Balance at 31 December 2007	<u>38,610</u>	<u>38,610</u>	<u>38,610</u>	<u>38,610</u>

# HUNTERS & FRANKAU LIMITED

## Notes to the financial statements For the year ended 31 December 2007

### 16 Share capital

	Authorised, allotted and fully paid	
	2007	2006
	£	£
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	
	2007	2006	2007	2006
	£	£	£	£
Profit for the financial year	2,094,652	3,022,521	2,094,652	3,022,521
Dividends (note 9)	(2,250,000)	(2,750,000)	(2,250,000)	(2,750,000)
	<u>(155,348)</u>	<u>272,521</u>	<u>(155,348)</u>	<u>272,521</u>
Retained profit at 1 January	7,199,621	6,927,100	6,919,312	6,646,791
Retained profit at 31 December	<u>7,044,273</u>	<u>7,199,621</u>	<u>6,763,964</u>	<u>6,919,312</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	
	2007	2006	2007	2006
	£	£	£	£
Profit for the financial year	2,094,652	3,022,521	2,094,652	3,022,521
Dividends	(2,250,000)	(2,750,000)	(2,250,000)	(2,750,000)
Net addition to shareholders' funds	<u>(155,348)</u>	<u>272,521</u>	<u>(155,348)</u>	<u>272,521</u>
Opening equity shareholders' funds	7,878,872	7,606,351	7,598,563	7,326,042
Closing equity shareholders' funds	<u>7,723,524</u>	<u>7,878,872</u>	<u>7,443,215</u>	<u>7,598,563</u>

# HUNTERS & FRANKAU LIMITED

## Notes to the financial statements For the year ended 31 December 2007

19	Lease commitments	Group		Company	
		2007	2006	2007	2006
		£	£	£	£
	Annual property rentals payable under leases which expire				
	Within one year	4,897	4,767	14,897	4,767
	After five years	140,000	140,000	140,000	140,000
		<u>144,897</u>	<u>144,767</u>	<u>144,897</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 scheme's technical provisions as required by the Pensions Act 2004. The most recent valuation was as at 31 December 2006. 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 2.1% 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 £16,926,000 and that the actuarial value of those assets represented 92 per cent of the benefits that had accrued to members. The deficit on the scheme calculated at the triennial valuation was £1,484,000.

The group also operates defined contribution schemes.

The total pension cost charge, was £916,587 (2006 - £873,597), including a special contribution of £499,000 (2006 - £499,000) in respect of current and deferred pensioners' benefits and £50,498 (2006 - £21,939) in respect of defined contribution schemes.

### Financial Reporting Standard 17

The group is unable to identify its share of the underlying assets of the defined benefits pension scheme, as it participates in the scheme with another employer. 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.