


COMPANY No. 3794838

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**HUNTERS & FRANKAU
GROUP LIMITED**

**Annual Report
31 December 2014**

HUNTERS & FRANKAU GROUP LIMITED

Annual Report Year ended 31 December 2014

Contents	Page
Directors, officers and advisers	1
Strategic report	2-3
Directors' report	4-5
Independent auditor's report	6-7
Consolidated profit and loss account	8
Consolidated statement of total recognised gains and losses	8
Consolidated balance sheet	9
Balance sheet	10
Consolidated cash flow statement	11
Notes to the consolidated cash flow statement	12
Notes to the financial statements	13-26

HUNTERS & FRANKAU GROUP LIMITED

Directors, officers and advisers

Directors

D G Lewis (Chairman)
Mrs B E P Freeman
C J R Freeman
Miss J K N Freeman
P J Hambidge
R F Muguiro

Secretary

P J Hambidge

Auditor

Moore Stephens LLP
Russell Square House
10/12 Russell Square
London
WC1B 5LF

Bankers

HSBC Private Bank (UK) Limited
78 St James's Street
London
SW1A 1JB

Solicitors

Ashurst
Broadwalk House
5 Appold Street
London
EC2A 2HA

Registered office

52 Jermyn Street
London
SW1Y 6LX

HUNTERS & FRANKAU GROUP LIMITED

Strategic report for the year ended 31 December 2014

Review of the business

The group is principally engaged in importing and distributing cigars and allied products.

The results for 2014 showed good overall growth in sales with increased Premium Havana Cigar sales more than offsetting a slight overall contraction in the market for imported European manufactured cigars.

The directors consider the results for the year and the financial position at 31 December 2014 to be satisfactory. The directors believe that the group remains in a strong position in its sectors of the market.

Risks and uncertainty

The group 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 group's finance department.

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

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

The group is exposed to foreign exchange risk. Transaction exposures are regularly forecast and reviewed in order to mitigate currency risk. The group manages risk through its strategic stock position.

The group'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.

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

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

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

HUNTERS & FRANKAU GROUP LIMITED

Strategic report for the year ended 31 December 2014

The group'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.

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 results following each period end.

The key performance indicators for the year to 31 December 2014 were:

	2014	2013
Havana sales growth %	8.6%	1.4%
Other sales growth %	(1.7%)	(10.9%)
Gross margin %	37.3%	37.6%
Operating profit %	20.1%	20.1%

Demand for Premium Habanos Cigars remained strong in 2014 despite higher than inflation Tobacco Product Duty increases and an unhelpful increase in Common Custom Tariff ("CCT") for Habanos Cigars cleared from bond into the European Union on or after 31 December 2013. Demand was boosted by good availability of attractive new limited edition and regional edition Habanos products during the final quarter of 2014.

The directors are focusing on the preparation for the extension of the tobacco products display ban in small retail providers from April 2015 but nonetheless expect some reduction in cigar sales will occur as a result of this legislation.

This report was approved by the Board on 21 May 2015 and signed on its behalf.



P J Hambidge
Director

HUNTERS & FRANKAU GROUP LIMITED

Directors' report for the year ended 31 December 2014

Results and dividends

The results for the year ended 31 December 2014 are shown in the consolidated profit and loss account on page 8. The group profit for the year after taxation but before minority interest was £4,162,878 (2013: £3,755,302).

A final dividend for 2013 of £5.00 per ordinary share was paid on 15 July 2014.

An interim dividend for 2014 of £4.00 per ordinary share was paid on 8 December 2014.

The directors are recommending the payment of a final dividend for 2014 of £5.00 per ordinary share.

Directors

The directors of the company who all served throughout the year are named on page 1.

Donations

Charitable donations during the year amounted to £7,500 (2013: £7,700).

Statement of directors' responsibilities

The directors are responsible for preparing the strategic report, 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 GROUP LIMITED

Directors' report for the year ended 31 December 2014

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

Strategic report

Information on the review of the business, principal risks and uncertainties and key performance indicators is shown in the strategic report.

Auditor

Chantrey Vellacott DFK LLP merged its practice with Moore Stephens LLP with effect from 1 May 2015 and now practises under the name of Moore Stephens LLP. A resolution to appoint Moore Stephens LLP as auditor will be proposed at the forthcoming annual general meeting.

By order of the Board

A handwritten signature in black ink, appearing to read 'PJH', followed by a long horizontal line that ends in a stylized flourish.

P J HAMBIDGE
Secretary
52 Jermyn Street
London
SW1Y 6LX

21 May 2015

HUNTERS & FRANKAU GROUP LIMITED

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

Year ended 31 December 2014

We have audited the financial statements of Hunters & Frankau Group Limited for the year ended 31 December 2014 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 shareholders, 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 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 4, 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). 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 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 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 company's affairs as at 31 December 2014 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 strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

HUNTERS & FRANKAU GROUP LIMITED

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

Year ended 31 December 2014

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.

A handwritten signature in black ink, appearing to read 'Moore Stephens LLP'.

**Ian Staunton
Senior Statutory Auditor
For and on behalf of
MOORE STEPHENS LLP
Chartered Accountants
Statutory Auditor**

London

21 May 2015

HUNTERS & FRANKAU GROUP LIMITED

Consolidated profit and loss account For the year ended 31 December 2014

	Notes	2014 £	2013 £
Turnover	2	25,191,077	24,046,383
Cost of sales		15,798,662	15,011,386
Gross profit		<u>9,392,415</u>	<u>9,034,997</u>
Distribution costs		2,041,972	2,007,314
Other operating expenses		2,283,064	2,202,346
		<u>4,325,036</u>	<u>4,209,660</u>
Operating profit		5,067,379	4,825,337
Net finance income	3	259,701	189,069
Profit on ordinary activities before taxation	4	5,327,080	5,014,406
Tax on profit on ordinary activities	7	1,164,202	1,259,104
Profit for the financial year	8	4,162,878	3,755,302
Minority interest		2,135,877	1,915,551
Retained profit for the year		<u>2,027,001</u>	<u>1,839,751</u>

Consolidated statement of total recognised gains and losses

	2014 £	2013 £
Profit for the financial year	2,027,001	1,839,751
Unrealised profit on revaluation of freehold property	430,602	-
Actuarial losses on pension scheme liabilities	(2,432,000)	(717,000)
Difference between the expected and actual returns on pension scheme assets	132,000	1,175,000
Deferred taxation	460,000	(96,000)
Minority interest in other gains and losses recognised	920,000	(181,000)
Total gains relating to the year	<u>1,537,603</u>	<u>2,020,751</u>

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

The notes on pages 13 to 26 form part of these financial statements.

HUNTERS & FRANKAU GROUP LIMITED

Consolidated balance sheet as at 31 December 2014

	Notes	2014 £	2013 £
Fixed assets			
Tangible assets	10	<u>768,170</u>	<u>387,559</u>
Current assets			
Stocks	12	7,982,590	8,587,285
Debtors	13	5,400,968	4,960,874
Cash at bank and in hand		<u>2,227,166</u>	<u>2,068,887</u>
		15,610,724	15,617,046
Creditors: amounts falling due within one year	14	<u>2,922,045</u>	<u>3,636,969</u>
Net current assets		12,688,679	11,980,077
Total assets less current liabilities		13,456,849	12,367,636
Pension scheme deficit	21	<u>(1,487,000)</u>	<u>(299,000)</u>
Net assets		11,969,849	12,068,636
Capital and reserves			
Called up share capital	16	150,252	150,252
Revaluation reserve	17	430,602	-
Capital reserve		8,880	8,880
Merger reserve		99,850	99,850
Profit and loss account	18	<u>5,938,500</u>	<u>6,183,767</u>
Equity shareholders' funds	19	6,628,084	6,442,749
Minority interest		<u>5,341,765</u>	<u>5,625,887</u>
		11,969,849	12,068,636

Approved by the Board and authorised for issue on 21 May 2015, and signed on its behalf by:

D G LEWIS

P J HAMBIDGE

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)
) Directors,
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)




The notes on pages 13 to 26 form part of these financial statements.

HUNTERS & FRANKAU GROUP LIMITED

Balance sheet as at 31 December 2014

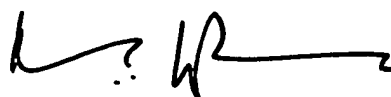
	Notes	2014 £	2013 £
Fixed assets			
Investments	11	<u>150,252</u>	<u>150,252</u>
Current assets			
Debtors	13	<u>200,708</u>	<u>194,134</u>
Cash at bank		<u>972,349</u>	<u>913,370</u>
		<u>1,173,057</u>	<u>1,107,504</u>
Creditors: amounts falling due within one year	14	<u>148,140</u>	<u>121,443</u>
Net current assets		<u>1,024,917</u>	<u>986,061</u>
Net assets		<u>1,175,169</u>	<u>1,136,313</u>
Capital and reserves			
Called up share capital	16	<u>150,252</u>	<u>150,252</u>
Profit and loss account	18	<u>1,024,917</u>	<u>986,061</u>
Equity shareholders' funds	19	<u>1,175,169</u>	<u>1,136,313</u>

Approved by the Board and authorised for issue on 21 May 2015, and signed on its behalf by:

D G LEWIS

P J HAMBIDGE

)
)
) Directors
)
)




Company registration number: 3794838

The notes on pages 13 to 26 form part of these financial statements.

HUNTERS & FRANKAU GROUP LIMITED

Consolidated cash flow statement For the year ended 31 December 2014

	Notes	2014 £	2013 £
Cash inflow from operating activities	(a)	4,032,439	4,447,228
Returns on investments and servicing of finance	(b)	(1,492,299)	(1,367,931)
Taxation paid		(1,004,484)	(1,053,280)
Capital expenditure and financial investment	(c)	(25,109)	(50,848)
Equity dividends paid		<u>(1,352,268)</u>	<u>(1,352,268)</u>
Increase in cash in the year	(d)	<u>158,279</u>	<u>622,901</u>

The notes on pages 13 to 26 form part of these financial statements.

HUNTERS & FRANKAU GROUP LIMITED

Notes to the consolidated cash flow statement For the year ended 31 December 2014

(a)	Reconciliation of operating profit to cash from operating activities		2014	2013
			£	£
	Operating profit		5,067,379	4,825,337
	Pension service cost		221,000	258,000
	Pension contributions		(789,000)	(576,000)
	Depreciation		75,100	82,021
	Profit on sale of fixed assets		-	(10,300)
	Changes in stocks		604,695	(1,590,293)
	Changes in debtors		(441,967)	787,077
	Changes in creditors		(704,768)	671,386
	Net cash inflow from operating activities		<u>4,032,439</u>	<u>4,447,228</u>
(b)	Returns on investment and servicing of finance		2014	2013
			£	£
	Interest received		7,701	8,161
	Interest paid		-	(1,092)
	Dividend paid to minority interests		(1,500,000)	(1,375,000)
			<u>(1,492,299)</u>	<u>(1,367,931)</u>
(c)	Capital expenditure and financial investment		2014	2013
			£	£
	Purchase of tangible fixed assets		(25,109)	(61,148)
	Proceeds from sale of tangible fixed assets		-	10,300
			<u>(25,109)</u>	<u>(50,848)</u>
(d)	Analysis of changes in net cash	At 1 January	Cash	At 31 December
		2014	flow	2014
		£	£	£
	Cash at bank and in hand	2,068,887	158,279	2,227,166
		<u>2,068,887</u>	<u>158,279</u>	<u>2,227,166</u>
(e)	Reconciliation of net cash flow to movement in net cash		2014	2013
			£	£
	Increase in cash		158,279	622,901
	Net cash at 1 January		2,068,887	1,445,986
	Net cash at 31 December		<u>2,227,166</u>	<u>2,068,887</u>

HUNTERS & FRANKAU GROUP LIMITED

Notes to the financial statements For the year ended 31 December 2014

1. Accounting policies

(a) Basis of accounting

The financial statements are prepared on the historical cost basis of accounting, modified to include the revaluation of certain fixed assets 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) Fixed assets

All fixed assets are initially recorded at cost. During the year, the directors adopted a revaluation policy for freehold property in compliance with FRS 102 which is to be implemented in full next year.

(e) 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:-

Freehold property	- 2%
Short leasehold improvements	- 15%
Plant, equipment, fixtures and fittings	- 15% - 25%
Motor vehicles	- 25%

(f) Deferred taxation

Deferred taxation is provided under the liability method in respect of all material timing differences between profits as computed for taxation purposes and 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 tax assets are recognised to the extent that they are recoverable, that is, on the basis of all available evidence it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Any assets and liabilities recognised have not been discounted as the impact on these financial statements would be insignificant.

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

HUNTERS & FRANKAU GROUP LIMITED

Notes to the financial statements For the year ended 31 December 2014

1. Accounting policies (*continued*)

(g) 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.

(h) 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. This will be credited to the profit and loss account on disposal of the subsidiary.

(i) Leases

Rentals under operating leases are charged to profit and loss account as they fall due.

(j) Investments

Fixed asset investments are stated at cost.

(k) Pension costs

The group operates a defined benefit pension scheme providing benefits based on final pensionable pay ("the Scheme") and also contributes to individual employees' stakeholder pension plans and self invested personal plans (SIPPs).

In respect of the Scheme, contributions are paid in accordance with the recommendations of an independent 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. The estimated proportion of Scheme assets and liabilities attributable to the other employer is not material to the group and therefore the group has 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 Scheme assets are charged to operating profit. Regular contributions from the other employer are deducted from the attributable service cost.

Special contributions from the other employer and actuarial gains and losses in respect of the Scheme are reported in the statement of recognised gains and losses.

HUNTERS & FRANKAU GROUP LIMITED

Notes to the financial statements For the year ended 31 December 2014

1. Accounting policies (*continued*)

(k) Pension costs (cont.)

As detailed in note 21, 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 to the Scheme liabilities. Full 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.

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, exclusive of VAT and exclusive of intra-group sales. Turnover arose as follows:

	2014 £	2013 £
United Kingdom	24,470,426	23,199,283
Rest of Europe	720,651	847,100
	<u>25,191,077</u>	<u>24,046,383</u>

3. Net finance income

	2014 £	2013 £
Bank interest receivable	7,701	8,161
Interest payable on bank overdrafts and loans wholly repayable within 5 years	-	(1,092)
	<u>7,701</u>	<u>7,069</u>
Expected return on pension scheme assets	1,093,000	1,023,000
Interest cost on pension scheme liabilities	(841,000)	(841,000)
	<u>259,701</u>	<u>189,069</u>

4. Profit on ordinary activities before taxation is stated after charging:

	2014 £	2013 £
Depreciation	75,100	82,021
Directors' emoluments (note 5)	779,990	725,146
Auditor's remuneration – audit services	37,700	36,825
Auditor's remuneration - other services	11,995	11,800
Operating lease rentals for land and buildings	180,895	181,432
and after crediting:		
Profit on disposal of tangible fixed assets	-	10,300

HUNTERS & FRANKAU GROUP LIMITED

Notes to the financial statements For the year ended 31 December 2014

5. Directors' emoluments	2014	2013
	£	£
Fees and management remuneration	776,393	721,578
Pension contributions to defined contribution schemes	3,597	3,568
	779,990	725,146
 Highest paid director:	 2014	 2013
	£	£
Fees and management remuneration	329,635	310,135
Pension contributions to defined contribution schemes	-	-
	329,635	310,135

One director (2013: 1) benefited from contributions to defined contribution pension schemes and one director (2013: 1) benefited from contributions to defined benefit pension schemes.

6. Staff costs	2014	2013
	£	£
(a) Staff costs including executive directors during the year amounted to:		
Wages and salaries	2,509,612	2,413,873
Social security costs	295,675	290,300
Pension service costs - Defined benefit scheme	221,000	258,000
- Defined contribution schemes	68,344	61,541
	3,094,631	3,023,714
 (b) The weekly average number of employees including executive directors during the year was made up as follows:		
	2014	2013
	Number	Number
Office and management	15	14
Warehousing, sales and distribution	31	31
	46	45

7. Tax on profit on ordinary activities	2014	2013
	£	£
UK corporation tax on profit for the year	994,329	1,131,062
Deferred taxation	169,873	128,042
	1,164,202	1,259,104

HUNTERS & FRANKAU GROUP LIMITED

Notes to the financial statements For the year ended 31 December 2014

7. Tax on profit on ordinary activities (cont.)	2014	2013
	£	£
Factors affecting the corporation tax charge for the year		
Profit on ordinary activities multiplied by the effective standard rate of corporation tax in the UK of 21.5% (2013 : 23.25%)	1,145,322	1,165,849
Expenses not deductible for tax purposes	49,109	41,223
Difference between depreciation and capital allowances	1,873	(3,958)
Difference between the tax and accounting treatment of pension contributions, service cost, interest on pension scheme liabilities and expected returns on pension scheme assets	(176,300)	(116,250)
Adjustment to tax charge in respect of previous periods	(25,675)	44,198
	<hr/>	<hr/>
UK corporation tax on profits of the period	994,329	1,131,062
	<hr/>	<hr/>
8. Profit for the financial year	2014	2013
	£	£
Dealt with in the financial statements of:		
The company	1,391,124	1,296,949
Subsidiary undertakings	2,771,754	2,458,353
	<hr/>	<hr/>
	4,162,878	3,755,302
	<hr/>	<hr/>
As permitted by Section 408 of the Companies Act 2006, a separate profit and loss account for the company is not presented.		
9. Dividends	2014	2013
	£	£
On ordinary shares:		
First interim paid for year	601,008	601,008
Final paid for prior year	751,260	751,260
	<hr/>	<hr/>
	1,352,268	1,352,268
	<hr/>	<hr/>

HUNTERS & FRANKAU GROUP LIMITED

Notes to the financial statements For the year ended 31 December 2014

10. Tangible fixed assets Group

	Freehold property £	Short leasehold improvements £	Plant, equipment, fixtures & fittings £	Motor vehicles £	Total £
Cost:					
At 1 January 2014	548,434	290,360	869,037	334,622	2,042,453
Additions	-	-	25,109	-	25,109
Disposals	-	-	(92,565)	-	(92,565)
Revaluation	126,566	-	-	-	126,566
At 31 December 2014	<u>675,000</u>	<u>290,360</u>	<u>801,581</u>	<u>334,622</u>	<u>2,101,563</u>
Depreciation:					
At 1 January 2014	293,067	286,579	839,383	235,865	1,654,894
Provision for year	10,969	810	19,574	43,747	75,100
Disposals	-	-	(92,565)	-	(92,565)
Revaluation adjustment	(304,036)	-	-	-	(304,036)
At 31 December 2014	<u>-</u>	<u>287,389</u>	<u>766,392</u>	<u>279,612</u>	<u>1,333,393</u>
Net book value:					
At 31 December 2014	<u>675,000</u>	<u>2,971</u>	<u>35,189</u>	<u>55,010</u>	<u>768,170</u>
At 31 December 2013	<u>255,367</u>	<u>3,781</u>	<u>29,654</u>	<u>98,757</u>	<u>387,559</u>

The group's freehold property was revalued at 31 December 2014 at £675,000 on an open market basis by Wadham and Isherwood Management Ltd, Chartered Surveyors and this valuation has been incorporated in these financial statements with the surplus being transferred to the revaluation reserve.

In respect of freehold property stated at valuation, the comparable historical cost and depreciation values are as follows:

	2014 £	2013 £
Net book value at end of year	<u>675,000</u>	<u>255,367</u>
Historical cost	<u>548,434</u>	<u>548,434</u>
Depreciation:		
At 1 January 2014	<u>293,067</u>	<u>282,098</u>
At 31 December 2014	<u>304,036</u>	<u>293,067</u>
Net historical cost value	<u>244,398</u>	<u>255,367</u>

HUNTERS & FRANKAU GROUP LIMITED

Notes to the financial statements For the year ended 31 December 2014

11. Fixed asset investments

Company	Subsidiary undertakings £
Cost of shares held 1 January 2013 and 31 December 2014	150,252

At 31 December 2014, the company's direct wholly owned subsidiary undertaking was J. Frankau Holdings Limited which is registered in England and Wales. The following subsidiaries are indirectly owned through J. Frankau Holdings Limited:

	Interest	Country of incorporation
J. Frankau & Company Limited	100%	England and Wales
Premium Cigar Limited*	100%	England and Wales

The company also owns indirectly, 50.01% of the issued share capital of the following subsidiaries through J Frankau & Company Limited, all of which are incorporated in England and Wales.

Hunters & Frankau Limited
Joseph Samuel & Son Limited*
Knight Brothers Cigar Shippers Limited*
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*

*Dormant

All trading subsidiary undertakings operate in their countries of incorporation or registration. J. Frankau Holdings Limited and J. Frankau & Company Limited receive and pay dividends. Hunters & Frankau Limited is engaged in cigar trading and distribution.

12. Stocks Group

	2014 £	2013 £
Goods purchased for resale	7,982,590	8,587,285

HUNTERS & FRANKAU GROUP LIMITED

Notes to the financial statements For the year ended 31 December 2014

13.	Debtors	Group		Company	
		2014	2013	2014	2013
		£	£	£	£
	Amounts receivable within one year:				
	Trade debtors	5,124,274	4,652,452	-	-
	Amounts owed by subsidiary undertakings	-	-	172,155	172,155
	Other debtors	123,908	115,543	185	187
	Prepayments and accrued income	140,896	179,116	-	-
	Corporation tax	-	-	28,368	21,792
		<u>5,389,078</u>	<u>4,947,111</u>	<u>200,708</u>	<u>194,134</u>
	Amounts receivable after more than one year:				
	Deferred tax (note 15)	11,890	13,763	-	-
		<u>5,400,968</u>	<u>4,960,874</u>	<u>200,708</u>	<u>194,134</u>
14.	Creditors: amounts falling due within one year	Group		Company	
		2014	2013	2014	2013
		£	£	£	£
	Trade creditors	673,602	1,209,209	3,600	-
	Corporation tax	527,267	537,421	-	-
	Other taxes, duties and social security costs	1,039,673	1,232,869	4,758	9,173
	Amounts due to subsidiary undertakings	-	-	2,350	2,350
	Other creditors and accruals	681,503	657,470	137,432	109,920
		<u>2,922,045</u>	<u>3,636,969</u>	<u>148,140</u>	<u>121,443</u>
15.	Deferred taxation				
		Group			
				2014	2013
				£	£
	Capital allowances			(11,890)	(13,763)
	Balance at 1 January 2014			(13,763)	(9,805)
	Charge/(credit) for the year			1,873	(3,958)
	Balance at 31 December 2014			<u>(11,890)</u>	<u>(13,763)</u>

Details on the deferred tax asset arising on the pension deficit are given in note 21.

HUNTERS & FRANKAU GROUP LIMITED

Notes to the financial statements For the year ended 31 December 2014

16.	Share capital	2014	2013
		£	£
	Authorised:		
	Ordinary shares of £1 each	<u>500,000</u>	<u>500,000</u>
	Allotted, issued and fully paid:		
	Ordinary shares of £1 each	<u>150,252</u>	<u>150,252</u>

17.	Revaluation reserve	Group		Company	
		2014	2013	2014	2013
		£	£	£	£
	At 1 January 2014	-	-	-	-
	Revaluation of freehold property	<u>430,602</u>	-	<u>430,602</u>	-
	At 31 December 2014	<u>430,602</u>	-	<u>430,602</u>	-

18.	Profit and loss account	Group		Company	
		2014	2013	2014	2013
		£	£	£	£
	Profit for the financial year	<u>2,027,001</u>	<u>1,839,751</u>	<u>1,391,124</u>	<u>1,296,949</u>
	Other gains and losses recognised	<u>(920,000)</u>	<u>181,000</u>	<u>-</u>	<u>-</u>
		<u>1,107,001</u>	<u>2,020,751</u>	<u>1,391,124</u>	<u>1,296,949</u>
	Dividends (note 9)	<u>(1,352,268)</u>	<u>(1,352,268)</u>	<u>(1,352,268)</u>	<u>(1,352,268)</u>
		<u>(245,267)</u>	<u>668,483</u>	<u>38,856</u>	<u>(55,319)</u>
	Retained profit at 1 January	<u>6,183,767</u>	<u>5,515,284</u>	<u>986,061</u>	<u>1,041,380</u>
	Retained profit at 31 December	<u>5,938,500</u>	<u>6,183,767</u>	<u>1,024,917</u>	<u>986,061</u>

The cumulative amount of goodwill written off to reserves in prior years in the group is £388,100 (company - £nil).

HUNTERS & FRANKAU GROUP LIMITED

Notes to the financial statements For the year ended 31 December 2014

19. Reconciliation of movements in equity shareholders' funds	Group		Company	
	2014 £	2013 £	2014 £	2013 £
Profit for the financial year	2,027,001	1,839,751	1,391,124	1,296,949
Other gains and losses recognised	(489,398)	181,000	-	-
	<u>1,537,603</u>	<u>2,020,751</u>	<u>1,391,124</u>	<u>1,296,949</u>
Dividends (note 9)	(1,352,268)	(1,352,268)	(1,352,268)	(1,352,268)
Net addition to shareholders' funds	185,335	668,483	38,856	(55,319)
Opening equity shareholders' funds	6,442,749	5,774,266	1,136,313	1,191,632
Closing equity shareholders' funds	<u>6,628,084</u>	<u>6,442,749</u>	<u>1,175,169</u>	<u>1,136,313</u>

20. Lease commitments	2014 £	2013 £
Annual rental payments for land and buildings under operating leases which expire:		
Within one year	-	3,683
After five years	140,000	140,000
	<u>140,000</u>	<u>143,683</u>

21. Pension commitments

Group

The group operates a defined benefits scheme (the "Scheme") in the UK. A full actuarial valuation was carried out at 31 December 2012 by a qualified actuary, independent of the Scheme's principal participating employer.

Employer contributions in 2014 were paid at the rate of 19.7% of pensionable salary to 31 March 2014 and at 22.5% of pensionable salary from 1 April 2014 plus a £400,000 deficit repair contribution. In 2015, employer contributions are expected to be £602,400.

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

	2014 £'000s	2013 £'000s	2012 £'000s
Fair value of Scheme assets	19,163	19,250	17,152
Present value of Scheme liabilities	(21,022)	(19,629)	(18,489)
Deficit in Scheme	(1,859)	(379)	(1,337)
Deferred tax	372	80	308
Net liability to be recognised	<u>(1,487)</u>	<u>(299)</u>	<u>(1,029)</u>

HUNTERS & FRANKAU GROUP LIMITED

Notes to the financial statements For the year ended 31 December 2014

21. Pension commitments (cont.)

Reconciliation of opening and closing present value of Scheme liabilities

	2014 £'000s	2013 £'000s
Scheme liabilities at start of year	19,629	18,489
Current service cost	221	258
Interest cost	841	841
Actuarial losses	2,432	717
Benefits paid	(2,101)	(676)
Scheme liabilities at end of year	<u>21,022</u>	<u>19,629</u>

Reconciliation of opening and closing fair value of Scheme assets

	2014 £'000s	2013 £'000s
Fair value of Scheme assets at start of year	19,250	17,152
Expected return on Scheme assets	1,093	1,023
Difference between expected and actual return on Scheme assets	132	1,175
Contributions by employer	789	576
Benefits paid	(2,101)	(676)
Fair value of Scheme assets at end of year	<u>19,163</u>	<u>19,250</u>

The actual return on Scheme assets over the year ended 31 December 2014 was £1,225,000.

Profit and loss account

	2014 £'000s	2013 £'000s
Current service cost	221	258
Interest cost	841	841
Expected return on Scheme assets	(1,093)	(1,023)
Total expense recognised in profit and loss account	<u>(31)</u>	<u>76</u>

HUNTERS & FRANKAU GROUP LIMITED

Notes to the financial statements For the year ended 31 December 2014

21. Pension commitments (cont.)

Statement of total recognised gains and losses

	2014 £'000s	2013 £'000s
Difference between expected and actual return on Scheme assets	132	1,175
Experience gains and losses arising on scheme liabilities	(337)	-
Effects of changes in the demographic and financial assumptions underlying the present value of Scheme liabilities	(2,095)	(717)
Total amount recognised in statement of total recognised gains and losses	(2,300)	458

The cumulative actuarial gains and losses recognised in the statement of total recognised gains and losses since adoption of FRS17 on 1 January 2007 amount to a net loss of £3,955,000.

Assets

	2014 £'000s	2013 £'000s	2012 £'000s
Equity/property	12,349	11,642	10,834
Bonds	5,754	5,839	4,876
Cash	1,060	1,769	1,442
Total assets	19,163	19,250	17,152

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 GROUP LIMITED

Notes to the financial statements For the year ended 31 December 2014

21. Pension commitments (cont.)

Assumptions

	2014 % per annum	2013 % per annum	2012 % per annum
Inflation	2.95%	3.30%	2.65%
Salary increases	2.70%	3.00%	2.60%
Rate of discount	3.50%	4.50%	4.60%
Allowance for pension in payment increases of RPI or 5% p.a. if less	2.85%	3.30%	2.65%
Allowance for revaluation of deferred pensions of RPI or 5% p.a. if less	1.95%	3.20%	2.55%
Allowance for commutation of pension for cash at retirement	Yes	Yes	Yes

The mortality assumptions adopted at 31 December 2014 imply the following life expectancies:

Male retiring at age 65 in 2014	22.0
Female retiring at age 65 in 2014	24.2
Male retiring at age 65 in 2034	23.3
Female retiring at age 65 in 2034	25.7

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 date. 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

	2014 % per annum	2013 % per annum	2012 % per annum
Equity/Property	7.00%	7.00%	7.00%
Bonds	4.50%	4.60%	4.90%
Cash	3.00%	3.00%	3.00%
Overall for scheme	5.87%	5.98%	6.12%

Amounts for the current and previous four years

	2014 £'000s	2013 £'000s	2012 £'000s	2011 £'000s	2010 £'000s
Fair value of Scheme assets	19,163	19,250	17,152	16,647	17,492
Present value of Scheme liabilities	21,022	19,629	18,489	18,635	17,893
Deficit in Scheme	(1,859)	(379)	(1,337)	(1,988)	(401)
Experience adjustment on Scheme assets	132	1,175	512	(1,738)	863
Experience adjustment on Scheme liabilities	(337)	-	-	-	1,577

HUNTERS & FRANKAU GROUP LIMITED

Notes to the financial statements For the year ended 31 December 2014

22. Related party disclosures

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

The group 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 and Mr C J R Freeman are shareholders and directors. 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 2014 was £140,000 (2013: £140,000).

The group paid fees for directors and management services to Altabana S.L. a company which has a 49.99% interest in the issued share capital of Hunters & Frankau Limited. Fees paid to Altabana S.L. in the year ended 31 December 2014 totalled £105,000 (2013: £105,000).

The company charged fees for directors and management services to Hunters & Frankau Limited a company in which it has a 50.01% interest. Fees charged to Hunters & Frankau Limited in the year ended 31 December 2014 totalled £97,500 (2013: £97,500). Miss J K N Freeman, Mr D G Lewis and Mr P J Hambidge are directors of Hunters & Frankau Limited.

23. Controlling party

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