

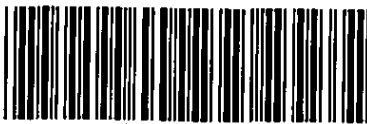
Company Number : 22169

Chantrey Vellacott DFKLLP

HUNTERS & FRANKAU LIMITED

Financial Statements
31 December 2008

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HUNTERS & FRANKAU LIMITED

Directors' report for the year ended 31 December 2008

The directors present their report and the audited financial statements for the year ended 31 December 2008.

Review of the business

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

The results for 2008 reflect the impact of a full year of the smoking ban in indoor public places which was extended throughout the UK from 1 July 2007. This legislation significantly affected the company's well developed catering business. Overall sales declined 12.1% and the gross profit margin declined by 1%. The reduction in sales and margin, contributed to a reduction of £739,000 in operating profits.

The directors consider the results for the year and the financial position at 31 December 2008 to be satisfactory. The directors have taken action to adapt the operations of the company to address the market conditions anticipated in 2009.

Risks and uncertainty

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

Financial risk

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

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

Liquidity risk

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

Credit risk

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

Currency risk

The company is exposed to foreign exchange risk. Transaction exposures are regularly forecast and reviewed in order to mitigate currency risk. The company manages risk through its stock position and transactions in derivatives. All transactions in derivatives are undertaken to manage the risks arising from underlying business activities of the company and no transactions of a speculative nature are undertaken.

HUNTERS & FRANKAU LIMITED

Directors' report for the year ended 31 December 2008

Interest rate risk

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

Business risks

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

Market risk

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

Economic risk

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

Climatic and other event risk

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

Regulatory risk

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

Results and dividends

The results for the year ended 31 December 2008 are shown in the consolidated profit and loss account on page 6. The group profit for the year after taxation was £1,866,734 (2007: £2,406,652).

An interim dividend of 36.87p per ordinary share for 2008 was paid in the year.

The directors are recommending the payment of a final dividend of 36.87p per ordinary share for 2008.

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

M Garcia Morejon
F J Terres de Ercilla

HUNTERS & FRANKAU LIMITED

Directors' report for the year ended 31 December 2008

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 9 to the financial statements. Additions to tangible fixed assets during the year comprised normal replacements.

Donations

Charitable donations during the year amounted to £7,500 (2007: £7,500).

Close company status

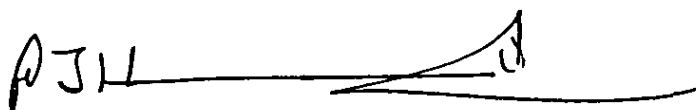
The close company provisions of the Income and Corporation Taxes Act 1988 apply to the company.

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: 16 February 2009

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 2008 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 2008 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

Chartered Accountants
Registered Auditor

LONDON

17/02/09

Chantrey Vellacott DFK LLP

HUNTERS & FRANKAU LIMITED

Consolidated profit and loss account For the year ended 31 December 2008

	Notes	2008 £	Restated 2007 £
Turnover	2	18,263,594	20,766,303
Cost of sales		11,366,193	12,706,226
Gross profit		<u>6,897,401</u>	<u>8,060,077</u>
Distribution costs		1,989,530	1,989,638
Other operating expenses		2,342,953	2,691,955
		<u>4,332,483</u>	<u>4,681,593</u>
Operating profit		2,564,918	3,378,484
Net finance income	3	74,268	153,304
Profit on ordinary activities before taxation	4	2,639,186	3,531,788
Tax on profit on ordinary activities	7	772,452	1,125,136
Profit for the financial year	16	<u>1,866,734</u>	<u>2,406,652</u>

Statement of total recognised gains and losses

	2008 £	2007 £
Profit for the financial year	1,866,734	2,406,652
Actuarial gains on pension scheme liabilities	2,536,000	1,569,000
Difference between the expected and actual returns on pension scheme assets	(4,273,000)	(340,000)
Special contributions from other participators	38,000	-
Deferred taxation	475,000	(344,000)
Total gains and losses relating to the year	<u>642,734</u>	<u>3,291,652</u>
Prior year adjustment in respect of the adoption of FRS17	(958,000)	
Total gains and losses since last annual report	<u>(315,266)</u>	

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

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

HUNTERS & FRANKAU LIMITED


Consolidated balance sheet as at 31 December 2008

	Notes	2008 £	Restated 2007 £
Fixed assets			
Tangible assets	9	<u>581,895</u>	<u>724,995</u>
Current assets			
Stocks	11	7,632,361	7,636,975
Debtors	12	4,055,305	3,574,820
Cash at bank and in hand		<u>17,062</u>	<u>4,785</u>
		11,704,728	11,216,580
Creditors: amounts falling due within one year	13	<u>3,600,365</u>	<u>4,218,051</u>
Net current assets		8,104,363	6,998,529
Total assets less current liabilities		8,686,258	7,723,524
Pension scheme deficit	19	<u>(1,778,000)</u>	<u>(958,000)</u>
		6,908,258	6,765,524
Capital and reserves			
Called up share capital	15	678,001	678,001
Share premium account		1,250	1,250
Profit and loss account	16	<u>6,229,007</u>	<u>6,086,273</u>
Equity shareholders' funds	17	6,908,258	6,765,524

Chantrey Vellacott DFK LLP

Approved by the Board and authorised for issue on 16 February 2009 and signed on its behalf by:

D G LEWIS

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)
) Directors

P J HAMBIDGE

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

Balance sheet as at 31 December 2008

	Notes	2008 £	Restated 2007 £
Fixed assets			
Tangible assets	9	581,895	724,995
Investments	10	399,664	399,664
		<u>981,559</u>	<u>1,124,659</u>
Current assets			
Stocks	11	7,632,361	7,636,975
Debtors	12	4,055,124	3,574,639
Cash at bank and in hand		17,062	4,785
		<u>11,704,547</u>	<u>11,216,399</u>
Creditors: amounts falling due within one year	13	4,280,157	4,897,843
Net current assets		<u>7,424,390</u>	<u>6,318,556</u>
Total assets less current liabilities		<u>8,405,949</u>	<u>7,443,215</u>
Pension scheme deficit		(1,778,000)	(958,000)
		<u>6,627,949</u>	<u>6,485,215</u>
Capital and reserves			
Called up share capital	15	678,001	678,001
Share premium account		1,250	1,250
Profit and loss account	16	5,948,698	5,805,964
Equity shareholders' funds	17	<u>6,627,949</u>	<u>6,485,215</u>

Approved by the Board and authorised for issue on 16th February 2009 and signed on its behalf by:

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Directors

P J HAMBIDGE

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HUNTERS & FRANKAU LIMITED

Consolidated cash flow statement for the year ended 31 December 2008

	Notes	2008 £	Restated 2007 £
Cash flow from operating activities	(a)	1,409,265	2,799,908
Returns on investments and servicing of finance	(b)	(2,732)	35,304
Taxation paid		(871,430)	(1,048,822)
Capital expenditure and financial investment	(c)	(30,644)	(66,101)
Equity dividends paid		(500,000)	(2,250,000)
Increase/(decrease) in cash in period	(e)	<u>4,459</u>	<u>(529,711)</u>

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Chantrey Vellacott

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

HUNTERS & FRANKAU LIMITED

Notes to the consolidated cash flow statement For the year ended 31 December 2008

Chantrey Vellacott DF&K LLP

(a)	Reconciliation of operating profit to net cash inflow from operating activities	2008 £	2007 £	
	Operating profit	2,564,918	3,378,484	
	Pension service cost	413,000	466,000	
	Pension contributions	(897,000)	(866,000)	
	Depreciation charges	179,950	183,239	
	Profit on sale of fixed assets	(6,206)	(2,300)	
	Changes in stocks	4,614	(691,125)	
	Changes in debtors	(480,485)	1,274,284	
	Changes in creditors	(369,526)	(942,674)	
	Net cash flow from operating activities	1,409,265	2,799,908	
(b)	Returns on investments and servicing of finance	2008 £	2007 £	
	Interest received	12,081	37,964	
	Interest paid	(14,813)	(2,660)	
	Net cash flow from returns on investments and servicing of finance	(2,732)	35,304	
(c)	Capital expenditure and financial investment	2008 £	2007 £	
	Sale of tangible fixed assets	10,405	2,302	
	Purchase of tangible fixed assets	(41,049)	(68,403)	
	Net cash flow from capital expenditure and financial investment	(30,644)	(66,101)	
(d)	Analysis of net debt	At 1 January 2008 £	Cash flow £	At 31 December 2008 £
	Cash at bank and in hand	4,785	12,277	17,062
	Overdrafts	(1,115,078)	(7,818)	(1,122,896)
		<u>(1,110,293)</u>	<u>4,459</u>	<u>(1,105,834)</u>
(e)	Reconciliation of net cash flow to movement in net debt	2008 £	2007 £	
	Increase(decrease) in cash	4,459	(529,711)	
	Net debt at 1 January 2008	(1,110,293)	(580,582)	
	Net debt at 31 December 2008	(1,105,834)	(1,110,293)	

HUNTERS & FRANKAU LIMITED

Notes to the financial statements For the year ended 31 December 2008

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.

HUNTERS & FRANKAU LIMITED

Notes to the financial statements For the year ended 31 December 2008

1. Accounting policies

(i) Pension costs

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

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

The Scheme includes a participating employer outside the group. However, the estimated proportion of Scheme assets and liabilities now considered to be attributable to the other participator is not material to the group and therefore the group has fully adopted Financial Reporting Standard 17 - Retirement Benefits for the year ended 31 December 2008. The effect of this change in accounting policy is to recognise the Scheme deficit in the balance sheet. The adoption of FRS17 has given rise to a prior year adjustment as shown in the statement of recognised gains and losses. The comparative figures have been restated accordingly.

Current service costs, past service costs, gains and losses on settlements and curtailments, interest and the expected return on the Scheme assets are charged to operating profit.

Regular contributions from the other participator are deducted from the attributable service cost, special contributions are shown within the statement of total recognised gains and losses.

Actuarial gains and losses in respect of the Scheme are charged to the statement of recognised gains and losses.

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

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

2. Turnover

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

	2008 £	2007 £
United Kingdom	17,610,377	19,961,582
Europe	653,217	804,721
	<u>18,263,594</u>	<u>20,766,303</u>

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

HUNTERS & FRANKAU LIMITED

Notes to the financial statements For the year ended 31 December 2008

3.	Net finance income	2008	2007
		£	£
	Bank interest receivable	12,081	37,964
	Interest payable on bank overdrafts and loans wholly repayable within 5 years	(14,813)	(2,660)
		(2,732)	35,304
	Expected return on pension scheme assets	1,122,000	1,083,000
	Interest cost on pension scheme liabilities	(1,045,000)	(965,000)
		74,268	153,304
4.	Profit on ordinary activities before taxation	2008	2007
		£	£
	Is stated after charging:		
	Depreciation	179,950	183,239
	Auditor's remuneration	25,850	25,100
	Property rentals	179,416	192,644
	Fees charged by the group's auditor for other services were £5,350 (2007 : £7,825).		
	and after crediting:		
	Profit on disposal of tangible fixed assets	6,206	2,300
5.	Staff costs	2008	2007
		£	£
(a)	Staff costs including directors during the year amounted to:		
	Wages and salaries	2,113,323	2,196,794
	Social security costs	219,733	227,980
	Pension costs - Service cost	413,000	466,000
	- Other	44,825	50,498
		2,790,881	2,941,272
(b)	The weekly average number of employees including executive directors during the year was made up as follows:		
		2008	20067
		Number	Number
	Warehousing and distribution	31	34
	Office and management	16	18
		47	52

HUNTERS & FRANKAU LIMITED

Notes to the financial statements For the year ended 31 December 2008

6.	Directors' emoluments	2008	2007
		£	£
(a)	Fees and management remuneration	746,406	764,818
	Company contributions to money purchase pension schemes	22,040	28,508
	Compensation	193,000	-
		<u>961,446</u>	<u>793,326</u>
(b)	Highest paid director:	2008	2007
		£	£
	Fees and management remuneration	121,384	157,833
	Company contributions to money purchase pension scheme	-	12,533
	Compensation for loss of office	193,000	-
		<u>314,384</u>	<u>170,366</u>

4 directors benefited from contributions to the group's defined benefit pension scheme (2007 : 4).

7.	Tax on profit on ordinary activities	2008	2007
		£	£
	UK corporation tax based on the profit for the year	615,452	919,136
	Deferred taxation	157,000	206,000
		<u>772,452</u>	<u>1,125,136</u>

Factors affecting the corporation tax charge for the year:

Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28.5% (2007 : 30%)	752,168	1,059,536
Effects of:		
Expenses not deductible for tax purposes	21,375	15,000
Difference between the tax treatment of pension contributions, service cost, interest on pension scheme liabilities and expected returns on pension scheme assets	(159,885)	(155,400)
Adjustment to tax charge in respect of previous periods	1,794	-
	<u>615,452</u>	<u>919,136</u>

8.	Dividends	2008	2007
		£	£
	On the 'A' and 'B' ordinary shares:		
	Interim paid	500,000	2,000,000
	Final paid for previous year	-	250,000
		<u>500,000</u>	<u>2,250,000</u>

HUNTERS & FRANKAU LIMITED

Notes to the financial statements For the year ended 31 December 2008

9. Tangible fixed assets Group and company

	Freehold property £	Short leasehold improvements £	Plant, equipment, fixtures & fittings £	Motor vehicles £	Total £
Cost:					
At 1 January 2008	548,434	346,045	975,630	443,170	2,313,279
Additions	-	-	9,555	31,494	41,049
Disposals	-	-	(21,053)	(84,362)	(105,415)
At 31 December 2008	<u>548,434</u>	<u>346,045</u>	<u>964,132</u>	<u>390,302</u>	<u>2,248,913</u>
Depreciation:					
At 1 January 2008	227,256	248,782	784,635	327,611	1,588,284
Provision for year	10,968	20,842	87,760	60,380	179,950
Disposals	-	-	(21,053)	(80,163)	(101,216)
At 31 December 2008	<u>238,224</u>	<u>269,624</u>	<u>851,342</u>	<u>307,828</u>	<u>1,667,018</u>
Net book value:					
At 31 December 2008	<u>310,210</u>	<u>76,421</u>	<u>112,790</u>	<u>82,474</u>	<u>581,895</u>
At 31 December 2007	<u>321,178</u>	<u>97,263</u>	<u>190,995</u>	<u>115,559</u>	<u>724,995</u>

10. Investments - Company

Shares in subsidiary undertakings:

Cost:

At 1 January 2008 and 31 December 2008

4,120,714

Provisions:

At 1 January 2008 and 31 December 2008

3,721,050

Net book value:

At 31 December 2007 and 31 December 2008

399,664

At 31 December 2008 the company's direct wholly owned subsidiary undertakings were Joseph Samuel & Son Limited and Knight Brothers Cigar Shippers Limited, registered in England and dormant.

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

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

HUNTERS & FRANKAU LIMITED

Notes to the financial statements For the year ended 31 December 2008

11.	Stocks	Group		Company	
		2008	2007	2008	2007
		£	£	£	£
	Goods purchased for resale	<u>7,632,361</u>	<u>7,636,975</u>	<u>7,632,361</u>	<u>7,636,975</u>
12.	Debtors	Group		Company	
		2008	2007	2008	2007
		£	£	£	£
	Amounts due within one year:				
	Trade debtors	3,724,852	3,334,146	3,724,852	3,334,146
	Other debtors	33,405	41,233	33,224	41,052
	Prepayments and accrued income	<u>258,438</u>	<u>160,831</u>	<u>258,438</u>	<u>160,831</u>
		<u>4,016,695</u>	<u>3,536,210</u>	<u>4,016,514</u>	<u>3,536,029</u>
	Amounts due after more than one year:				
	Deferred tax (note 14)	<u>38,610</u>	<u>38,610</u>	<u>38,610</u>	<u>38,610</u>
		<u>4,055,305</u>	<u>3,574,820</u>	<u>4,055,124</u>	<u>3,574,639</u>
13.	Creditors: amounts falling due within one year	Group		Company	
		2008	2007	2008	2007
		£	£	£	£
	Bank loans and overdrafts	1,122,896	1,115,078	1,122,896	1,115,078
	Amount owed to subsidiary undertaking	-	-	681,382	681,382
	Trade creditors	539,813	194,691	539,813	194,691
	Corporation tax	243,158	499,136	243,158	499,136
	Other taxes, duties and social security costs	829,259	726,678	829,259	726,678
	Other creditors and accruals	<u>865,239</u>	<u>1,682,468</u>	<u>863,649</u>	<u>1,680,878</u>
		<u>3,600,365</u>	<u>4,218,051</u>	<u>4,280,157</u>	<u>4,897,843</u>

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

14.	Deferred taxation	Group		Company	
		2008	2007	2008	2007
		£	£	£	£
	Capital allowances	<u>38,610</u>	<u>38,610</u>	<u>38,610</u>	<u>38,610</u>
	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 28% (2007 : 30%).

The movement during the year is analysed as follows:

	Group		Company	
	2008	2007	2008	2007
	£	£	£	£
Balance at 1 January 2008	38,610	38,610	38,610	38,610
Release for the year	-	-	-	-
Balance at 31 December 2008	<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 2008

15. Share capital

	Authorised, allotted and fully paid	
	2008	2007
	£	£
678,000 ordinary 'A' shares of 50p each	339,000	339,000
678,000 ordinary 'B' shares of 50p each	339,000	339,000
1 ordinary 'C' share of 50p	1	1
	<u>678,001</u>	<u>678,001</u>

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

16. Profit and loss account

	Group		Company	
	2008	2007	2008	2007
	£	£	£	£
Profit for the financial year	1,866,734	2,406,652	1,866,734	2,406,652
Dividends (note 8)	(500,000)	(2,250,000)	(500,000)	(2,250,000)
Other gains and losses recognised	(1,224,000)	885,000	(1,224,000)	885,000
	<u>142,734</u>	<u>1,041,652</u>	<u>142,734</u>	<u>1,041,652</u>
Retained profit at 1 January as previously reported	7,044,273	7,199,621	6,763,964	6,919,312
Prior year adjustment	(958,000)	(2,155,000)	(958,000)	(2,155,000)
As restated	<u>6,086,273</u>	<u>5,044,621</u>	<u>5,805,964</u>	<u>4,764,312</u>
Retained profit at 31 December	<u>6,229,007</u>	<u>6,086,273</u>	<u>5,948,698</u>	<u>5,805,964</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.

17. Reconciliation of movements in equity shareholders' funds

	Group		Company	
	2008	2007	2008	2007
	£	£	£	£
Profit for the financial year	1,866,734	2,406,652	1,866,734	2,406,652
Other gains and losses recognised	(1,224,000)	885,000	(1,224,000)	885,000
Dividends	(500,000)	(2,250,000)	(500,000)	(2,250,000)
Net addition to shareholders' funds	<u>142,734</u>	<u>1,041,652</u>	<u>142,734</u>	<u>1,041,652</u>
Opening equity shareholders' funds as previously reported	7,723,524	7,878,872	7,443,215	7,598,563
Prior year adjustment	(958,000)	(2,155,000)	(958,000)	2,155,000
As restated	<u>6,765,524</u>	<u>5,723,872</u>	<u>6,455,215</u>	<u>5,443,563</u>
Closing equity shareholders' funds	<u>6,908,258</u>	<u>6,765,524</u>	<u>6,627,949</u>	<u>6,485,215</u>

HUNTERS & FRANKAU LIMITED

Notes to the financial statements For the year ended 31 December 2008

18. Lease commitments	Group		Company	
	2008	2007	2008	2007
	£	£	£	£
Annual property rentals payable under leases which expire:				
Within one year	5,200	4,897	5,200	4,897
After five years	140,000	140,000	140,000	140,000
	<u>145,200</u>	<u>144,897</u>	<u>145,200</u>	<u>144,897</u>

19. Pension commitments – Group and Company

The group operates a defined benefit scheme ("Scheme") in the UK. A full actuarial valuation was carried out at 31 December 2006 and updated to 31 December 2007 by a qualified actuary, independent of the Scheme's principal participating employer.

Employer contributions in 2008 were paid at the rate of 25.2% of pensionable salary plus £499,000 deficit repair contribution. In 2009, employer contributions will be paid at the same rates.

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

	2008	2007	2006
	£'000s	£'000s	£'000s
Fair value of Scheme assets	13,572	16,974	15,851
Present value of Scheme liabilities	16,041	18,305	18,929
Deficit in Scheme	(2,469)	(1,331)	(3,078)
Deferred tax	691	373	923
Net liability to be recognised	<u>(1,778)</u>	<u>(958)</u>	<u>(2,155)</u>

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

	2008	2007
	£'000s	£'000s
Scheme liabilities at start of period	18,305	18,929
Current service cost	425	475
Interest cost	1,045	965
Actuarial losses (gains)	(2,536)	(1,569)
Benefits paid and death in service insurance premiums	(1,198)	(495)
Scheme liabilities at end of period	<u>16,041</u>	<u>18,305</u>

HUNTERS & FRANKAU LIMITED

Notes to the financial statements For the year ended 31 December 2008

19. Pension commitments

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

	2008 £'000s	2007 £'000s
Fair value of Scheme assets at start of period	16,974	15,851
Expected return on Scheme assets	1,122	1,083
Actuarial gains (losses)	(4,273)	(340)
Contributions by employer	947	875
Benefits paid and death in service insurance premiums	(1,198)	(495)
Fair value of Scheme assets at end of year	<u>13,572</u>	<u>16,974</u>

The actual return on the Scheme assets over the year ended 31 December 2008 was £(3,151,000).

Total expense recognised in profit and loss account

	2008 £'000s	2007 £'000s
Current service cost	425	475
Less: Contributions from other participator	(12)	(9)
Interest cost	1,045	965
Expected return on Scheme assets	(1,122)	(1,083)
Total expense recognised in profit and loss account	<u>336</u>	<u>348</u>

HUNTERS & FRANKAU LIMITED

Notes to the financial statements For the year ended 31 December 2008

19. Pension commitments

Statement of total recognised gains and losses

	2008 £'000s	2007 £'000s
Difference between expected and actual return on Scheme assets	(4,273)	(340)
Effects of changes in the demographic and financial assumptions underlying the present value of Scheme liabilities	2,536	1,569
Total actuarial gains and losses	(1,737)	1,229
Other participator – special contribution	38	-
Total amount recognised in statement of total recognised gains and losses	(1,699)	1,229

The cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and losses since adoption of FRS17 on 1 January 2007 FRS17 is £(508,000).

Assets

	2008 £'000s	2007 £'000s	2006 £'000s
Equity/property	8,259	12,242	13,310
Bonds	3,358	3,361	1,699
Cash	1,955	1,371	842
Total assets	13,572	16,974	15,851

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

HUNTERS & FRANKAU LIMITED

Notes to the financial statements For the year ended 31 December 2008

19. Pension commitments

Assumptions

	2008 % per annum	2007 % per annum	2006 % per annum
Inflation	2.90%	3.20%	2.90%
Salary increases	4.40%	4.70%	4.40%
Rate of discount	6.50%	5.80%	5.10%
Allowance for pension in payment increases of RPI or 5% p.a. if less	2.90%	3.20%	2.90%
Allowance for revaluation of deferred pensions of RPI or 5% p.a. if less	2.90%	3.20%	2.90%
Allowance for commutation of pension for cash at retirement	Yes	Yes	Yes

The mortality assumptions adopted at 31 December 2008 imply the following life expectancies:

Male retiring at age 65 in 2008	22.0
Female retiring at age 65 in 2008	24.8
Male retiring at age 65 in 2028	23.1
Female retiring at age 65 in 2028	25.9

Expected long term rates of return

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

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

	2009 % per annum	2008 % per annum	2007 % per annum
Equity/Property	7.75%	7.25%	7.25%
Bonds	6.50%	5.25%	4.75%
Cash	3.00%	5.50%	5.00%
Overall for scheme	6.76%	6.71%	6.86%

Amounts for the current and previous four years

	2008 £'000s	2007 £'000s	2006 £'000s	2005 £'000s	2004 £'000s
Fair value of Scheme assets	13,572	16,974	15,851	-	-
Present value of Scheme liabilities	16,041	18,305	18,929	-	-
Surplus (deficit) in Scheme	(2,469)	(1,331)	(3,078)	-	-
Experience adjustment on Scheme assets	(4,273)	(340)	-	-	-

Estimated contributions to be paid by the employer to the Scheme for the period beginning after 31 December 2008 amount to £828,000.

HUNTERS & FRANKAU LIMITED

Notes to the financial statements For the year ended 31 December 2008

20. Related party disclosures

The Company occupies offices and warehouses in South West London under a 20 year lease dated 30 October 1998 from Reyker Properties Limited, a company in which Miss J K N Freeman is a shareholder and director. The rent payable under the lease is determined by an independent qualified surveyor through rent reviews at 4 year intervals. The rent paid in the year ending 31 December 2008 was £140,000 (2007: £140,000).

The company paid fees for directors and management services to Altabana S.L. a company which has a 49.99% interest in the share capital of Hunters & Frankau Limited. Fees paid to Altabana S.L. in the year ended 31 December 2008 totalled £105,000 (2007: £105,000).

The company paid fees for directors and management services to Hunters & Frankau Group Limited, a company which has a 50.01% interest in the share capital of Hunters & Frankau Limited. Fees paid to Hunters & Frankau Group Limited in the year ended 31 December 2008 totalled £90,000 (2007: £97,500).

21. Ultimate parent undertaking

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