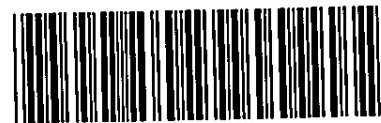


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Chantrey Vellacott DFKLLP

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HUNTERS & FRANKAU LIMITED

Financial Statements  
31 December 2009

# HUNTERS & FRANKAU LIMITED

## Directors' report for the year ended 31 December 2009

The directors present their report and the audited financial statements for the year ended 31 December 2009

### Review of the business

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

The results for 2009 show a good recovery from the previous year and reflect the actions taken by management to increase sales and improve profitability

The directors consider the results for the year and the financial position at 31 December 2009 to be satisfactory. The directors believe that the company is now in a good position to take advantage of any improvement in the economy

### 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

#### 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 its market presence and balance through its broad brand portfolio and diverse customer base

# HUNTERS & FRANKAU LIMITED

## Directors' report for the year ended 31 December 2009

### 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 its agents when new regulation is being considered

### Results and dividends

The results for the year ended 31 December 2009 are shown in the consolidated profit and loss account on page 6. The group profit for the year after taxation was £2,771,610 (2008 £1,866,734)

A first interim dividend of 110 62p per ordinary share for 2009 was paid in the year

The directors recommend a second interim dividend of 38 87p per ordinary share to be paid in 2010

The directors are not recommending the payment of a final dividend for 2009

### Directors

The directors who served during the year were

#### Executive

D G Lewis (Chairman)

Miss J K N Freeman (Managing)

P J Hambidge (Finance)

Mr I Gutierrez-Balmaseda Hernandez (Corporate) – appointed 2 November 2009

J H Darnton - resigned 6 March 2009

S G Chase - resigned 19 April 2009

Mrs A Lopez Garcia - resigned 31 July 2009

#### Non-executive

M Garcia Morejon

F J Terres de Ercilla

S G Chase - appointed 1 May 2009

# HUNTERS & FRANKAU LIMITED

## Directors' report for the year ended 31 December 2009

### Statement of directors' responsibilities

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time the financial position of the company and the group and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Insofar as the directors are aware

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

### Tangible fixed assets

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

### Donations

Charitable donations during the year amounted to £7,500 (2008: £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 2010

## HUNTERS & FRANKAU LIMITED

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

Year ended 31 December 2009

We have audited the group and parent company financial statements ("the financial statements") of Hunters & Frankau Limited for the year ended 31 December 2009 which comprise the consolidated profit and loss account, consolidated balance sheet, company balance sheet, consolidated cash flow statement and the related notes. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's shareholders, as a body, in accordance with Sections 495 and 496 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

#### Respective responsibilities of directors and auditor

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

#### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's and company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by directors, and the overall presentation of the financial statements.

#### Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2009 and of the group's profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

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

## HUNTERS & FRANKAU LIMITED

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

Year ended 31 December 2009

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

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

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

Chantrey Vellacott DFK LLP

*Chantrey Vellacott DFK LLP*

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

London

*18 February 2010*

# HUNTERS & FRANKAU LIMITED

## Consolidated profit and loss account For the year ended 31 December 2009

	Notes	2009 £	2008 £
Turnover	2	21,201,051	18,263,594
Cost of sales		13,297,672	11,366,193
Gross profit		7,903,379	6,897,401
Distribution costs		1,903,072	1,989,530
Other operating expenses		1,999,695	2,342,953
		3,902,767	4,332,483
Operating profit		4,000,612	2,564,918
Net finance (cost)/income	3	(123,688)	74,268
Profit on ordinary activities before taxation	4	3,876,924	2,639,186
Tax on profit on ordinary activities	7	1,105,314	772,452
Profit for the financial year	16	2,771,610	1,866,734

## Statement of total recognised gains and losses

	2009 £	2008 £
Profit for the financial year	2,771,610	1,866,734
Actuarial (losses)/gains on pension scheme liabilities	(2,414,000)	2,536,000
Difference between the expected and actual returns on pension scheme assets	1,393,000	(4,273,000)
Special contributions from other participators	-	38,000
Deferred taxation	286,000	475,000
Total gains and losses relating to the year	2,036,610	642,734

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 2009

	Notes	2009 £	2008 £
<b>Fixed assets</b>			
Tangible assets	9	<u>624,699</u>	<u>581,895</u>
<b>Current assets</b>			
Stocks	11	6,820,351	7,632,361
Debtors	12	4,190,905	4,055,305
Cash at bank and in hand		<u>607,345</u>	<u>17,062</u>
		<b>11,618,601</b>	<b>11,704,728</b>
<b>Creditors</b> amounts falling due within one year	13	<u>3,292,432</u>	<u>3,600,365</u>
<b>Net current assets</b>		<u>8,326,169</u>	<u>8,104,363</u>
<b>Total assets less current liabilities</b>		<b>8,950,868</b>	<b>8,686,258</b>
Pension scheme deficit	19	<u>(2,006,000)</u>	<u>(1,778,000)</u>
		<b>6,944,868</b>	<b>6,908,258</b>
<b>Capital and reserves</b>			
Called up share capital	15	678,001	678,001
Share premium account		1,250	1,250
Profit and loss account	16	6,265,617	6,229,007
<b>Equity shareholders' funds</b>	17	<u>6,944,868</u>	<u>6,908,258</u>

Approved by the Board and authorised for issue on 16 February 2010 and signed on its behalf by

D G LEWIS

  
Directors

P J HAMBIDGE



Company registration number 22169

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



# HUNTERS & FRANKAU LIMITED

## Balance sheet as at 31 December 2009

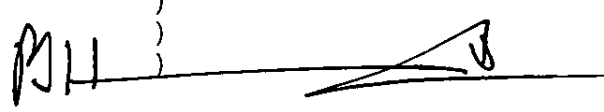
	Notes	2009 £	2008 £
<b>Fixed assets</b>			
Tangible assets	9	624,699	581,895
Investments	10	399,664	399,664
		<u>1,024,363</u>	<u>981,559</u>
<b>Current assets</b>			
Stocks	11	6,820,351	7,632,361
Debtors	12	4,190,724	4,055,124
Cash at bank and in hand		607,345	17,062
		<u>11,618,420</u>	<u>11,704,547</u>
<b>Creditors</b> amounts falling due within one year	13	3,972,224	4,280,157
<b>Net current assets</b>		<u>7,646,196</u>	<u>7,424,390</u>
<b>Total assets less current liabilities</b>		<u>8,670,559</u>	<u>8,405,949</u>
Pension scheme deficit		(2,006,000)	(1,778,000)
		<u>6,664,559</u>	<u>6,627,949</u>
<b>Capital and reserves</b>			
Called up share capital	15	678,001	678,001
Share premium account		1,250	1,250
Profit and loss account	16	5,985,308	5,948,698
<b>Equity shareholders' funds</b>	17	<u>6,664,559</u>	<u>6,627,949</u>

Approved by the Board and authorised for issue on 16 February 2010 and signed on its behalf by

D G LEWIS



P J HAMBIDGE



Directors

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

# HUNTERS & FRANKAU LIMITED

## Consolidated cash flow statement for the year ended 31 December 2009

	Notes	2009 £	2008 £
Cash flow from operating activities	(a)	<b>4,593,986</b>	1,409,265
Returns on investments and servicing of finance	(b)	<b>(2,688)</b>	(2,732)
Taxation paid		<b>(696,020)</b>	(871,430)
Capital expenditure and financial investment	(c)	<b>(182,099)</b>	(30,644)
Equity dividends paid		<b>(2,000,000)</b>	(500,000)
Increase in cash in period	(e)	<b><u>1,713,179</u></b>	<u>4,459</u>

# HUNTERS & FRANKAU LIMITED

## Notes to the consolidated cash flow statement For the year ended 31 December 2009

(a)	<b>Reconciliation of operating profit to net cash inflow from operating activities</b>		<b>2009</b> £	<b>2008</b> £
	Operating profit		4,000,612	2,564,918
	Pension service cost		261,000	413,000
	Pension contributions		(1,086,000)	(897,000)
	Depreciation charges		161,306	179,950
	Profit on sale of fixed assets		(22,011)	(6,206)
	Changes in stocks		812,010	4,614
	Changes in debtors		(135,600)	(480,485)
	Changes in creditors		602,669	(369,526)
	Net cash flow from operating activities		<u>4,593,986</u>	<u>1,409,265</u>
(b)	<b>Returns on investments and servicing of finance</b>		<b>2009</b> £	<b>2008</b> £
	Interest received		1,379	12,081
	Interest paid		(4,067)	(14,813)
	Net cash flow from returns on investments and servicing of finance		<u>(2,688)</u>	<u>(2,732)</u>
(c)	<b>Capital expenditure and financial investment</b>		<b>2009</b> £	<b>2008</b> £
	Sale of tangible fixed assets		23,600	10,405
	Purchase of tangible fixed assets		(205,699)	(41,049)
	Net cash flow from capital expenditure and financial investment		<u>(182,099)</u>	<u>(30,644)</u>
(d)	<b>Analysis of net funds</b>	At 1 January 2009 £	<b>Cash flow</b> £	<b>At 31 December 2009</b> £
	Cash at bank and in hand	17,062	590,283	607,345
	Overdrafts	(1,122,896)	1,122,896	-
		<u>(1,105,834)</u>	<u>1,713,179</u>	<u>607,345</u>
(e)	<b>Reconciliation of net cash flow to movement in net funds</b>		<b>2009</b> £	<b>2008</b> £
	Increase in cash		1,713,179	4,459
	Net debt at 1 January 2009		(1,105,834)	(1,110,293)
	Net funds at 31 December 2009		<u>607,345</u>	<u>(1,105,834)</u>

# HUNTERS & FRANKAU LIMITED

## Notes to the financial statements For the year ended 31 December 2009

### 1 Accounting policies

#### (a) Basis of accounting

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

#### (b) Basis of consolidation

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

#### (c) Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is the 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 2009

### 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

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 -

	2009 £	2008 £
United Kingdom	19,340,389	17,610,377
Europe	860,662	653,217
	<u>21,201,051</u>	<u>18,263,594</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 2009

3	<b>Net finance (cost)/income</b>	<b>2009</b>	<b>2008</b>
		£	£
	Bank interest receivable	1,379	12,081
	Interest payable on bank overdrafts and loans wholly repayable within 5 years	(4,067)	(14,813)
		<u>(2,688)</u>	<u>(2,732)</u>
	Expected return on pension scheme assets	880,000	1,122,000
	Interest cost on pension scheme liabilities	(1,001,000)	(1,045,000)
		<u>(123,688)</u>	<u>74,268</u>
4	<b>Profit on ordinary activities before taxation</b>	<b>2009</b>	<b>2008</b>
		£	£
	Is stated after charging		
	Depreciation	161,306	179,950
	Auditor's remuneration	25,850	25,850
	Property rentals	172,695	179,416
		<u></u>	<u></u>
	Fees charged by the group's auditor for other services were £9,895 (2008 £9,470)		
	and after crediting		
	Profit on disposal of tangible fixed assets	22,011	6,206
		<u></u>	<u></u>
5	<b>Staff costs</b>	<b>2009</b>	<b>2008</b>
		£	£
	(a) Staff costs including directors during the year amounted to		
	Wages and salaries	1,962,985	2,113,323
	Social security costs	211,492	219,733
	Pension costs - Service cost	261,000	413,000
	- Other	52,717	44,825
		<u>2,488,194</u>	<u>2,790,881</u>
	(b) The weekly average number of employees including executive directors during the year was made up as follows		
		<b>2009</b>	<b>2008</b>
		Number	Number
	Warehousing and distribution	28	31
	Office and management	14	16
		<u>42</u>	<u>47</u>

# HUNTERS & FRANKAU LIMITED

## Notes to the financial statements For the year ended 31 December 2009

6	<b>Directors' emoluments</b>	<b>2009</b> £	<b>2008</b> £
(a)	Fees and management remuneration	596,388	746,406
	Company contributions to money purchase pension schemes	30,583	22,040
	Compensation for loss of office	-	193,000
		<u>626,971</u>	<u>961,446</u>
(b)	<b>Highest paid director</b>	<b>2009</b> £	<b>2008</b> £
	Fees and management remuneration	189,851	121,384
	Company contributions to money purchase pension scheme	13,682	-
	Compensation for loss of office	-	193,000
		<u>203,533</u>	<u>314,384</u>
Three directors benefited from contributions to the group's defined benefit pension scheme (2008 four)			
7	<b>Tax on profit on ordinary activities</b>	<b>2009</b> £	<b>2008</b> £
	UK corporation tax based on the profit for the year	908,314	615,452
	Deferred taxation	197,000	157,000
		<u>1,105,314</u>	<u>772,452</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% (2008 28.5%)	1,085,538	752,168
	Effects of		
	Expenses not deductible for tax purposes	19,970	21,375
	Difference between the tax treatment of pension contributions, service cost, interest on pension scheme liabilities and expected returns on pension scheme assets	(197,194)	(159,885)
	Adjustment to tax charge in respect of previous periods	-	1,794
		<u>908,314</u>	<u>615,452</u>
8	<b>Dividends</b>	<b>2009</b> £	<b>2008</b> £
	On the 'A' and 'B' ordinary shares		
	First interim paid	1,500,000	500,000
	Final paid for previous year	500,000	-
		<u>2,000,000</u>	<u>500,000</u>

# HUNTERS & FRANKAU LIMITED

## Notes to the financial statements For the year ended 31 December 2009

### 9 Tangible fixed assets Group and company

	Freehold property £	Short leasehold improvements £	Plant, equipment, fixtures and fittings £	Motor vehicles £	Total £
<b>Cost:</b>					
At 1 January 2009	548,434	346,045	964,132	390,302	2,248,913
Additions	-	-	68,950	136,749	205,699
Disposals	-	(61,085)	(122,719)	(162,808)	(346,612)
At 31 December 2009	<u>548,434</u>	<u>284,959</u>	<u>910,364</u>	<u>364,243</u>	<u>2,108,000</u>
<b>Depreciation:</b>					
At 1 January 2009	238,224	269,624	851,342	307,828	1,667,018
Provision for year	10,968	20,842	64,749	64,747	161,306
Disposals	-	(61,085)	(122,422)	(161,516)	(345,023)
At 31 December 2009	<u>249,192</u>	<u>229,380</u>	<u>793,670</u>	<u>211,059</u>	<u>1,483,301</u>
<b>Net book value.</b>					
At 31 December 2009	<u>299,242</u>	<u>55,579</u>	<u>116,694</u>	<u>153,184</u>	<u>624,699</u>
At 31 December 2008	<u>310,210</u>	<u>76,421</u>	<u>112,790</u>	<u>82,474</u>	<u>581,895</u>

### 10 Investments - Company

Shares in subsidiary undertakings

#### Cost:

At 1 January 2009 and 31 December 2009 4,120,714

#### Provisions:

At 1 January 2009 and 31 December 2009 3,721,050

#### Net book value:

At 31 December 2008 and 31 December 2009 399,664

At 31 December 2009 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 2009

11	Stocks	Group		Company	
		2009 £	2008 £	2009 £	2008 £
	Goods purchased for resale	<u>6,820,351</u>	<u>7,632,361</u>	<u>6,820,351</u>	<u>7,632,361</u>
12	Debtors	Group		Company	
		2009 £	2008 £	2009 £	2008 £
	Amounts due within one year				
	Trade debtors	3,987,436	3,724,852	3,987,436	3,724,852
	Other debtors	5,681	33,405	5,500	33,224
	Prepayments and accrued income	<u>159,178</u>	<u>258,438</u>	<u>159,178</u>	<u>258,438</u>
		<u>4,152,295</u>	<u>4,016,695</u>	<u>4,152,114</u>	<u>4,016,514</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>4,190,905</u>	<u>4,055,305</u>	<u>4,190,724</u>	<u>4,055,124</u>
13	Creditors amounts falling due within one year	Group		Company	
		2009 £	2008 £	2009 £	2008 £
	Bank loans and overdrafts	-	1,122,896	-	1,122,896
	Amount owed to subsidiary undertaking	-	-	681,382	681,382
	Trade creditors	408,540	539,813	408,540	539,813
	Corporation tax	455,452	243,158	455,452	243,158
	Other taxes, duties and social security costs	1,277,165	829,259	1,277,165	829,259
	Other creditors and accruals	<u>1,151,275</u>	<u>865,239</u>	<u>1,149,685</u>	<u>863,649</u>
		<u>3,292,432</u>	<u>3,600,365</u>	<u>3,972,224</u>	<u>4,280,157</u>

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

14	Deferred taxation	Group		Company	
		2009 £	2008 £	2009 £	2008 £
	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% (2008 28%)

The movement during the year is analysed as follows

	Group		Company	
	2009 £	2008 £	2009 £	2008 £
Balance at 1 January 2009	38,610	38,610	38,610	38,610
Release for the year	-	-	-	-
Balance at 31 December 2009	<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 2009

15	Share capital	Authorised, allotted and fully paid	
		2009 £	2008 £
	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	
		2009 £	2008 £	2009 £	2008 £
	Profit for the financial year	2,771,610	1,866,734	2,771,610	1,866,734
	Dividends (note 8)	(2,000,000)	(500,000)	(2,000,000)	(500,000)
	Other gains and losses recognised	(735,000)	(1,224,000)	(735,000)	(1,224,000)
		<u>36,610</u>	<u>142,734</u>	<u>36,610</u>	<u>142,734</u>
	Retained profit at 1 January	6,229,007	6,086,273	5,948,698	5,805,964
	Retained profit at 31 December	<u>6,265,617</u>	<u>6,229,007</u>	<u>5,985,308</u>	<u>5,948,698</u>

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

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

17	Reconciliation of movements in equity shareholders' funds	Group		Company	
		2009 £	2008 £	2009 £	2008 £
	Profit for the financial year	2,771,610	1,866,734	2,771,610	1,866,734
	Other gains and losses recognised	(735,000)	(1,224,000)	(735,000)	(1,224,000)
	Dividends	(2,000,000)	(500,000)	(2,000,000)	(500,000)
	Net addition to shareholders' funds	<u>36,610</u>	<u>142,734</u>	<u>36,610</u>	<u>142,734</u>
	Opening equity shareholders' funds as previously reported	6,908,258	6,765,524	6,627,949	6,455,215
	Closing equity shareholders' funds	<u>6,944,868</u>	<u>6,908,258</u>	<u>6,664,559</u>	<u>6,627,949</u>

# HUNTERS & FRANKAU LIMITED

## Notes to the financial statements For the year ended 31 December 2009

18	Lease commitments	Group		Company	
		2009	2008	2009	2008
		£	£	£	£
	Annual property rentals payable under leases which expire				
	Within one year	3,404	5,200	3,404	5,200
	After five years	140,000	140,000	140,000	140,000
		<u>143,404</u>	<u>145,200</u>	<u>143,404</u>	<u>145,200</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 2008 by a qualified actuary, independent of the Scheme's principal participating employer.

Employer contributions in 2009 were paid at the rate of 25.2% of pensionable salary plus £752,000 deficit repair contribution. In 2010, employer contributions are expected to be paid at a lower rate following amendments to the Scheme's benefit structure.

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

	2009	2008	2007
	£'000s	£'000s	£'000s
Fair value of Scheme assets	15,407	13,572	16,974
Present value of Scheme liabilities	18,193	16,041	18,305
Deficit in Scheme	(2,786)	(2,469)	(1,331)
Deferred tax	780	691	373
Net liability to be recognised	<u>(2,006)</u>	<u>(1,778)</u>	<u>(958)</u>

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

	2009	2008
	£'000s	£'000s
Scheme liabilities at start of year	16,041	18,305
Current service cost	273	425
Interest cost	1,001	1,045
Actuarial losses (gains)	2,414	(2,536)
Benefits paid	(1,536)	(1,198)
Scheme liabilities at end of year	<u>18,193</u>	<u>16,041</u>

# HUNTERS & FRANKAU LIMITED

## Notes to the financial statements For the year ended 31 December 2009

### 19 Pension commitments

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

	2009 £'000s	2008 £'000s
Fair value of Scheme assets at start of year	13,572	16,974
Expected return on Scheme assets	880	1,122
Actuarial gains (losses)	1,393	(4,273)
Contributions by employer	1,098	947
Benefits paid	(1,536)	(1,198)
Fair value of Scheme assets at end of year	<u>15,407</u>	<u>13,572</u>

The actual return on the Scheme assets over the year ended 31 December 2009 was £2,273,000

#### Total expense recognised in profit and loss account

	2009 £'000s	2008 £'000s
Current service cost	273	425
Less Contributions from other participator	(12)	(12)
Interest cost	1,001	1,045
Expected return on Scheme assets	(880)	(1,122)
Total expense recognised in profit and loss account	<u>382</u>	<u>336</u>

# HUNTERS & FRANKAU LIMITED

## Notes to the financial statements For the year ended 31 December 2009

### 19 Pension commitments

#### Statement of total recognised gains and losses

	2009 £'000s	2008 £'000s
Difference between expected and actual return on Scheme assets	1,393	(4,273)
Effects of changes in the demographic and financial assumptions underlying the present value of Scheme liabilities	(2,414)	2,536
Total actuarial gains and losses	(1,021)	(1,737)
Other participator – special contribution	-	38
<b>Total amount recognised in statement of total recognised gains and losses</b>	<b>(1,021)</b>	<b>(1,699)</b>

The cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and losses since adoption of FRS17 on 1 January 2007 FRS17 is £(1,529,000)

#### Assets

	2009 £'000s	2008 £'000s	2007 £'000s
Equity/property	10,748	8,259	12,242
Bonds	3,035	3,358	3,361
Cash	1,624	1,955	1,371
<b>Total assets</b>	<b>15,407</b>	<b>13,572</b>	<b>16,974</b>

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

# HUNTERS & FRANKAU LIMITED

## Notes to the financial statements For the year ended 31 December 2009

### 19 Pension commitments

Assumptions	2009 % per annum	2008 % per annum	2007 % per annum
Inflation	3.5%	2.90%	3.20%
Salary increases	3.5%	4.40%	4.70%
Rate of discount	5.7%	6.50%	5.80%
Allowance for pension in payment increases of RPI or 5% p.a. if less	3.5%	2.90%	3.20%
Allowance for revaluation of deferred pensions of RPI or 5% p.a. if less	3.5%	2.90%	3.20%
Allowance for commutation of pension for cash at retirement	Yes	Yes	Yes

The mortality assumptions adopted at 31 December 2009 imply the following life expectancies

Male retiring at age 65 in 2008	22.0
Female retiring at age 65 in 2008	24.9
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

	2010 % per annum	2009 % per annum	2008 % per annum
Equity/Property	8.0%	7.75%	7.25%
Bonds	5.45%	6.50%	5.25%
Cash	3.0%	3.00%	5.50%
Overall for scheme	6.97%	6.76%	6.71%

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

	2009 £'000s	2008 £'000s	2007 £'000s	2006 £'000s	2005 £'000s
Fair value of Scheme assets	15,407	13,572	16,974	15,851	-
Present value of Scheme liabilities	18,193	16,041	18,305	18,929	-
Surplus (deficit) in Scheme	(2,786)	(2,469)	(1,331)	(3,078)	-
Experience adjustment on Scheme assets	1,393	(4,273)	(340)	-	-

Estimated contributions to be paid by the employer to the Scheme for the period beginning after 31 December 2009 amount to £786,855

## HUNTERS & FRANKAU LIMITED

### Notes to the financial statements For the year ended 31 December 2009

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

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

Simon Chase Limited, a company controlled by Mr S G Chase provides marketing and regulatory consultancy services to the company. During the year Simon Chase Limited invoiced the company £51,744 (2008 £nil). At 31 December 2009 £6,000 (2008 £nil) was owed by the company to Simon Chase Limited.

The Company occupies offices and warehouses in South West London under a 20 year lease dated 30 October 1998 from Reyker Properties Limited, a company in which Miss J K N Freeman is a shareholder and director. The rent payable under the lease is determined by an independent qualified surveyor through rent reviews at 4 year intervals. The rent paid in the year ending 31 December 2009 was £140,000 (2008 £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 2009 totalled £105,000 (2008 £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 2009 totalled £97,500 (2008 £90,000).

#### 21 Ultimate parent undertaking

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