



HUNTERS & FRANKAU LIMITED

**Annual Report
31 December 2013**

HUNTERS & FRANKAU LIMITED

Annual Report

Year ended 31 December 2013

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HUNTERS & FRANKAU LIMITED

Strategic report for the year ended 31 December 2013

Review of the business

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

The results for 2013 showed further consolidation of the company's position in the market with increased Havana Cigar sales largely mitigating a contraction in the market for imported European manufactured cigars.

The directors consider the results for the year and the financial position at 31 December 2013 to be satisfactory. The directors believe that the company remains in a strong position in its sectors of the market.

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.

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 its foreseeable needs.

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.

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 strategic stock position.

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 events and regulatory risk which are monitored and managed by the Board.

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

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.

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

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.

HUNTERS & FRANKAU LIMITED

Strategic report for the year ended 31 December 2013

Key performance indicators

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

The key performance indicators for the year to 31 December 2013 were:

	2013	2012
Havana sales growth %	1.4%	3.8%
Other sales growth %	(10.9%)	7.9%
Gross margin%	37.6%	37.2%
Operating profit%	20.5%	20.6%

Sales, particularly in the European manufactured cigar category experienced strong head winds in 2013 following increased regulation of the display of tobacco products and increases in Tobacco Product Excise Duty well in excess of the underlying increase in the Retail Price Index.

The directors expect that increased regulation and higher Tobacco Product Excise Duty together with increased European Import Duty on Havana cigars with effect from 1 January 2014, will continue to cause head winds for sales.

This report was approved by the board on 11 February 2014 and signed on its behalf.



P J Hambidge
Director

HUNTERS & FRANKAU LIMITED

Directors' report for the year ended 31 December 2013

Results and dividends

The results for the year ended 31 December 2013 are shown in the consolidated profit and loss account on page 7. The group profit for the year after taxation was £3,831,102 (2012: £3,947,527).

A final dividend for 2012 of 55.310p per ordinary share was paid on 26 June 2013.

An interim dividend of 147.493p per ordinary share was paid on 15 November 2013 in respect of the year.

The directors are recommending the payment of a final dividend of 73.7465p per ordinary share.

Directors

The directors who served during the year were:

Executive

D G Lewis (Chairman)
Miss J K N Freeman (Managing)
P J Hambidge (Finance)
I Gutierrez-Balmaseda Hernandez (Corporate)
S G M Croley (Sales and Marketing)

Non-executive

F J Terres de Ercilla
S G Chase
Mrs A Lopez Garcia

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;
- state whether applicable UK 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 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.

HUNTERS & FRANKAU LIMITED

Directors' report for the year ended 31 December 2013

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.

Donations

Charitable donations during the year amounted to £7,700 (2012: £7,500).

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: 11 February 2014

HUNTERS & FRANKAU LIMITED

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

Year ended 31 December 2013

We have audited the financial statements of Hunters & Frankau Limited for the year ended 31 December 2013 which comprise the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the consolidated and company balance sheets, the consolidated cash flow statement, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the directors' responsibilities statement, 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 and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) (ISAs). 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 the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2013 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 and strategic report for the financial year for which the financial statements are prepared is consistent with the financial statements.

HUNTERS & FRANKAU LIMITED

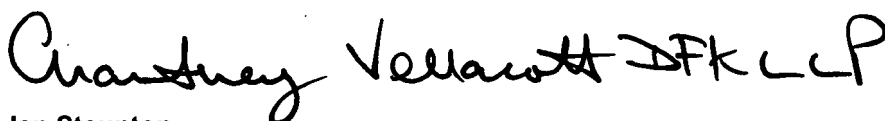
Independent auditor's report to the shareholders of Hunters & Frankau Limited

Year ended 31 December 2013

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where, under the Companies Act 2006, we are required 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.



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

London

11 February 2014



HUNTERS & FRANKAU LIMITED

Consolidated profit and loss account For the year ended 31 December 2013

	Notes	2013 £	2012 £
Turnover	2	24,043,383	25,075,203
Cost of sales		15,011,386	15,755,927
Gross profit		9,031,997	9,319,276
Distribution costs		2,007,314	1,907,676
Other operating expenses		2,099,746	2,244,409
		4,107,060	4,152,085
Operating profit		4,924,937	5,167,191
Net finance income	3	187,062	113,679
Profit on ordinary activities before taxation	4	5,111,999	5,280,870
Tax on profit on ordinary activities	7	1,280,897	1,333,343
Profit for the financial year	16	3,831,102	3,947,527

Statement of total recognised gains and losses

	2013 £	2012 £
Profit for the financial year	3,831,102	3,947,527
Actuarial losses on pension scheme liabilities	(717,000)	(416,000)
Difference between the expected and actual returns on pension scheme assets	1,175,000	512,000
Deferred taxation	(96,000)	(22,000)
Total gains and losses relating to the year	4,193,102	4,021,527

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

The notes on pages 11 to 23 form part of these financial statements.

HUNTERS & FRANKAU LIMITED

Consolidated balance sheet as at 31 December 2013

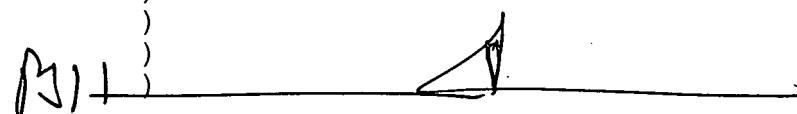
	Notes	2013 £	2012 £
Fixed assets			
Tangible assets	9	<u>387,559</u>	<u>408,432</u>
Current assets			
Stocks	11	8,587,285	6,996,992
Debtors	12	4,960,089	5,741,723
Cash at bank and in hand		<u>1,155,512</u>	<u>457,034</u>
		14,702,886	13,195,749
Creditors: amounts falling due within one year	13	<u>3,539,668</u>	<u>2,766,506</u>
Net current assets		<u>11,163,218</u>	<u>10,429,243</u>
Total assets less current liabilities		11,550,777	10,837,675
Provision for liabilities			
Pension scheme deficit	19	<u>(299,000)</u>	<u>(1,029,000)</u>
		11,251,777	9,808,675
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>10,572,526</u>	<u>9,129,424</u>
Equity shareholders' funds	17	<u>11,251,777</u>	<u>9,808,675</u>

Approved by the Board and authorised for issue on 11 February 2014 and signed on its behalf by:

D G LEWIS


Directors

P J HAMBIDGE



The notes on pages 11 to 23 form part of these financial statements.

HUNTERS & FRANKAU LIMITED

Balance sheet as at 31 December 2013

	Notes	2013 £	2012 £
Fixed assets			
Tangible assets	9	387,559	408,432
Investments	10	399,664	399,664
		<u>787,223</u>	<u>808,096</u>
Current assets			
Stocks	11	8,587,285	6,996,992
Debtors	12	4,959,908	5,741,542
Cash at bank and in hand		1,155,512	457,034
		<u>14,702,705</u>	<u>13,195,568</u>
Creditors: amounts falling due within one year	13	<u>4,219,460</u>	<u>3,446,298</u>
Net current assets		<u>10,483,245</u>	<u>9,749,270</u>
Total assets less current liabilities		<u>11,270,468</u>	<u>10,557,366</u>
Provision for liabilities			
Pension scheme deficit	19	<u>(299,000)</u>	<u>(1,029,000)</u>
		<u>10,971,468</u>	<u>9,528,366</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	10,292,217	8,849,115
Equity shareholders' funds	17	<u>10,971,468</u>	<u>9,528,366</u>

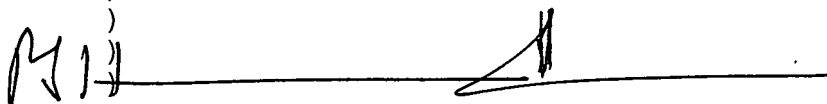
Approved by the Board and authorised for issue on 11 February 2014 and signed on its behalf by:

D G LEWIS



) Directors

P J HAMBIDGE



Company registration number 22169.

The notes on pages 11 to 23 form part of these financial statements.

HUNTERS & FRANKAU LIMITED

Consolidated cash flow statement for the year ended 31 December 2013

	Notes	2013 £	2012 £
Cash flow from operating activities	(a)	4,607,133	3,803,877
Returns on investments and servicing of finance	(b)	5,062	3,679
Taxation paid		(1,112,869)	(1,191,409)
Capital expenditure and financial investment	(c)	(50,848)	(59,086)
Equity dividends paid		(2,750,000)	(2,750,000)
Increase/(decrease) in cash in period	(e)	<u>698,478</u>	<u>(192,939)</u>

HUNTERS & FRANKAU LIMITED

Notes to the consolidated cash flow statement For the year ended 31 December 2013

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

	2013 £	2012 £
Operating profit	4,924,937	5,167,191
Pension service cost	258,000	257,000
Pension contributions	(576,000)	(702,000)
Depreciation charges	82,021	130,742
Profit on sale of fixed assets	(10,300)	(1,067)
Changes in stocks	(1,590,293)	117,926
Changes in debtors	785,592	(1,297,646)
Changes in creditors	733,176	131,731
Net cash flow from operating activities	<u>4,607,133</u>	<u>3,803,877</u>

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

	2013 £	2012 £
Interest received	6,154	3,820
Interest paid	(1,092)	(141)
Net cash flow from returns on investments and servicing of finance	<u>5,062</u>	<u>3,679</u>

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

	2013 £	2012 £
Sale of tangible fixed assets	10,300	3,750
Purchase of tangible fixed assets	(61,148)	(62,836)
Net cash flow from capital expenditure and financial investment	<u>(50,848)</u>	<u>(59,086)</u>

(d) **Analysis of net funds**

	At 1 January 2013 £	Cash flow £	At 31 December 2013 £
Cash at bank and in hand	<u>457,034</u>	<u>698,478</u>	<u>1,155,512</u>

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

	2013 £	2012 £
Increase/(decrease) in cash	698,478	(192,939)
Net funds at 1 January 2013	<u>457,034</u>	<u>649,973</u>
Net funds at 31 December 2013	<u>1,155,512</u>	<u>457,034</u>

HUNTERS & FRANKAU LIMITED

Notes to the financial statements For the year ended 31 December 2013

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 actual purchase cost including, where appropriate, inwards carriage and excise duty. 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.

Deferred taxation arising on the pension deficit is treated as a reduction in the deficit.

(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 2013

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 and self invested personal pensions (SIPPS).

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 considered to be attributable to the other participator is not material to the group and therefore the group has fully included the whole of the Scheme liabilities and other information required by 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 from the other participator and actuarial gains and losses in respect of the Scheme are included in 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 determined in accordance with FRS 17 is presented separately on the face of the balance sheet.

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

2. Turnover

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

	2013 £	2012 £
United Kingdom	23,196,283	24,154,545
Rest of Europe	847,100	920,658
	<u>24,043,383</u>	<u>25,075,203</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 2013

3.	Net finance income	2013	2012
		£	£
	Bank interest receivable	6,154	3,820
	Interest payable on bank overdrafts and loans wholly repayable within 5 years	(1,092)	(141)
		<u>5,062</u>	<u>3,679</u>
	Expected return on pension scheme assets	1,023,000	988,000
	Interest cost on pension scheme liabilities	(841,000)	(878,000)
		<u>187,062</u>	<u>113,679</u>
4.	Profit on ordinary activities before taxation	2013	2012
		£	£
	Is stated after charging:		
	Depreciation	82,021	130,742
	Auditor's remuneration – audit services	29,364	28,450
	Property rentals	168,432	167,300
		<u></u>	<u></u>
	and after crediting:		
	Profit on disposal of tangible fixed assets	10,300	1,067
		<u></u>	<u></u>
	Fees charged by the group's auditor for other services were £9,400 (2012 : £12,885).		
5.	Staff costs	2013	2012
		£	£
(a)	Staff costs including directors during the year amounted to:		
	Wages and salaries	2,257,817	2,212,985
	Social security costs	271,875	252,826
	Pension costs - Service cost	258,000	257,000
	- Other	61,541	54,229
		<u>2,849,233</u>	<u>2,777,040</u>
(b)	The weekly average number of employees including executive directors during the year was made up as follows:		
		2013	2012
		Number	Number
	Warehousing and distribution	31	30
	Office and management	13	14
		<u>44</u>	<u>44</u>

HUNTERS & FRANKAU LIMITED

Notes to the financial statements For the year ended 31 December 2013

6. Directors' emoluments	2013	2012
	£	£
(a) Fees and management remuneration	838,957	763,426
Company contributions to money purchase pension schemes	16,650	16,423
	855,607	779,849
(b) Highest paid director:	2013	2012
	£	£
Fees and management remuneration	254,123	237,782
Deferred accrued defined benefit pension p.a.	51,891	51,891

Two directors benefited from contributions to the group's defined benefit pension scheme (2012: three). Three directors benefited from contributions to money purchase pension schemes (2012: three).

7. Tax on profit on ordinary activities	2013	2012
	£	£
UK corporation tax based on the profit for the year	1,152,855	1,157,603
Deferred taxation	128,042	175,740
	1,280,897	1,333,343

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 23.25% (2012 : 24.5%)	1,188,540	1,293,813
Effects of:		
Expenses not deductible for tax purposes	40,325	22,362
Differences between depreciation and capital allowances	(3,958)	3,740
Difference between the tax treatment of pension contributions, service cost, interest on pension scheme liabilities and expected returns on pension scheme assets	(116,250)	(135,975)
Adjustment to tax charge in respect of previous periods	44,198	(26,337)
	1,152,855	1,157,603

8. Dividends	2013	2012
	£	£
On the 'A' and 'B' ordinary shares:		
First interim paid	2,000,000	2,000,000
Final paid for 2012	750,000	-
Final paid for 2011	-	750,000
	2,750,000	2,750,000

HUNTERS & FRANKAU LIMITED

Notes to the financial statements For the year ended 31 December 2013

9. Tangible fixed assets Group and company

	Freehold property £	Short leasehold improvements £	Plant, equipment, fixtures and fittings £	Motor vehicles £	Total £
Cost:					
At 1 January 2013	548,434	290,360	857,702	332,361	2,028,857
Additions	-	-	11,335	49,813	61,148
Disposals	-	-	-	(47,552)	(47,552)
At 31 December 2013	548,434	290,360	869,037	334,622	2,042,453
Depreciation:					
At 1 January 2013	282,098	285,769	814,463	238,095	1,620,425
Provision for year	10,969	810	24,920	45,322	82,021
Disposals	-	-	-	(47,552)	(47,552)
At 31 December 2013	293,067	286,579	839,383	235,865	1,654,894
Net book value:					
At 31 December 2013	255,367	3,781	29,654	98,757	387,559
At 31 December 2012	266,336	4,591	43,239	94,266	408,432

10. Investments - Company

Shares in subsidiary undertakings:	£
Cost:	
At 1 January 2013 and 31 December 2013	4,120,714
Provisions:	
At 1 January 2013 and 31 December 2013	3,721,050
Net book value:	
At 31 December 2013 and 31 December 2013	399,664

At 31 December 2013, 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 2013

11.	Stocks	Group		Company	
		2013	2012	2013	2012
		£	£	£	£
	Goods purchased for resale	8,587,285	6,996,992	8,587,285	6,996,992
12.	Debtors	Group		Company	
		2013	2012	2013	2012
		£	£	£	£
	Amounts due within one year:				
	Trade debtors	4,652,452	5,575,878	4,652,452	5,575,878
	Other debtors	114,758	22,828	114,577	22,647
	Prepayments and accrued income	179,116	133,212	179,116	133,212
		4,946,326	5,731,918	4,946,145	5,731,737
	Amounts due after more than one year:				
	Deferred tax (note 14)	13,763	9,805	13,763	9,805
		4,960,089	5,741,723	4,959,908	5,741,542
13.	Creditors: amounts falling due within one year	Group		Company	
		2013	2012	2013	2012
		£	£	£	£
	Amount owed to subsidiary undertaking	-	-	681,382	681,382
	Trade creditors	1,209,209	252,673	1,209,209	252,673
	Corporation tax	559,213	519,227	559,213	519,227
	Other taxes, duties and social security costs	1,223,696	1,402,636	1,223,696	1,402,636
	Other creditors and accruals	547,550	591,970	545,960	590,380
		3,539,668	2,766,506	4,219,460	3,446,298
14.	Deferred taxation	Group		Company	
		2013	2012	2013	2012
		£	£	£	£
	Capital allowances	(13,763)	(9,805)	(13,763)	(9,805)
	Deferred tax asset	(13,763)	(9,805)	(13,763)	(9,805)

The provision for deferred taxation has been calculated based on a corporation tax rate of 21.0% (2012 : 23.0%).

The movement during the year is analysed as follows:

	Group		Company	
	2013	2012	2013	2012
	£	£	£	£
Balance at 1 January 2013	(9,805)	(13,545)	(9,805)	(13,545)
(Credit)/charge for the year	(3,958)	3,740	(3,958)	3,740
Balance at 31 December 2013	(13,763)	(9,805)	(13,763)	(9,805)

Details of the deferred tax asset arising on the pension deficit are given in note 19.

HUNTERS & FRANKAU LIMITED

Notes to the financial statements For the year ended 31 December 2013

15. Share capital

	Authorised, allotted and fully paid	
	2013	2012
	£	£
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	
	2013	2012	2013	2012
	£	£	£	£
Profit for the financial year	3,831,102	3,947,527	3,831,102	3,947,527
Dividends (note 8)	(2,750,000)	(2,750,000)	(2,750,000)	(2,750,000)
Other gains and losses recognised	362,000	74,000	362,000	74,000
	<u>1,443,102</u>	<u>1,271,527</u>	<u>1,443,102</u>	<u>1,271,527</u>
Retained profit at 1 January	9,129,424	7,857,897	8,849,115	7,577,588
Retained profit at 31 December	<u>10,572,526</u>	<u>9,129,424</u>	<u>10,292,217</u>	<u>8,849,115</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 the group profit and loss account in prior years is £776,200.

17. Reconciliation of movements in equity shareholders' funds

	Group		Company	
	2013	2012	2013	2012
	£	£	£	£
Profit for the financial year	3,831,102	3,947,527	3,831,102	3,947,527
Other gains and losses recognised	362,000	74,000	362,000	74,000
Dividends	(2,750,000)	(2,750,000)	(2,750,000)	(2,750,000)
	<u>1,443,102</u>	<u>1,271,527</u>	<u>1,443,102</u>	<u>1,271,527</u>
Net addition to shareholders' funds	1,443,102	1,271,527	1,443,102	1,271,527
Opening equity shareholders' funds	9,808,675	8,537,148	9,528,366	8,256,839
Closing equity shareholders' funds	<u>11,251,777</u>	<u>9,808,675</u>	<u>10,971,468</u>	<u>9,528,366</u>

HUNTERS & FRANKAU LIMITED

Notes to the financial statements For the year ended 31 December 2013

18. Lease commitments	Group		Company	
	2013	2012	2013	2012
	£	£	£	£
Annual property rentals payable under leases which expire:				
Within one year	3,683	3,515	3,683	3,515
Between one and five years	140,000	140,000	140,000	140,000
	<u>143,683</u>	<u>143,515</u>	<u>143,683</u>	<u>143,515</u>

19. Pension commitments – Group and Company

The group operates a defined benefit scheme ("the Scheme") in the UK. A full actuarial valuation was carried out at 31 December 2009 by a qualified actuary, independent of the Scheme's principal participating employer.

Employer contributions in 2013 were paid at the rate of 19.7% of pensionable salary plus £400,000 deficit repair contribution. In 2014, employer contributions are expected to be £650,000.

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

	2013	2012	2011
	£'000s	£'000s	£'000s
Fair value of Scheme assets	19,250	17,152	16,647
Present value of Scheme liabilities	(19,629)	(18,489)	(18,635)
Deficit in Scheme	(379)	(1,337)	(1,988)
Deferred tax	80	308	502
Net liability to be recognised	<u>(299)</u>	<u>(1,029)</u>	<u>(1,486)</u>

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

	2013	2012
	£'000s	£'000s
Scheme liabilities at start of year	18,489	18,635
Current service cost	258	257
Interest cost	841	878
Actuarial losses	717	416
Benefits paid	(676)	(1,697)
Scheme liabilities at end of year	<u>19,629</u>	<u>18,489</u>

HUNTERS & FRANKAU LIMITED

Notes to the financial statements For the year ended 31 December 2013

19. Pension commitments

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

	2013 £'000s	2012 £'000s
Fair value of Scheme assets at start of year	17,152	16,647
Expected return on Scheme assets	1,023	988
Difference between expected and actual return on Scheme assets	1,175	512
Contributions by employer	576	702
Benefits paid	(676)	(1,697)
Fair value of Scheme assets at end of year	<u>19,250</u>	<u>17,152</u>

The actual return on the Scheme assets over the year ended 31 December 2013 was £2,198,000.

Total recognised in profit and loss account

	2013 £'000s	2012 £'000s
Current service cost	258	257
Interest cost	841	878
Expected return on Scheme assets	(1,023)	(988)
Total recognised in profit and loss account	<u>76</u>	<u>147</u>



HUNTERS & FRANKAU LIMITED

Notes to the financial statements For the year ended 31 December 2013

19. Pension commitments

Statement of total recognised gains and losses

	2013 £'000s	2012 £'000s
Difference between expected and actual return on Scheme assets	1,175	512
Experience gains and losses arising on the Scheme liabilities	-	-
Effects of changes in the demographic and financial assumptions underlying the present value of Scheme liabilities	(717)	(416)
Total amount recognised in statement of total recognised gains and losses	458	96

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 is £(1,655,000).

Assets

	2013 £'000s	2012 £'000s	2011 £'000s
Equity/property	11,642	10,834	10,660
Bonds	5,839	4,876	4,866
Cash and other	1,769	1,442	1,121
Total assets	19,250	17,152	16,647

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 2013

19. Pension commitments

Assumptions

	2013 % per annum	2012 % per annum	2011 % per annum
Inflation	3.30%	2.65%	3.00%
Salary increases	3.00%	2.60%	2.70%
Rate of discount	4.50%	4.60%	4.90%
Allowance for pension in payment increases of RPI or 5% p.a. if less	3.30%	2.65%	3.00%
Allowance for revaluation of deferred pensions of RPI or 5% p.a. if less	3.20%	2.55%	3.00%
Allowance for commutation of pension for cash at retirement	Yes	Yes	Yes

The mortality assumptions adopted at 31 December 2013 imply the following life expectancies:

	Years
Male retiring at age 65 in 2013	21.9
Female retiring at age 65 in 2013	24.1
Male retiring at age 65 in 2033	23.3
Female retiring at age 65 in 2033	25.6

Expected long term rates of return

The expected long-term rate of return on cash is determined by reference to market rates at the balance sheet dates. The expected long-term return on bonds is determined by reference to UK long dated government and corporate bond yields at the balance sheet date. The expected long-term 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:

	2013 % per annum	2012 % per annum	2011 % per annum
Equity/property	7.0%	7.0%	7.00%
Bonds	4.6%	4.9%	5.10%
Cash and other	3.0%	3.0%	3.00%
Overall for Scheme	5.98%	6.12%	6.17%

Amounts for the current and previous four years

	2013 £'000s	2012 £'000s	2011 £'000s	2010 £'000s	2009 £'000s
Fair value of Scheme assets	19,250	17,152	16,647	17,492	15,407
Present value of Scheme liabilities	19,629	18,489	18,635	17,893	18,193
(Deficit) in Scheme	(379)	(1,337)	(1,988)	(401)	(2,786)
Experience adjustment on Scheme assets	1,175	512	(1,738)	863	1,393
Experience gains on Scheme liabilities	-	-	-	1,577	-

HUNTERS & FRANKAU LIMITED

Notes to the financial statements For the year ended 31 December 2013

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 £69,264 (2012: £72,921). At 31 December 2013 £7,200 (2012: £7,200) 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 ended 31 December 2013 was £140,000 (2012: £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 2013 totalled £105,000 (2012: £105,000).

The company paid fees for 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 2013 totalled £97,500 (2012: £97,500). Miss J K N Freeman, Mr D G Lewis and Mr P J Hambidge are directors and shareholders of Hunters & Frankau Group Limited.

21. Controlling party

The company's immediate parent undertaking is J Frankau & Company Limited and its ultimate parent undertaking is Hunters & Frankau Group Limited, which are registered in England. The company's financial statements are consolidated in those of its ultimate parent.

In the opinion of the board, the ultimate controlling party is the Nicholas Freeman Business Trust, based in England.