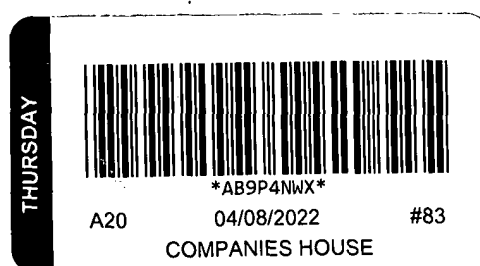


COMPANY REGISTRATION NUMBER: 03794838

HUNTERS & FRANKAU GROUP LIMITED

**Annual Report
31 December 2021**



HUNTERS & FRANKAU GROUP LIMITED

Annual Report for the year ended 31 December 2021

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HUNTERS & FRANKAU GROUP LIMITED

Annual Report for the year ended 31 December 2021

Strategic report

Review of the business

The group is engaged in importing and distributing cigars and allied products. The principal activity of the parent company is that of an investment holding company.

During 2021 the group continued to adapt its sales and distribution operations and administrative function in light of the ongoing Covid-19 global pandemic.

Significant disruption continued, particularly for customers in hospitality and duty-free retail, but the shortfall in sales to these categories was more than made up by growth in demand in the domestic retail sector, resulting in the group reporting record annual sales and profit before tax in 2021, with the gross margin benefiting from a strong product mix.

The directors consider the results for the year to be satisfactory. The financial position as at 31 December 2021 remains strong with £18.4m of net assets and £8.4m of cash. This position allows the group to take advantage of opportunities to increase inventory levels and more fully meet the requirements of the group's customers in the future.

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.

A significant risk of business interruption from Covid-19 pandemic. To mitigate this, risk processes and protocols remained in place to protect colleagues and customers whilst continuing the group's warehouse and distribution operations. Risk assessments based on government guidance have been updated on a regular basis and communicated to colleagues.

The group has continued to maintain a strong liquidity position to meet all eventualities with £8.4 million in cash available at 31 December 2021.

As of early 2022 there are signs that the impact of the Covid-19 pandemic on the UK economy is receding through the successful vaccine campaign and earlier Government financial support for businesses. Some residual risk from changes in the course of the pandemic remains but the group had previously demonstrated that it has the flexibility and financial resources to withstand such challenges and adapt as necessary.

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. The policies set by the directors 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 its foreseeable needs. The group expects to meet its financial obligations through operating cash flows. In the event that the operating cash flows would not cover all the financial obligations the group has credit facilities available.

The group's principal financial assets are cash and trade debtors. The principal credit risk arises therefore from its trade debtors. The group may offer credit terms to its customers which allow payment of the debt after delivery of the goods or services.

HUNTERS & FRANKAU GROUP LIMITED

Annual Report for the year ended 31 December 2021

Strategic report (*continued*)

The group is at risk to the extent that a customer may be unable to pay the debt on the specified due date. This risk is managed and mitigated by the policies and procedures in place and the strong on-going customer relationships.

The group is exposed to foreign currency exchange rate risk due to a significant proportion of its trade creditors being denominated in non-Sterling currencies. The net exposure of each currency is monitored and managed by the regular forecast and review of transition exposures along with the group's 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.

At the end of the Brexit transition period for the UK's withdrawal from the EU on 31 December 2021 the group faced the risk of disruption to its supply chain and possible additional customs duties. To mitigate the risk, the group built up substantial UK stocks of all the EU made cigars in the group's portfolio, ahead of the end of the transition period. This will allow time to adjust sales prices as necessary to include any additional costs arising from the new trading arrangement with the EU Customs Union.

Business risks

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

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 its agents when new regulation is being considered.

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.


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 2021 were:

	2021	2020
Sales growth %	14.8%	1.9%
Gross margin%	39.7%	38.7%
Operating profit%	24.1%	19.4%

This report was approved by the Board on 16 May 2022 and signed on its behalf by:


P J HAMBIDGE
Director

HUNTERS & FRANKAU GROUP LIMITED

Annual Report for the year ended 31 December 2021

Directors' report

The directors present their report and the consolidated financial statements of the company and its subsidiaries for the year ended 31 December 2021.

Results and dividends

The results for the year ended 31 December 2021 are shown in the consolidated profit and loss account on page 9. The group profit for the year after taxation was £6,993,027 (2020: £4,941,545).

A final dividend for 2020 of £7 per ordinary share was paid on 19 July 2021.

An interim dividend of £10 per ordinary share was paid on 7 December 2021 in respect of the year.

A second interim dividend for 2021 of £8 per ordinary share was paid on 23 March 2022.

Directors

The directors who served during the year were:

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

Directors' responsibilities

The directors are responsible for preparing the strategic report, 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 year.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting 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 also responsible for keeping adequate accounting records that are sufficient to show and explain the group's transactions and disclose with reasonable accuracy, at any time, the financial position of the group 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.

Going concern

The Directors have prepared budgets and forecasts taking into account current uncertainties which show the Group has sufficient financial resources to meet the groups needs for the foreseeable future (at least 12 months from the date of signing that these financial statements) and that the going concern basis is an appropriate basis on which to prepare the financial statements. The principle risks and uncertainties around the trade of the Group have been discussed and evaluated in the Strategic Report.

HUNTERS & FRANKAU GROUP LIMITED

Annual Report for the year end 31 December 2021

Directors' report (continued)

Future developments

The directors intend to maintain and further develop the management policies which have resulted in the group's growth in recent years.

Events since the end of the financial year

There were no events to report after the year end except Russia's invasion of Ukraine on 24th February 2022. Management do not believe the conflict in Ukraine will have an impact on the Group beyond the general economic impact including rising energy prices and other price inflation.

Auditor

The auditor, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Each director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the group's auditor is unaware; and
- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the group's auditor is aware of that information.

This report was approved by the Board on 16 May 2022 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'P J Hambidge', is written over a horizontal line.

P J HAMBIDGE
Director

HUNTERS & FRANKAU GROUP LIMITED

Annual Report for the year ended 31 December 2021

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

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2021 and of the Group's profit and the Parent Company's profit for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Hunters & Frankau Group Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 December 2021 which comprise the consolidated profit and loss account, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows, company statement of financial position, company statement of changes in equity and company statement of cash flows, and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in preparation of the financial statements is appropriate.

Based on our work we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

HUNTERS & FRANKAU GROUP LIMITED

Annual Report for the year end 31 December 2021

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

Other information

The Directors are responsible for the other information. The other information comprises the information included in the directors' report and financial statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of Directors

As explained more fully in the directors' report, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

HUNTERS & FRANKAU GROUP LIMITED

Annual Report for the year end 31 December 2021

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Our approach was as follows:

We obtained an understanding of the legal and regulatory frameworks that are applicable to Hunters & Frankau Limited, being the key subsidiary to the Group. We determined that the most significant laws and regulations which are directly relevant to specific assertions in the financial statements are those related to the reporting framework (FRS 102 and the Companies Act 2006), regulations impacting labour regulations and tax in the United Kingdom.

- We obtained an understanding of the processes and controls that the Company has established to address risks identified, or that otherwise prevent, deter and detect fraud and how management monitors those processes and controls;
- We reviewed minutes of Board meetings throughout the year for any evidence of non-compliance with laws and regulations;
- We challenged assumptions and judgements made by management in areas involving significant estimates such as debtors and valuation of inventories.
- We considered the risk of material misstatement in the financial statements, including how fraud may occur by enquiring of management of its own consideration of fraud. We also considered potential financial or other pressures, opportunity and motivations of fraud. As part of this discussion we identified the internal controls established to mitigate risks related to fraud of non-compliance with laws and regulations and how management monitor these processes. Appropriate procedures included the review and testing of manual journals and key estimates and judgements made by management.
- We targeted journal entry testing based on identified characteristics the audit team considered could be indicative of fraud such as unusual names, weekend journals, year-end journals, unusual debit revenue journal, as well as a focus on large and unusual transactions based upon our knowledge of the business;
- We obtained an understanding of the legal and regulatory frameworks applicable to Hunters and Frankau Limited. The key laws and regulations identified are those related to the reporting framework (FRS 102 and the Companies Act 2006), labour regulations and tax in the United Kingdom and HRMC's regulations around Tobacco Products Duty.
- We made enquiries of management with regards to compliance with the above and regulations and corroborated any necessary evidence to relevant information e.g. board minutes, legal reports.

HUNTERS & FRANKAU GROUP LIMITED

Annual Report for the year end 31 December 2021

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

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent 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 Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:



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Benjamin Courts (*Senior Statutory Auditor*)
For and on behalf of BDO LLP, Statutory Auditor
London, UK
Date: 20 May 2022

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

HUNTERS & FRANKAU GROUP LIMITED

Annual Report for the year ended 31 December 2021

Consolidated profit and loss account

		2021 £	2020 £
	Notes		
Revenue	4	35,701,251	31,110,070
Cost of sales		<u>21,532,984</u>	<u>19,067,970</u>
Gross profit		14,168,267	12,042,100
Distribution costs		2,216,330	2,219,998
Other operating expenses		<u>3,354,952</u>	<u>3,771,565</u>
		5,571,282	5,991,563
Operating profit	6	8,596,985	6,050,535
Net finance income	5	<u>17,000</u>	<u>32,567</u>
Profit on ordinary activities before taxation		8,613,985	6,083,102
Tax on profit on ordinary activities	9	<u>(1,620,958)</u>	<u>(1,141,557)</u>
Profit for the financial year		<u>6,993,027</u>	<u>4,941,545</u>
Profit for the year attributable to:			
Non-controlling interest		3,745,024	2,898,296
Owners of the parent company		<u>3,248,003</u>	<u>2,043,249</u>
		<u>6,993,027</u>	<u>4,941,545</u>

The notes on pages 18 to 33 form part of these financial statements.

HUNTERS & FRANKAU GROUP LIMITED

Annual Report for the year ended 31 December 2021

Consolidated statement of comprehensive income

	Notes	2021 £	2020 £
Profit for the financial year		6,993,027	4,941,545
Actuarial (losses) on post-employment benefit obligations		(2,477,000)	(2,707,200)
Difference between the expected and actual returns on pension scheme assets		1,851,000	2,209,000
Other comprehensive income for the year before tax		6,367,027	4,443,345
Tax relating to components of other comprehensive income	9	119,000	95,000
Total comprehensive income for the year		6,486,027	4,538,345
Total comprehensive income for the year attributable to:			
Non-controlling interest		3,491,524	2,696,696
Owners of the parent company		2,994,503	1,841,649
		6,486,027	4,538,345

The notes on pages 18 to 33 form part of these financial statements.

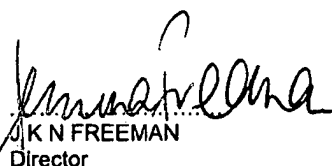
HUNTERS & FRANKAU GROUP LIMITED


Annual Report for the year ended 31 December 2021

Consolidated statement of financial position

	Notes	2021 £	2020 £
Fixed assets			
Tangible assets	11	661,820	720,724
		<u>661,820</u>	<u>720,724</u>
Current assets			
Stocks	13	8,701,075	11,092,435
Debtors	14	5,073,540	5,914,628
Cash at bank and in hand		8,356,096	4,311,403
		<u>22,130,711</u>	<u>21,318,466</u>
Creditors: amounts falling due within one year	15	<u>(4,382,008)</u>	<u>(4,300,996)</u>
Net current assets		<u>17,748,703</u>	<u>17,017,470</u>
Total assets less current liabilities		<u>18,410,523</u>	<u>17,738,194</u>
Provisions for liabilities			
Pension scheme deficit	19	-	-
Deferred tax	16	(22,363)	(31,777)
Net assets		<u>18,388,160</u>	<u>17,706,417</u>
Capital and reserves			
Called up share capital	17	150,252	150,252
Revaluation reserve		399,385	401,916
Capital reserve		8,880	8,880
Merger reserve		99,850	99,850
Retained earnings		9,515,820	9,074,335
Equity attributable to owners of the parent company		<u>10,174,187</u>	<u>9,735,233</u>
Non-controlling interests		<u>8,213,973</u>	<u>7,971,184</u>
		<u>18,388,160</u>	<u>17,706,417</u>

These financial statements were approved by the board of directors and authorised for issue on 16 May 2022 and signed on behalf of the board by:


J K N FREEMAN
Director


PJ HAMBIDGE
Director

Company registration number: 03794838

The notes on pages 18 to 33 form part of these financial statements.

HUNTERS & FRANKAU GROUP LIMITED

Annual Report for the year ended 31 December 2021

Consolidated statement of changes in equity

	Called up share capital £	Revaluation reserve £	Capital reserve £	Merger reserve £	Retained earnings £	Shareholders equity £	Non-controlling interest £	Total equity £
At 1 January 2021	150,252	401,916	8,880	99,850	9,074,335	9,735,233	7,971,184	17,706,417
Profit for the year	-	-	-	-	3,248,003	3,248,003	3,745,024	6,993,027
Other comprehensive income for the year:	-	-	-	-				
Actuarial gains on post-employment benefit obligations	-	-	-	-	(1,238,500)	(1,238,500)	(1,238,500)	(2,477,000)
Difference between the expected and actual returns on pension scheme assets	-	-	-	-	925,500	925,500	925,500	1,851,000
Tax on components of other comprehensive income	-	-	-	-	59,500	59,500	59,500	119,000
Total comprehensive income for the year					2,994,503	2,994,503	3,491,524	6,486,027
Excess depreciation on revaluation		(2,531)		-	2,531	-	-	-
- Attributable to Non-controlling interest					(1,265)	(1,265)	1,265	-
Dividends (note 10)	-	-	-	-	(2,554,284)	(2,554,284)	(3,250,000)	(5,804,284)
At 31 December 2021	150,252	399,385	8,880	99,850	9,515,820	10,174,187	8,213,973	18,388,160

The notes on pages 18 to 33 form part of these financial statements.

HUNTERS & FRANKAU GROUP LIMITED

Annual Report for the year ended 31 December 2021

Consolidated statement of changes in equity (continued)

	Called up share capital £	Revaluation reserve £	Capital reserve £	Merger reserve £	Retained earnings £	Shareholders equity £	Non-controlling interest £	Total equity £
At 1 January 2020	150,252	404,447	8,880	99,850	8,884,192	9,547,621	7,273,223	16,820,844
Profit for the year	-	-	-	-	2,043,249	2,043,249	2,898,296	4,941,545
Other comprehensive income for the year:								
Actuarial gains on post-employment benefit obligations	-	-	-	-	(1,353,600)	(1,353,600)	(1,353,600)	(2,707,200)
Difference between the expected and actual returns on pension scheme assets	-	-	-	-	1,104,500	1,104,500	1,104,500	2,209,000
Tax on components of other comprehensive income	-	-	-	-	47,500	47,500	47,500	95,000
Total comprehensive income for the year					1,841,649	1,841,649	2,696,696	4,538,345
Excess depreciation on revaluation - Attributable to Non-controlling interest	-	(2,531)	-	-	2,531 (1,265)	- (1,265)	- 1,265	-
Dividends (note 10)	-	-	-	-	(1,652,772)	(1,652,772)	(2,000,000)	(3,652,772)
At 31 December 2020	150,252	401,916	8,880	99,850	9,074,335	9,735,233	7,971,184	17,706,417

The notes on pages 18 to 33 form part of these financial statements.

HUNTERS & FRANKAU GROUP LIMITED

Annual Report for the year ended 31 December 2021

Consolidated statement of cash flows

	2021 £	2020 £
Cash flows from operating activities		
Profit for the financial year	6,993,027	4,941,545
<i>Adjustments for:</i>		
Depreciation of fixed assets	75,510	123,953
Loss on disposal of fixed assets	328	-
Net finance income	(17,000)	(32,567)
Tax on profit on ordinary activities	1,620,958	1,141,557
Difference between pension service cost and cash contributions	(609,000)	(680,200)
GMP allowance	-	211,000
<i>Changes in:</i>		
Stocks	2,391,360	(2,225,104)
Trade and other debtors	841,088	(66,469)
Trade and other creditors	23,596	815,452
Cash generated from operations	11,319,867	4,229,167
Interest received	-	3,567
Tax paid	(1,453,956)	(1,159,222)
Net cash from operating activities	9,865,911	3,073,512
Cash flows used in investing activities		
Purchase of tangible assets	(16,934)	(41,702)
Proceeds from sale of tangible assets	-	-
Net cash used in investing activities	(16,934)	(41,702)
Cash flows used in financing activities		
Dividends paid to company's shareholders	(2,554,284)	(1,652,772)
Dividends paid to non-controlling interest	(3,250,000)	(2,000,000)
Net cash used in financing activities	(5,804,284)	(3,652,772)
Net increase/(decrease) in cash and cash equivalents	4,044,693	(620,962)
Cash and cash equivalents at beginning of year	4,311,403	4,932,365
Cash and cash equivalents at end of year	8,356,096	4,311,403

The notes on pages 18 to 33 form part of these financial statements.

HUNTERS & FRANKAU GROUP LIMITED

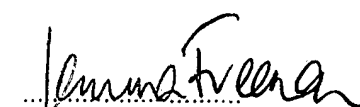
Annual Report for the year ended 31 December 2021

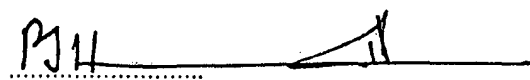
Company statement of financial position

	Notes	2021 £	2020 £
Fixed assets			
Investments	12	<u>150,252</u>	<u>150,252</u>
Current assets			
Debtors	14	<u>285,842</u>	<u>371,719</u>
Cash at bank and in hand		<u>1,464,813</u>	<u>1,180,193</u>
		<u>1,750,655</u>	<u>1,551,912</u>
Creditors: amounts falling due within one year	15	<u>(18,380)</u>	<u>(18,332)</u>
Net current assets		<u>1,732,275</u>	<u>1,533,580</u>
Net assets		<u>1,882,527</u>	<u>1,683,832</u>
Capital and reserves			
Called up share capital	17	<u>150,252</u>	<u>150,252</u>
Retained earnings		<u>1,732,275</u>	<u>1,533,580</u>
Shareholders funds		<u>1,882,527</u>	<u>1,683,832</u>

As a consolidated statement of comprehensive income is published, a separate statement of comprehensive income for the parent company is omitted from the group financial statements by virtue of section 408 of the Companies Act 2006. The profit for the Company for the year ended 31 December 2021 was £2,752,979 (2020: £1,144,955).

These financial statements were approved by the board of directors and authorised for issue on 16 May 2022 and are signed on behalf of the board by:


J K N FREEMAN
Director


P J HAMBIDGE
Director

Company registration number: 03794838

The notes on pages 18 to 33 form part of these financial statements.

HUNTERS & FRANKAU GROUP LIMITED

Annual Report for the year ended 31 December 2021

Company statement of changes in equity

	Called up share capital £	Retained earnings £	Total £
At 1 January 2020	150,252	2,041,397	2,191,649
Profit for the year		1,144,955	1,144,955
Total comprehensive income for the year	-	3,186,352	3,186,352
Dividends (note 10)	-	(1,652,772)	(1,652,772)
At 31 December 2020	150,252	1,533,580	1,683,832
Profit for the year		2,752,979	2,752,979
Total comprehensive income for the year	-	4,286,559	4,436,811
Dividends (note 10)		(2,554,284)	(2,554,284)
At 31 December 2021	150,252	1,732,275	1,882,527

The notes on pages 18 to 33 form part of these financial statements.

HUNTERS & FRANKAU GROUP LIMITED

Annual Report for the year ended 31 December 2021

Company statement of cash flows

	2021 £	2020 £
Cash flows used in operating activities		
Profit for the financial year	2,752,979	1,144,955
<i>Adjustments for:</i>		
Tax on profit on ordinary activities	(113,387)	(200,287)
Dividends received from fixed asset investments	(3,250,000)	(2,000,000)
<i>Changes in:</i>		
Trade and other debtors	(300)	-
Trade and other creditors	48	(252,194)
Cash used in operations	(610,660)	(1,307,526)
Tax received	199,564	65,709
Net cash used in operating activities	(411,096)	(1,241,817)
Cash flows from investing activities		
Dividends received from fixed asset investments	3,250,000	2,000,000
Net cash generated from investing activities	3,250,000	2,000,000
Cash flows used in financing activities		
Dividends paid to company's shareholders	(2,554,284)	(1,652,772)
Net cash used in financing activities	(2,554,284)	(1,652,772)
Net increase/(decrease) in cash and cash equivalents	284,620	(894,589)
Cash and cash equivalents at beginning of year	1,180,193	2,074,782
Cash and cash equivalents at end of year	1,464,813	1,180,193

The notes on pages 18 to 33 form part of these financial statements.

HUNTERS & FRANKAU GROUP LIMITED

Annual Report for the year ended 31 December 2021

Notes to the financial statements

1. Accounting policies

a) Statement of compliance

These consolidated financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Companies Act 2006.

These financial statements are presented in Pounds Sterling (GBP), as that is the currency in which the majority of the group's transactions are denominated. They comprise the financial statements of the company and its subsidiaries drawn up for the year ended 31 December 2021.

The continuing activities of the group are importing and distributing cigars and allied products.

The company is a United Kingdom private company limited by shares. It is both incorporated and domiciled in England (registered number 03794838). The address of its registered office is 16 – 20 Hurlingham Business Park, Sullivan Road, London, SW6 3DU.

b) Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all the years presented, unless otherwise stated.

Basis of preparation

The financial statements have been prepared under the historical cost convention, including some assets revalued to deemed cost on the transition to FRS 102.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies selected for use by the group. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2. Use of available information and application of judgement are inherent in the formation of estimates. Actual outcomes in the future could differ from such estimates.

Going concern

The financial statements have been prepared on a going concern basis. The directors are continually reviewing future projections for the business and the financing arrangements that are in place and are satisfied that the business will continue to have access to sufficient funds to meet its liabilities. The group has taken action to mitigate the impact of the global Covid-19 pandemic and conflict in Ukraine. The directors are satisfied that the group will continue to have access to sufficient funds to meet its liabilities as they fall due for the foreseeable and, in any event, not less than twelve months from the date of signing these financial statements.

Consolidation

The consolidated financial statements comprise those of the company and its subsidiaries. Subsidiaries which are directly or indirectly controlled by the group are consolidated. Control is achieved where the company has the power to govern the financial and operating policies of an investee so as to obtain benefits from its activities, which generally accompanies a shareholding of more than one half of the voting rights.

The acquisition method of accounting is used by the group when it undertakes a business combination with the exception of the group restructure which took place in 1999 under merger accounting. The fair value of consideration transferred at the acquisition date includes the fair value of assets transferred, liabilities incurred by the owners and equity instruments issued by the group. Consideration can include cash, contingent consideration and options. The assets acquired and liabilities assumed are recognised at the acquisition date at their fair value. At the acquisition date any equity interest held prior to the acquisition date is recognised as consideration at its fair value as at the time of the original transaction.

HUNTERS & FRANKAU GROUP LIMITED

Annual Report for the year ended 31 December 2021

Notes to the financial statements (continued)

1. Accounting policies (*continued*)

Consolidation (*continued*)

Goodwill is measured as the excess of the consideration transferred over the group's share of the fair value of the assets acquired and liabilities assumed.

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. The cumulative amount of goodwill written off to the group profit and loss account in prior years is £766,200.

The consolidated financial statements are based on the financial statements of the individual companies drawn up using the standard group accounting policies. Accounting policies applied by individual subsidiaries are consistent with group policies for consolidation purposes. All trading companies in the group have the same reporting date of 31 December.

All intra-group transactions and balances between group entities are eliminated on consolidation.

Foreign currency translation

The group has determined that GBP is its functional currency, as this is the currency of the economic environment in which the group predominantly operates.

Transactions in currencies other than GBP are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. The group does not operate in any hyper-inflationary economies.

Revenue recognition

Revenue represents amounts due from the sales of goods in the normal activities of the business to the extent that the group obtains a right to consideration in exchange for its performance of those activities, exclusive of VAT. The right to consideration is deemed to be the point of delivery to the customer.

Taxation

The tax expense represents the sum of current tax and deferred tax.

The charge for current tax is based on the results for the year adjusted for items which are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Current and deferred tax is recognised in the same component of the profit and loss account, other comprehensive income or equity as the transaction or event that resulted in the tax expense or income.

Deferred tax is the tax expected to be payable or recoverable on material timing differences between taxable profits and the total comprehensive income as reported in the financial statements.

Deferred tax liabilities are recognised for all material timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits will be available against which timing differences can be utilised. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither taxable profit nor total comprehensive income.

Deferred tax liabilities are recognised for material timing differences arising on investments in subsidiaries, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

HUNTERS & FRANKAU GROUP LIMITED

Annual Report for the year ended 31 December 2021

Notes to the financial statements (continued)

1. Accounting policies (continued)

Taxation (continued)

The carrying amounts of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax is calculated at the tax rates that been enacted, or substantively enacted by the reporting date, and are expected to apply in the period when the liability is settled or the asset realised.

A change in deferred tax assets and liabilities as a result of a change in the tax rates or laws is recognised in profit and loss, or other comprehensive income to the extent that it relates to items previously recognised in other comprehensive income.

Deferred tax assets and liabilities are offset when they relate to taxes levied by the same taxation authority and the group intends to settle its current tax assets and liabilities on a net basis.

Tangible fixed assets

Tangible fixed assets are stated at historical and deemed cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to write off the cost or valuation of assets, over their estimated useful lives, less estimated residual value, using the straight-line method on the following bases:

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

Excess depreciation arising on the uplift of the freehold property value to deemed cost is charged against the revaluation reserve. On a subsequent sale of the freehold property, the attributable surplus remaining in the revaluation reserve will be transferred directly to retained earnings.

Impairment of non-financial assets

At each reporting date, the group reviews the carrying amounts of its non-financial assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. Where an impairment loss subsequently reverses (except for goodwill), the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

HUNTERS & FRANKAU GROUP LIMITED

Annual Report for the year ended 31 December 2021

Notes to the financial statements (continued)

1. Accounting policies (continued)

Financial assets and liabilities

The group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors.

Debt instruments that are payable or receivable within one year, typically trade creditors or debtors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received.

Financial assets that are measured at cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the profit and loss account. The impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the group would receive for the asset if it were to be sold at the reporting date.

Investments in preference and ordinary shares classified as basic financial instruments, and all financial instruments not classified as basic are measured at fair value at the end of the reporting period, with the resulting changes recognised in profit or loss. Where their fair value cannot be reliably measured, they are recognised at cost less impairment.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Investments

Investments in subsidiaries are stated at cost less impairment. Impairment reviews are carried out as required.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is the actual purchase cost including, where appropriate, inwards carriage and excise duty using the first in first out method. Selling price is the price at which the stock can be realised in the normal course of business. Provision is made for slow moving stocks.

Trade debtors

Trade debtors are amounts due from customers for merchandise sold in the ordinary course of business. Trade debtors are recognised at the undiscounted amount of cash receivable, which is normally the invoice price, less any allowances for doubtful debts.

Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and balances with banks including deposits with an original maturity of three months or less. Cash and cash equivalents are measured at fair value.

Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are classified as creditors falling due within one year if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as creditors falling due after one year.

Trade creditors are recognised at the undiscounted amount owed to the supplier, which is normally the invoice price.

HUNTERS & FRANKAU GROUP LIMITED

Annual Report for the year ended 31 December 2021

Notes to the financial statements (continued)

1. Accounting policies (*continued*)

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares in relation to ordinary shares are shown in equity as a deduction, net of taxation, from the proceeds.

Employee benefits

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. 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.

For defined benefit retirement plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each reporting date by an independent actuary. Actuarial gains and losses arising from experience adjustments and changes in assumptions are recognised immediately in other comprehensive income. All costs related to the defined benefit plan are recognised in the profit and loss account within employee benefit and finance costs.

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

The retirement benefit obligation recognised in the statement of financial position represents the present value of the defined benefit obligation as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to the present value of available refunds and reductions in future contributions to the plan.

Operating leases

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

HUNTERS & FRANKAU GROUP LIMITED

Annual Report for the year ended 31 December 2021

Notes to the financial statements (continued)

2. Critical accounting judgements and key sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions which affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and application of judgement are inherent in the formation of estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates.

Critical accounting estimates and assumptions

Defined benefit pension and other post-employment benefits

The present value of the defined benefit pension and other post-employment benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pension and other post-employment benefits include the discount rate. Any changes in these assumptions will have an effect on the carrying amount of pension and other post-employment benefits.

After taking appropriate professional advice, group management determines the appropriate discount rate at the end of each reporting period. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, consideration is given to the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits are to be paid and that have terms to maturity approximating the terms of the related pension liability.

In 2018, the High Court issued a judgement in *Lloyds Banking Group Pension Trustees Limited v Lloyds Bank plc* and others. This held that UK pension schemes with Guaranteed Minimum Pensions (GMPs) accrued from 17 May 1990 must equalise for the different effects of these GMPs between men and women. The directors have reviewed the potential liability exposure of the equalisation in the defined benefit scheme and have concluded that the impact is immaterial to warrant adjustment again this year.

As at 31 December 2021, the present value of the defined benefit pension was determined to be a surplus by the actuary. In accordance with section 28 of FRS 102, the directors have considered the extent that the entity is able to recover the surplus either through reduced contributions in the future or through refunds from the plan. At this time, the surplus could only be recovered through reduced contributions in the future. The directors have concluded that the probability of the benefit of reduced contributions arising in the foreseeable future is considered to be quite low. Therefore, the surplus has not been recognised in the financial statements as at 31 December 2021.

Other key assumptions relevant to the defined benefit pension and other post-employment benefit obligations are based in part on current market conditions. Additional disclosures concerning these obligations are given in note 19.

Depreciation and residual values

The directors have reviewed the asset lives and associated residual values of all fixed asset classes and have concluded that the asset lives and residual values are appropriate.

Provision for slow moving stock

The management of the company review the inventory at year end and provide provision for old moving stock based on condition and recoverability.

HUNTERS & FRANKAU GROUP LIMITED

Annual Report for the year ended 31 December 2021

Notes to the financial statements (continued)

3. Financial risk management

The group has exposures to three main areas of risk - foreign exchange currency exposure, liquidity risk and customer credit exposure.

Foreign exchange transactional currency exposure

The group is exposed to currency exchange rate risk due to a significant proportion of its trade creditors being denominated in non-Sterling currencies. The net exposure of each currency is monitored and managed by the regular forecast and review of transition exposures along with the group's strategic stock position.

Liquidity risk

The objective of the group in managing liquidity risk is to ensure that it can meet its financial obligations as and when they fall due. The group expects to meet its financial obligations through operating cash flows. In the event that the operating cash flows would not cover all the financial obligations the group has credit facilities available.

Customer credit exposure

The group may offer credit terms to its customers which allow payment of the debt after delivery of the goods or services. The group is at risk to the extent that a customer may be unable to pay the debt on the specified due date. This risk is managed and mitigated by the policies and procedures in place and the strong on-going customer relationships.

4. Revenue

Revenue arises from:

	2021 £	2020 £
United Kingdom	35,211,179	30,607,471
Rest of Europe	490,072	502,599
	<u>35,701,251</u>	<u>31,110,070</u>

5. Net finance income

	2021 £	2020 £
Bank interest receivable	-	3,567
Net interest on pension scheme deficit	17,000	29,000
	<u>17,000</u>	<u>32,567</u>

HUNTERS & FRANKAU GROUP LIMITED

Annual Report for the year ended 31 December 2021

Notes to the financial statements (continued)

6. Operating profit

Operating profit or loss is stated after charging/(crediting):

	2021 £	2020 £
Depreciation	75,510	123,953
Auditor's remuneration:		
- audit services	46,900	45,000
- taxation services	7,155	6,820
- other services	14,100	7,000
Property rentals	231,200	231,200
Loss on disposal of tangible fixed assets	328	-
Stock provision (reversal)	132,297	52,983
Debtors impairment (reversal)	(24,153)	3,037

Excess depreciation of £2,531 (2020: £2,531) arising on the revalued portion of the freehold property is charged against the revaluation reserve.

1. Staff costs

The staff costs for the year, including directors, amounted to:

	2021 £	2020 £
Wages and salaries	3,722,704	3,877,143
Social security costs	479,129	493,913
Pension costs		
- Service cost	296,000	242,000
- Defined contributions	114,385	107,921
	<u>4,612,218</u>	<u>4,730,977</u>

The weekly average number of persons employed by the group during the year, including the directors, was as follows:

	2021	2020
Warehousing and distribution	31	32
Office and management	12	13
	<u>43</u>	<u>45</u>

8. Directors' remuneration

(a) The directors' aggregate remuneration in respect of qualifying services was:

	2021 £	2020 £
Fees and management remuneration	1,414,742	1,243,206
Shadow share options long term incentive scheme	-	486,323
	<u>1,414,742</u>	<u>1,729,529</u>

The Shadow Share Option Scheme was established by the Group in 1999 to provide a long term incentive plan whereby participating executives would benefit from the long term growth in the value of the Group without the requirement of direct equity investment. The balance above represents the settlement in cash of shadow share options during the prior year. This is calculated on a formula as agreed by the Remuneration Committee.

HUNTERS & FRANKAU GROUP LIMITED

Annual Report for the year ended 31 December 2021

Notes to the financial statements (continued)

8. Directors' remuneration (continued)

(b) Highest paid director:

	2021 £	2020 £
Fees and management remuneration	697,808	576,044
Shadow share options long term incentive scheme	-	486,323
	<u>697,808</u>	<u>1,062,367</u>

One director benefited from contributions to the group's defined benefit pension scheme (2020: one).

No director benefited from contributions to a money purchase pension scheme (2020: none).

9. Tax on profit on ordinary activities

(a) Tax expense included in profit and loss account

	2021 £	2020 £
Current tax:		
UK current tax expense	1,550,411	1,110,617
Prior year overprovision	(39,039)	(75,272)
Total current tax	<u>1,511,372</u>	<u>1,035,345</u>
Deferred tax:		
Origination and reversal of timing differences	119,000	95,000
Prior year (over) provision	(9,414)	11,212
Tax on profit on ordinary activities	<u>1,620,958</u>	<u>1,141,557</u>

(b) Tax credit included in other comprehensive income

	2021 £	2020 £
Deferred tax:		
Origination and reversal of timing differences	119,000	95,000
Tax credit included in other comprehensive income	<u>119,000</u>	<u>95,000</u>

(c) Reconciliation of tax expense

The tax assessed for the year is higher than (2020: higher than) the standard rate of corporation tax in the UK of 19% (2020: 19.00%). The differences are explained below:

	2021 £	2020 £
Profit on ordinary activities before taxation	8,613,985	6,083,102
Profit on ordinary activities multiplied by rate of tax	1,636,657	1,155,790
Adjustment to tax charge in respect of prior periods	(39,039)	(75,272)
Effect of expenses not deductible for tax purposes	23,340	61,039
Tax on profit on ordinary activities	<u>1,620,958</u>	<u>1,141,557</u>

The UK tax rate remained at 19% during the year. Deferred tax previously took into account the change in future expected rate of 17%, however, this has risen to 19% in the year.

HUNTERS & FRANKAU GROUP LIMITED

Annual Report for the year ended 31 December 2021

Notes to the financial statements (continued)

10. Dividends

	2021 £	2020 £
On ordinary shares:		
Final paid for prior year	1,051,764	601,008
First interim paid for year	1,502,520	1,051,764
	<u>2,554,284</u>	<u>1,652,772</u>

£566,661 of the above dividends were paid to directors of the company in the year (2020: £294,663).

11. Tangible fixed assets

Group

	Freehold property £	Short leasehold improvements £	Plant, equipment, fixtures & fittings £	Motor vehicles £	Total £
Cost:					
At 1 January 2021	675,000	306,314	832,301	410,683	2,224,298
Additions	-	-	16,934	-	16,934
Disposals	-	-	(24,524)	-	(24,524)
At 31 December 2021	<u>675,000</u>	<u>306,314</u>	<u>824,711</u>	<u>410,683</u>	<u>2,216,708</u>
Depreciation:					
At 1 January 2021	94,500	295,146	775,750	338,178	1,503,574
Provision for the year	13,500	2,393	29,086	30,531	75,510
Disposals	-	-	(24,196)	-	(24,196)
At 31 December 2021	<u>108,000</u>	<u>297,539</u>	<u>780,640</u>	<u>368,709</u>	<u>1,554,888</u>
Net book value:					
At 31 December 2021	<u>567,000</u>	<u>8,775</u>	<u>44,071</u>	<u>41,974</u>	<u>661,820</u>
At 31 December 2020	<u>580,500</u>	<u>11,168</u>	<u>56,551</u>	<u>72,504</u>	<u>720,724</u>

In respect of freehold property stated at deemed cost on transition to FRS 102, the comparable historical cost and depreciation values are as follows:

	2021 £	2020 £
Historical cost	<u>548,434</u>	<u>548,434</u>
Depreciation :		
At 1 January	369,847	358,878
At 31 December	<u>380,816</u>	<u>368,847</u>
Net historical cost value	<u>167,618</u>	<u>178,587</u>

HUNTERS & FRANKAU GROUP LIMITED

Annual Report for the year ended 31 December 2021

Notes to the financial statements (continued)

12. Investments – company

Shares in subsidiary undertakings:

Cost:

At 1 January 2021 and 31 December 2021

£

150,252

At 31 December 2021, 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 & Wales
Premium Cigar Limited*	100%	England & Wales

The company also owns indirectly 50.01% of the issued share capital of the following subsidiary undertakings 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 received and paid dividends. Hunters & Frankau Limited is engaged in cigar trading and distribution.

All dormant subsidiaries are exempt from preparing individual accounts and from filing them with the registrar by virtue of s394A and s448A of the Companies Act respectively.

The registered office of the above companies is 16 – 19 Hurlingham Business Park, Sullivan Road, London, SW6 3DU.

HUNTERS & FRANKAU GROUP LIMITED

Annual Report for the year ended 31 December 2021

Notes to the financial statements (continued)

13. Stocks

	Group		Company	
	2021	2020	2021	2020
	£	£	£	£
Goods purchased for resale	<u>8,701,075</u>	<u>11,092,435</u>	<u>-</u>	<u>-</u>

14. Debtors

	Group		Company	
	2021	2020	2021	2020
	£	£	£	£
Trade debtors	4,933,063	5,751,023	-	-
Amounts owed by subsidiary undertakings	-	-	172,155	172,155
Other debtors	26,905	47,027	-	-
Prepayments and accrued income	113,572	116,578	300	-
Corporation tax	-	-	113,387	199,564
	<u>5,073,540</u>	<u>5,914,628</u>	<u>285,842</u>	<u>371,719</u>

Trade, other debtors, accrued income and amounts owed by subsidiary undertakings balances included above are carried at amortised cost.

Amounts owed by subsidiary undertakings are repayable on demand.

15. Creditors

	Group		Company	
	2021	2020	2021	2020
	£	£	£	£
Amount owed to subsidiary undertaking	-	-	100	100
Trade creditors	891,500	1,426,612	-	-
Corporation tax	634,730	577,314	-	-
Other taxes, duties and social security costs	2,101,231	1,496,341	5,707	8,759
Other creditors and accruals	754,547	800,639	12,573	9,473
	<u>4,382,008</u>	<u>4,300,996</u>	<u>18,380</u>	<u>18,332</u>

Trade, other creditors, accruals and amounts owed to subsidiary undertakings included above are carried at amortised cost. Amounts owed to subsidiary undertakings are non-interest bearing and repayable on demand.

HSBC has a fixed and floating charge over the freehold property of the group as security over the overdraft facility and the HMRC deferred duty guarantee. The overdraft facility was not utilised during the year.

Included in other creditors are UK Government COVID related grants of £Nil (2020: £150,000).

HUNTERS & FRANKAU GROUP LIMITED

Annual Report for the year ended 31 December 2021

Notes to the financial statements (continued)

16. Deferred taxation (liability)

	Group		Company	
	2021	2020	2021	2020
	£	£	£	£
Capital allowances	(22,363)	(31,777)	-	-
Defined benefit pension scheme deficit	-	-	-	-
Deferred tax (liability)	<u>(22,363)</u>	<u>(31,777)</u>	<u>-</u>	<u>-</u>

The provision for deferred taxation has been calculated based on a corporation tax rate of 19% (2020: 19%).

The movement during the year is analysed as follows:

	Group		Company	
	2021	2020	2021	2020
	£	£	£	£
Balance at 1 January 2021	(31,777)	(20,565)	-	-
Charge for the year (note 9)	9,414	(11,212)	-	-
Balance at 31 December 2021	<u>(22,363)</u>	<u>(31,777)</u>	<u>-</u>	<u>-</u>

17. Share capital

	2021	2020
	£	£
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>

18. Lease commitments

	Group		Company	
	2021	2020	2021	2020
	£	£	£	£
Total property rentals payable under leases are as follows:				
Within one year	216,250	200,000	-	-
Two to five years	150,000	350,000	-	-
	<u>366,250</u>	<u>550,000</u>	<u>-</u>	<u>-</u>

HUNTERS & FRANKAU GROUP LIMITED

Annual Report for the year ended 31 December 2021

Notes to the financial statements (continued)

19. Pension commitments – group

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.

Defined benefit pension plan:

A full actuarial valuation was carried out at 31 December 2018 by a qualified actuary, independent of the Scheme's principal participating employer.

Employer contributions in 2022 were paid at the rate of 25.9% of pensionable salary plus a £696,000 deficit repair contribution. In 2022, employer contributions are expected to be £212,657.

Pension benefits depend upon age, length of service and salary level.

There were no changes to the scheme during the year and no amounts owing to the scheme at the year end.

	2021 £'000s	2020 £'000s
<i>Reconciliation of present value of Scheme liabilities</i>		
At the beginning of the year	29,221	26,336
Current service cost	296	242
Interest cost	369	499
Actuarial losses / (gains)	2,477	2,707
Benefits paid	(2,109)	(774)
Losses due to benefit changes	-	211
	<hr/>	<hr/>
At the end of the year	30,254	29,221
	<hr/>	<hr/>

As detailed in note 2, the defined benefit pension plan was valued at a surplus by the actuary as at 31 December 2021. The directors have considered the likelihood of recovery of this surplus and have concluded this to be low in the foreseeable future. As a result, the surplus has not been recognised in the financial statements to 31 December 2021. The increase to liabilities of £ 3,859,000 has been included within actuarial losses above.

	2021 £'000s	2020 £'000s
<i>Reconciliation of fair value of Scheme assets</i>		
At the beginning of the year	29,221	26,336
Interest income on plan assets	386	528
Actuarial gains	1,851	2,209
Contributions by employer	905	922
Benefits paid	(2,109)	(774)
	<hr/>	<hr/>
At the end of the year	30,254	29,221
	<hr/>	<hr/>
Fair value of plan assets	30,254	29,221
Present value of plan liabilities	(30,254)	(29,221)
	<hr/>	<hr/>
Surplus in scheme	-	-
	<hr/>	<hr/>

HUNTERS & FRANKAU GROUP LIMITED

Annual Report for the year ended 31 December 2021

Notes to the financial statements (continued)

19. Pension commitments – group (continued)

	2021 £'000s	2020 £'000s
<i>Amounts recognised in the profit and loss account are as follows:</i>		
Current service cost	296	242
Net interest cost	(17)	(29)
Losses due to benefit changes	-	211
	279	424
<i>Analysis of actuarial loss recognised in other comprehensive income:</i>		
Actual return less interest income included in net interest income	1,851	2,209
Experience gains arising on the scheme liabilities	(88)	98
Changes in assumptions underlying the present value of the scheme liabilities	1,460	(3,070)
Non-recognition of surplus (note 2)	(3,849)	265
	(626)	(498)
<i>Composition of plan assets</i>		
Equity/property	11,105	20,029
Bonds	18,934	6,661
Cash	215	2,531
Total plan assets	30,254	29,221
Actual return on plan assets	2,237	2,737

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.

	2021 %	2020 %
<i>Principal actuarial assumptions used at the reporting date</i>		
Discount rates	1.80%	1.35%
Future pension in payment increases	3.45%	3.00%
Future deferred pension increases	2.55%	2.20%
Inflation assumption (RPI)	3.45%	3.10%
Inflation assumption (CPI)	2.55%	2.20%
Salary growth	2.95%	2.95%
Mortality rates		
- for a male aged 65 now	22.1 Years	21.8 Years
- at 65 for a male member aged 45 now	23.4 Years	23.1 Years
- for female aged 65 now	23.8 Years	23.6 Years
- at 65 for a female member aged 45 now	25.4 Years	25.2 Years

HUNTERS & FRANKAU GROUP LIMITED

Annual Report for the year ended 31 December 2021

Notes to the financial statements (continued)

19. Pension commitments – group (*continued*)

Defined contribution scheme:

The amount recognised in the profit and loss account as an expense in relation to the group's defined contribution schemes is £114,385 (2020: £107,921). There were no amounts owing at the year end.

20. Transactions with directors and other related party transactions

During the year the group entered into transactions in the ordinary course of business with related parties.

The group occupies offices and warehouses in South West London under a 10 year lease (with a break clause at 30 September 2023) dated 01 October 2019 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 5 year intervals. The rent paid in the year ended 31 December 2021 was £200,000 (2020: £200,000). At 31 December 2021, £Nil (2020: £Nil) was owed by the group to Reyker Properties Limited.

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 2021 totalled £97,500 (2020: £97,500). Miss J K N Freeman, Mr P J Hambidge and Mr D G Lewis are directors of Hunters & Frankau Limited.

The group paid fees for directors and management services to Altabana SL, a company which has a 49.99% interest in the issued share capital of Hunters & Frankau Limited. Fees paid to Altabana SL in the year ended 31 December 2021 totalled £105,000 (2020: £105,000). At 31 December 2021, £Nil (2020: £52,500) was owed by the group to Altabana S.L.

The directors believe that there were no key management personnel outside the board of directors.

21. Controlling party

In the opinion of the directors, the ultimate controlling party is the Nicholas Freeman Business Trust, constituted under English Law.

22. Reserves

Share capital – This reserve records the nominal value received for shares sold. Details of the shares can be found within note 17.

Revaluation reserve – Although not required under the accounting standards, the revaluation reserve remains in order to distinguish between the distributable and non-distributable reserves. Excess depreciation arising on the historically revalued portion of the freehold property is charged against the revaluation reserve. On a subsequent sale of the freehold property, the attributable surplus remaining in the revaluation reserve will be transferred directly to retained earnings.

Capital and merger reserves - These reserves record the value of shares cancelled on a historical group restructure.

Retained earnings - This reserve records retained earnings and accumulated losses.

Non-controlling interests - This reserve records amounts attributable to the non-controlling shareholders of Hunters & Frankau Limited.

23. Events after the reporting period

At the date of approval of these financial statements, management has not identified any potential adverse consequence as a result of the conflict in Ukraine. There have been no other matters that require disclosure or adjustment to the financial statements.