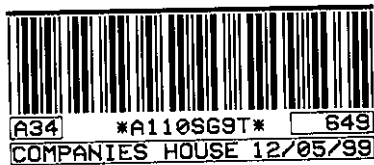


Company Number : 22169

**HUNTERS & FRANKAU LIMITED**

**Financial Statements  
31 December 1998**



# **HUNTERS & FRANKAU LIMITED**

## **Directors' report for the year ended 31 December 1998**

The directors present their report and the financial statements for the year ended 31 December 1998.

### **Review of the business**

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

The directors consider the result for the year, the financial position at the end of the year and the prospects for 1999 to be satisfactory.

### **Results and dividends**

The results for the year ended 31 December 1998 are shown in the profit and loss account on page 4. The group profit for the year after taxation was £4,726,608.

An interim dividend of 73.7p per ordinary share was paid in the year. A second interim dividend of 202.675p per ordinary share was paid on 6 April 1999.

The directors recommend that a final dividend of 18.425p per ordinary share be paid for the year.

### **Directors and their interests**

The directors who served during the year were:

N D J Freeman (Chairman)  
W H Carver (Managing Director)  
D A J Baxter  
J Blanco Lamelas (retired 1 July 1998)  
Mrs T Camacho Rodriguez (appointed 14 January 1998)  
S G Chase  
J H Darnton  
P J Hambidge  
D G Lewis  
P P Medero Paiva (appointed 1 July 1998)

No director had any beneficial interest in the shares of the company at 1 January 1998 or 31 December 1998.

The interests of Mr N D J Freeman and Mr D A J Baxter in the shares of Hunters & Frankau Group Limited are given in the financial statements of that company.

No other directors had any interests in the shares of Hunters & Frankau Group Limited, the ultimate holding company.

# HUNTERS & FRANKAU LIMITED

## Directors' report for the year ended 31 December 1998

### Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for that year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time the financial position of the company and the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Tangible fixed assets

The movements in tangible fixed assets are set out in note 9 on pages 11 and 12 of the financial statements. Additions to tangible fixed assets during the year comprised normal replacements and additions.

### The millennium

During the year the directors conducted an extensive review of the year 2000 'millennium bug'. Most existing systems and processes appear to be millennium compliant and a programme is in place to modify the remaining systems and processes. This programme should be completed by 31 August 1999.

### Donations

Donations to charity during the year amounted to £7,500.

### Close company status

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

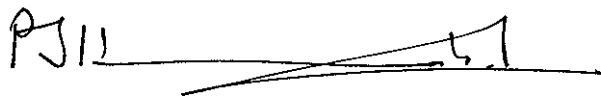
### Auditors

Chantrey Vellacott DFK have indicated their willingness to continue as auditors of the company and a resolution to reappoint them will be proposed at the Annual General Meeting.

Signed on behalf of the  
Board of Directors

P J HAMBIDGE

Secretary



5th May 1999

## **HUNTERS & FRANKAU LIMITED**

### **Auditors' report to the members of Hunters & Frankau Limited**

We have audited the financial statements on pages 4 to 17 which have been prepared under the historical cost convention and in accordance with the accounting policies set out on pages 8 and 9.

#### **Respective responsibilities of directors and auditors**

As described on page 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

#### **Basis of opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of presentation of information in the financial statements.

#### **Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 31 December 1998 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Chantrey Vellacott DFK*

**CHANTREY VELLACOTT DFK**

**Chartered Accountants  
Registered Auditors**

**LONDON**

Date: *6 May 1999*

## HUNTERS & FRANKAU LIMITED AND SUBSIDIARIES

### Consolidated profit and loss account For the year ended 31 December 1998

	Notes	1998 £	1997 £
<b>Turnover</b>	2	<b>26,118,068</b>	28,726,614
Cost of sales		<b>15,416,831</b>	16,785,213
Gross profit		<b>10,701,237</b>	11,941,401
Distribution costs		<b>1,657,360</b>	1,683,032
Administrative expenses		<b>2,312,982</b>	2,140,710
		<b>3,970,342</b>	3,823,742
<b>Operating profit</b>		<b>6,730,895</b>	8,117,659
Interest receivable		<b>167,605</b>	134,630
Interest payable	3	<b>(2,319)</b>	(2,831)
<b>Profit on ordinary activities before taxation</b>	4	<b>6,896,181</b>	8,249,458
Tax on profit on ordinary activities	7	<b>2,169,573</b>	2,601,356
<b>Profit for the financial year</b>		<b>4,726,608</b>	5,648,102
Dividends	8	<b>4,000,000</b>	4,500,000
<b>Retained profit for the year</b>	16	<b>726,608</b>	1,148,102

The company has no recognised gains and losses other than those included in the profits above, and therefore no separate statement of total recognised gains and losses has been presented. There is no difference between the profits shown above and their historical cost equivalents.

The notes on pages 8 to 17 form part of these financial statements.

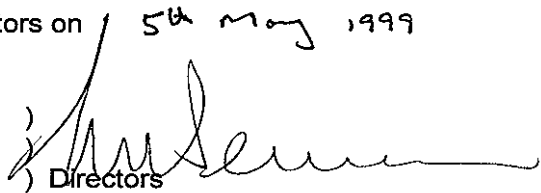
# HUNTERS & FRANKAU LIMITED AND SUBSIDIARIES

## Consolidated balance sheet as at 31 December 1998

	Notes	1998 £	1997 £
<b>Fixed assets</b>			
Tangible assets	9	<u>849,934</u>	<u>972,127</u>
<b>Current assets</b>			
Stocks	11	5,119,045	4,371,116
Debtors	12	6,488,776	6,904,447
Cash at bank and in hand		<u>147,865</u>	<u>17,564</u>
		<b>11,755,686</b>	<b>11,293,127</b>
<b>Creditors: amounts falling due within one year</b>	13	<u>7,361,161</u>	<u>7,756,386</u>
<b>Net current assets</b>		<u>4,394,525</u>	<u>3,536,741</u>
<b>Total assets less current liabilities</b>		<b>5,244,459</b>	<b>4,508,868</b>
<b>Provision for liabilities and charges</b>			
Deferred taxation	14	<u>(65,484)</u>	<u>(56,501)</u>
		<b>5,178,975</b>	<b>4,452,367</b>
<b>Capital and reserves</b>			
Called up share capital	15	678,001	678,001
Share premium account		1,250	1,250
Profit and loss account	16	<u>4,499,724</u>	<u>3,773,116</u>
<b>Equity shareholders' funds</b>		<u>5,178,975</u>	<u>4,452,367</u>

Approved by the Board of Directors on 5th May 1999

N D J FREEMAN

  
Directors

P J HAMBIDGE



The notes on pages 8 to 17 form part of these financial statements.

# HUNTERS & FRANKAU LIMITED

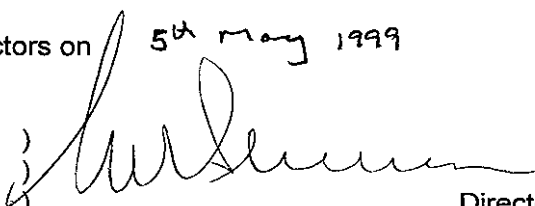
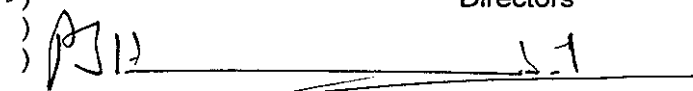
## Balance sheet as at 31 December 1998

	Notes	1998 £	1997 £
<b>Fixed assets</b>			
Tangible assets	9	430,044	541,269
Investments	10	399,664	399,664
		<u>829,708</u>	<u>940,933</u>
<b>Current assets</b>			
Stocks	11	5,119,045	4,371,116
Debtors	12	6,482,694	6,899,491
Cash at bank and in hand		134,474	2,791
		<u>11,736,213</u>	<u>11,273,398</u>
<b>Creditors: amounts falling due within one year</b>	13	<u>7,588,590</u>	<u>7,966,495</u>
<b>Net current assets</b>		<u>4,147,623</u>	<u>3,306,903</u>
<b>Total assets less current liabilities</b>		<u>4,977,331</u>	<u>4,247,836</u>
<b>Provision for liabilities and charges</b>			
Deferred taxation	14	(54,649)	(44,191)
		<u>4,922,682</u>	<u>4,203,645</u>
<b>Capital and reserves</b>			
Called up share capital	15	678,001	678,001
Share premium account		1,250	1,250
Profit and loss account	16	4,243,431	3,524,394
<b>Equity shareholders' funds</b>		<u>4,922,682</u>	<u>4,203,645</u>

Approved by the Board of Directors on 5<sup>th</sup> May 1999

N D J FREEMAN

P J HAMBIDGE

  
Directors  


The notes on pages 8 to 17 form part of these financial statements.

## HUNTERS & FRANKAU LIMITED AND SUBSIDIARIES

### Consolidated cash flow statement for the year ended 31 December 1998

	Notes	1998 £	1997 £
Cash flow from operating activities	22(a)	<b>5,385,765</b>	5,208,803
Returns on investments and servicing of finance	22(b)	<b>165,286</b>	131,799
Taxation		<b>(2,283,343)</b>	(2,046,351)
Capital expenditure and financial investment	22(c)	<b>(106,609)</b>	(227,737)
Equity dividend paid		<b>(3,500,000)</b>	(3,750,000)
(Decrease) in cash in period	22(d)	<b>(338,901)</b>	(683,486)
Financing		-	-
		<b><u>(338,901)</u></b>	<b><u>(683,486)</u></b>

The notes on pages 8 to 17 form part of these financial statements.

# HUNTERS & FRANKAU LIMITED AND SUBSIDIARIES

## Notes to the financial statements For the year ended 31 December 1998

### 1. Accounting policies

(a) **Basis of accounting**

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

(b) **Basis of consolidation**

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

(c) **Stocks**

Stocks are valued at the lower of cost and net realisable value. Cost is the purchase cost on a first-in, first-out basis. Net realisable value is the price at which the stock can be realised in the normal course of business. Provision is made for slow moving stocks.

(d) **Depreciation of tangible fixed assets**

Depreciation is provided at the following annual rates, on a straight line basis, so as to write off the cost of tangible fixed assets over their expected useful lives as follows:

Freehold property	- 2%
Leasehold improvements	- 15%
Plant, equipment, fixtures and fittings	- 15 - 25% according to category
Motor vehicles	- 25 - 33% according to category

(e) **Deferred taxation**

Deferred taxation is provided under the liability method in respect of all material timing differences between the profits as computed for taxation purposes and the profits as stated in the financial statements, to the extent that it is probable that a liability or asset will crystallise. The rate of tax used is that which is expected to be applied when the liability or asset is expected to crystallise.

(f) **Foreign currencies**

Assets and liabilities in foreign currencies have been translated into sterling at the rate of exchange ruling at the date of the balance sheet. Gains and losses on exchange on transactions in foreign currencies are dealt with in the profit and loss account.

(g) **Goodwill**

Purchased goodwill arising on the acquisition of a subsidiary represents the difference between the fair value of the consideration given for the company and the aggregate of the fair values of the separable net assets acquired.

Prior to the 31 December 1997 the group eliminated positive purchased goodwill by immediate write off to reserves on acquisition.

# HUNTERS & FRANKAU LIMITED AND SUBSIDIARIES

## Notes to the financial statements For the year ended 31 December 1998

### 1. Accounting policies

#### (h) Leases

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

#### (i) Pension costs

The expected cost of pensions in respect of the group's pension schemes is charged to the profit and loss account so as to spread the cost of pensions over the service lives of employees. Variations from the regular cost are spread over the expected service lives of current employees in the scheme.

### 2. Turnover

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

	1998 £	1997 £
United Kingdom	24,980,695	27,945,784
Europe	1,137,373	780,830
	<u>26,118,068</u>	<u>28,726,614</u>

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

### 3. Interest payable

	1998 £	1997 £
Interest on bank overdrafts and loans wholly repayable within 5 years	<u>2,319</u>	<u>2,831</u>

### 4. Profit on ordinary activities before taxation

	1998 £	1997 £
Is stated after charging:		
Depreciation	247,515	245,531
Directors' emoluments (note 6)	765,657	555,072
Auditors' remuneration	20,000	19,700
Property rentals	<u>206,742</u>	<u>176,527</u>

Fees charged by the group's auditors for other services were £4,650 (1997 : £1,613).

and after crediting:

Profit on disposal of tangible fixed assets	<u>18,713</u>	<u>49,874</u>
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# HUNTERS & FRANKAU LIMITED AND SUBSIDIARIES

## Notes to the financial statements For the year ended 31 December 1998

<b>5. Staff costs</b>	<b>1998</b>	<b>1997</b>
	<b>£</b>	<b>£</b>
(a) Staff costs during the year amounted to:		
Wages and salaries	<b>2,073,268</b>	1,869,457
Social security costs	<b>188,939</b>	157,687
Other pension costs	<b>266,326</b>	441,509
	<b><u>2,528,533</u></b>	<b><u>2,468,653</u></b>

(b) The average number of employees during the year was made up as follows:

	<b>1998</b>	<b>1997</b>
	<b>Number</b>	<b>Number</b>
Warehousing and distribution	<b>40</b>	38
Office and management	<b>23</b>	23
	<b><u>63</u></b>	<b><u>61</u></b>

<b>6. Directors' emoluments</b>	<b>1998</b>	<b>1997</b>
	<b>£</b>	<b>£</b>
(a) Fees and management remuneration	<b><u>734,857</u></b>	<b><u>527,597</u></b>
Contributions to money purchase pension scheme	<b><u>30,800</u></b>	<b><u>27,475</u></b>
(b) Highest paid director:	<b>1998</b>	<b>1997</b>
	<b>£</b>	<b>£</b>
Fees and management remuneration	<b><u>176,000</u></b>	<b><u>157,000</u></b>
Payments to defined contribution pension scheme	<b><u>30,800</u></b>	<b><u>27,475</u></b>

4 other directors benefited from contributions to the group's defined benefit pension scheme.

<b>7. Tax on profit on ordinary activities</b>	<b>1998</b>	<b>1997</b>
	<b>£</b>	<b>£</b>
U.K. corporation tax based on the profit for the year at 31% (1997 : 31.5%)	<b>2,159,628</b>	2,594,880
Under provision in prior year	<b>962</b>	30
Transfer to deferred taxation	<b>8,983</b>	6,446
	<b><u>2,169,573</u></b>	<b><u>2,601,356</u></b>

# HUNTERS & FRANKAU LIMITED AND SUBSIDIARIES

## Notes to the financial statements For the year ended 31 December 1998

8. Dividends	1998 £	1997 £
On the 'A' and 'B' ordinary shares:		
First interim paid	1,000,000	1,000,000
Second interim – payable 6 April 1999 (1997 paid)	2,750,000	1,000,000
Third interim	-	750,000
Fourth interim	-	750,000
Proposed final	250,000	1,000,000
	<u>4,000,000</u>	<u>4,500,000</u>

## 9. Tangible fixed assets

### (a) Group

	Freehold property £	Short leasehold improvements £	Plant, equipment, fixtures & fittings £	Motor vehicles £	Total £
<b>Cost:</b>					
At 1 January 1998	548,434	154,935	653,228	550,579	1,907,176
Additions	-	873	40,106	90,880	131,859
Disposals	-	-	-	(62,991)	(62,991)
At 31 December 1998	<u>548,434</u>	<u>155,808</u>	<u>693,334</u>	<u>578,468</u>	<u>1,976,044</u>
<b>Depreciation:</b>					
At 1 January 1998	117,576	106,457	438,575	272,441	935,049
Provision for year	10,968	12,649	88,338	135,560	247,515
Adjustment for disposals	-	-	-	(56,454)	(56,454)
At 31 December 1998	<u>128,544</u>	<u>119,106</u>	<u>526,913</u>	<u>351,547</u>	<u>1,126,110</u>
<b>Net book value:</b>					
At 31 December 1998	<u>419,890</u>	<u>36,702</u>	<u>166,421</u>	<u>226,921</u>	<u>849,934</u>
At 31 December 1997	<u>430,858</u>	<u>48,478</u>	<u>214,653</u>	<u>278,138</u>	<u>972,127</u>

# HUNTERS & FRANKAU LIMITED AND SUBSIDIARIES

## Notes to the financial statements For the year ended 31 December 1998

### 9. Tangible fixed assets

#### (b) Company

	Short leasehold improvements £	Plant, equipment, fixtures & fittings £	Motor vehicles £	Total £
<b>Cost:</b>				
At 1 January 1998	154,935	562,618	550,579	1,268,132
Additions	873	40,106	90,880	131,859
Disposals	-	-	(62,991)	(62,991)
At 31 December 1998	<u>155,808</u>	<u>602,724</u>	<u>578,468</u>	<u>1,337,000</u>
<b>Depreciation:</b>				
At 1 January 1998	106,457	347,965	272,441	726,863
Provision for year	12,649	88,338	135,560	236,547
Adjustment for disposals	-	-	(56,454)	(56,454)
At 31 December 1998	<u>119,106</u>	<u>436,303</u>	<u>351,547</u>	<u>906,956</u>
<b>Net book value:</b>				
At 31 December 1998	<u>36,702</u>	<u>166,421</u>	<u>226,921</u>	<u>430,044</u>
At 31 December 1997	<u>48,478</u>	<u>214,653</u>	<u>278,138</u>	<u>541,269</u>

### 10. Investments

£

Shares in subsidiary undertakings:

#### Cost:

At 1 January 1998 and 31 December 1998 4,120,714

#### Provisions:

At 1 January 1998 and 31 December 1998 3,721,050

#### Net book value:

At 31 December 1997 and 31 December 1998 399,664

# HUNTERS & FRANKAU LIMITED AND SUBSIDIARIES

## Notes to the financial statements For the year ended 31 December 1998

### 10. Investments

At 31 December 1998 the company's wholly owned subsidiary undertakings were Joseph Samuel & Son Limited, incorporated and operating in Great Britain and Knight Brothers Cigar Shippers Limited, registered in England and dormant.

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

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

In accordance with S231(6) of the Companies Act 1985, a complete list of the Company's subsidiary undertakings will be attached to the Company's Annual Return made to the Registrar of Companies.

11.	<b>Stocks</b>			<b>1998</b>	<b>1997</b>
				£	£
	Stocks consist of goods purchased for resale			<b>5,119,045</b>	<b>4,371,116</b>
12.	<b>Debtors</b>	<b>Group</b>	<b>Company</b>		
		<b>1998</b>	<b>1997</b>	<b>1998</b>	<b>1997</b>
		£	£	£	£
	Amounts receivable within one year:				
	Trade debtors	<b>5,256,162</b>	5,528,946	<b>5,256,162</b>	5,528,946
	Amounts due from fellow subsidiary undertakings	<b>7,438</b>	-	<b>5,906</b>	-
	Other debtors	<b>719,991</b>	305,481	<b>718,392</b>	303,376
	Prepayments and accrued income	<b>505,185</b>	445,020	<b>502,234</b>	442,169
		<b>6,488,776</b>	6,279,447	<b>6,482,694</b>	6,274,491
	Amounts receivable after more than one year:				
	Advance corporation tax recoverable	-	625,000	-	625,000
		<b>6,488,776</b>	6,904,447	<b>6,482,694</b>	6,899,491

# HUNTERS & FRANKAU LIMITED AND SUBSIDIARIES

## Notes to the financial statements

For the year ended 31 December 1998

### 13. Creditors: amounts falling due within one year

	Group		Company	
	1998	1997	1998	1997
	£	£	£	£
Bank loans and overdrafts	784,703	315,501	784,703	315,501
Amount owed to subsidiary undertaking	-	-	236,289	219,527
Trade creditors	670,162	1,429,374	668,982	1,428,058
Corporation tax	1,784,627	2,532,380	1,780,524	2,529,326
Other taxes and social security costs	468,641	344,729	467,654	342,471
Interim dividends	2,750,000	1,500,000	2,750,000	1,500,000
Proposed final dividend	250,000	1,000,000	250,000	1,000,000
Other creditors				
Accruals	653,028	634,402	650,438	631,612
	<u>7,361,161</u>	<u>7,756,386</u>	<u>7,588,590</u>	<u>7,966,495</u>

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

	1998	1997
	£	£
Due within one year	<u>784,703</u>	<u>315,501</u>

### 14. Deferred taxation

	Group		Company	
	1998	1997	1998	1997
	£	£	£	£
Capital allowances	7,457	16,512	18,292	28,822
Other timing differences	(72,941)	(73,013)	(72,941)	(73,013)
Deferred tax liability	<u>(65,484)</u>	<u>(56,501)</u>	<u>(54,649)</u>	<u>(44,191)</u>

The provision for deferred taxation has been calculated based on a corporation tax rate of 30% (1997 : 31%).

# HUNTERS & FRANKAU LIMITED AND SUBSIDIARIES

## Notes to the financial statements For the year ended 31 December 1998

### 14. Deferred taxation

The movement during the year is analysed as follows:

	Group		Company	
	1998	1997	1998	1997
	£	£	£	£
Balance at 1 January 1998	(56,501)	(50,055)	(44,191)	(33,517)
Provided in year	(8,983)	(6,446)	(10,458)	(10,674)
Balance at 31 December 1998	<u>(65,484)</u>	<u>(56,501)</u>	<u>(54,649)</u>	<u>(44,191)</u>

### 15. Called up share capital

	Authorised, allotted and fully paid	
	1998	1997
	£	£
678,000 ordinary 'A' shares of 50p each	339,000	339,000
678,000 ordinary 'B' shares of 50p each	339,000	339,000
1 ordinary 'C' share of 50p	1	1
	<u>678,001</u>	<u>678,001</u>

### 16. Profit and loss account

	Group		Company	
	1998	1997	1998	1997
	£	£	£	£
Retained profit at 1 January 1998	3,773,116	2,625,014	3,524,394	2,382,745
Retained profit for the year	726,608	1,148,102	719,037	1,141,649
Retained profit at 31 December 1998	<u>4,499,724</u>	<u>3,773,116</u>	<u>4,243,431</u>	<u>3,524,394</u>

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

### 17. Reconciliation of movements in shareholders' funds

	Group		Company	
	1998	1997	1998	1997
	£	£	£	£
Profit for the financial year	4,726,608	5,648,102	4,719,037	5,641,649
Dividends	(4,000,000)	(4,500,000)	(4,000,000)	(4,500,000)
Net addition to shareholders' funds	726,608	1,148,102	719,037	1,141,649
Opening shareholders' funds	4,452,367	3,304,265	4,203,645	3,061,996
Closing shareholders' funds	<u>5,178,975</u>	<u>4,452,367</u>	<u>4,922,682</u>	<u>4,203,645</u>

## HUNTERS & FRANKAU LIMITED AND SUBSIDIARIES

### Notes to the financial statements For the year ended 31 December 1998

18. Lease commitments	Group		Company	
	1998	1997	1998	1997
Annual property rentals payable under leases which expire:	£	£	£	£
Within one year	<b>12,083</b>	29,000	<b>12,083</b>	29,000
After five years	<b>124,000</b>	130,500	<b>124,000</b>	130,500
	<b>136,083</b>	159,500	<b>136,083</b>	159,500

#### 19. Pension commitments

The group operates a pension scheme providing benefits based on final pensionable salary. The assets of the scheme are held separately from those of the company being invested with a major U.K. insurance group. The contributions are determined by a qualified actuary on the basis of triennial valuations using the "projected unit" method. The most recent valuation was as at 31 December 1997. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rate of increase in salaries and pensions. It was assumed the yield on the fund would exceed the rate of increase in pensionable salaries by 2% per annum. This is consistent with assumptions usually used for longer term funding.

The most recent actuarial valuation showed that the market value of the scheme's assets was £7,082,070 and that the actuarial value of those assets represented 100 per cent of the benefits that had accrued to members.

At 31 December 1998, the group has prepaid a contribution of £243,138 (1997: £235,526) to the scheme.

The total pension charge, including defined contribution payments was £266,326 (1997 - £441,509).

#### 20. Profit and loss account – Hunters and Frankau Limited

As permitted by Section 230 of the Companies Act 1985, a separate profit and loss account for Hunters & Frankau Limited is not presented.

#### 21. Parent company

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

# HUNTERS & FRANKAU LIMITED AND SUBSIDIARIES

## Notes to the financial statements For the year ended 31 December 1998

### 22. Notes to the cash flow statement

<b>(a) Reconciliation of operating profit to net cash inflow from operating activities</b>			
	<b>1998</b>		<b>1997</b>
	£		£
Operating profit	<b>6,730,895</b>		8,117,659
Depreciation charges	<b>247,515</b>		245,531
Profit on sale of fixed assets	<b>(18,713)</b>		(49,874)
(Increase) in stocks	<b>(747,929)</b>		(2,128,742)
(Increase) in debtors	<b>(209,329)</b>		(1,116,919)
(Decrease)/increase in creditors	<b>(616,674)</b>		141,148
Net cash inflow from operating activities	<b><u>5,385,765</u></b>		<b><u>5,208,803</u></b>
<b>(b) Returns on investments and servicing of finance</b>			
	<b>1998</b>		<b>1997</b>
	£		£
Interest received	<b>167,605</b>		134,630
Interest paid	<b>(2,319)</b>		(2,831)
Net cash flow for returns on investments and servicing of finance	<b><u>165,286</u></b>		<b><u>131,799</u></b>
<b>(c) Capital expenditure and financial investment</b>			
Sale of tangible fixed assets	<b>25,250</b>		93,251
Purchase of tangible fixed assets	<b>(131,859)</b>		(320,988)
Net cash flow for capital expenditure and financial investment	<b><u>(106,609)</u></b>		<b><u>(227,737)</u></b>
<b>(d) Analysis of net debt</b>			
	<b>At 1 January</b>	<b>Cash</b>	<b>At 31 December</b>
	<b>1998</b>	<b>flow</b>	<b>1998</b>
	£	£	£
Cash at bank and in hand	17,564	<b>130,301</b>	<b>147,865</b>
Overdrafts	<b>(315,501)</b>	<b>(469,202)</b>	<b>(784,703)</b>
	<b><u>(297,937)</u></b>	<b><u>(338,901)</u></b>	<b><u>(636,838)</u></b>