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CHARCUTERIE FOODS LIMITED
DIRECTORS' REPORT AND ANNUAL ACCOUNTS
YEAR ENDED 31ST MARCH 1998

Company Number: 2002852



Moore
Rowland

Chairman's Statement

In September 1997, in accordance with the terms of our loan agreement with 3i plc, the company increased the level of repayments on the loan from £ 13,750 per quarter to £ 55, 000 per quarter.

The object of this exercise was to redeem the vastly over secured loan as early as possible in order to be able to renegotiate a larger advance to finance the debt which three years of high investment in our facilities had created.

The result on our year end Balance Sheet was to reclassify the loan balance at 31st March 1998 from long term to short term, with a corresponding increase in current liabilities and reduction in long term liabilities at that date.

In August 1998 the new loan of £ 600,000 was agreed with Nat. West Bank. A final payment of £ 140,000 was made to 3i at this time. The new loan is scheduled to run over a ten year period, with quarterly repayments of £ 15 ,000.

The remaining £ 460, 000 of the new loan has been absorbed into the company's working capital, clearing our overdraft and reducing the level of borrowing on our invoice discounting facility significantly. This has corrected the temporary swing to higher current liabilities and re-established the balance of our financing.

R.R. Lenain
CHAIRMAN

CHARCUTERIE FOODS LIMITED

Directors: R R Lenain (Chairman and Managing Director)
A Dessert

DIRECTORS' REPORT

The directors submit their report and the annual accounts for the year ended 31st March 1998.

Company law requires the directors to prepare accounts that 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 the financial year. In doing so the directors are required to:

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

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

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activities of the group during the year were the importation and broking of speciality foods and the manufacture and sale of pate.

The directors consider the group's financial position at the end of the year to be satisfactory.

DIVIDENDS AND APPROPRIATIONS

A dividend of £4,689 was paid on the 'A' ordinary shares. Dividends of £14,577 and £16,417 are proposed on the 'A' ordinary and ordinary shares respectively. The directors do not recommend further dividends for the year.

CHARCUTERIE FOODS LIMITED

DIRECTORS' REPORT (continued)

MARKET VALUE OF LAND AND BUILDINGS

The directors are of the opinion that the current open market value of the group's freehold and leasehold land and buildings, with the benefit of vacant possession for continuation of the existing use, is not significantly different from their book value.

DIRECTORS AND INTERESTS IN SHARES

The names of the present directors are given at the head of this report.

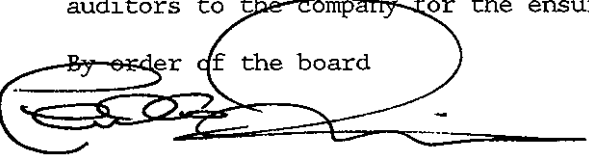
The number of shares in the company in which the directors had a beneficial interest, as defined by the Companies Act 1985 was as follows:

	Ordinary shares of £1 each	
	31st March 1998	31st March 1997
R R Lenain	182,500	182,500
A Dessert	3,500	3,500

AUDITORS

A resolution will be proposed at the annual general meeting to appoint Moores Rowland as auditors to the company for the ensuing year.

By order of the board


P B Collins
Secretary

Registered office:

Charcuterie House
Wandle Way
Willow Lane
Mitcham
Surrey
CR4 4NB

30th September 1998

**AUDITORS' REPORT TO THE MEMBERS OF
CHARCUTERIE FOODS LIMITED**

We have audited the accounts on pages 4 to 18.

Respective responsibilities of directors and auditors

As described in the directors' report the company's directors are responsible for the preparation of accounts. It is our responsibility as auditors to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

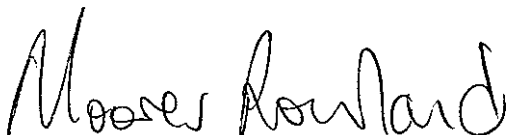
Basis of opinion

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations that we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts 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 the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company and of the group as at 31st March 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.



MOORES ROWLAND

Chartered Accountants
Registered Auditors

CROYDON, Surrey

30th September 1998

CHARCUTERIE FOODS LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Year ended 31st March 1998

	Note	1998 £	1997 £
TURNOVER	1 & 4	7,717,281	5,992,347
Cost of sales		(5,574,353)	(4,378,327)
GROSS PROFIT		<u>2,142,928</u>	<u>1,614,020</u>
Distribution costs		(748,963)	(698,849)
Administrative expenses		(1,044,719)	(907,547)
OPERATING PROFIT		<u>349,246</u>	<u>7,624</u>
Investment income	2	364	1,190
		<u>349,610</u>	<u>8,814</u>
Interest payable	3	(124,696)	(89,879)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	4	<u>224,914</u>	<u>(81,065)</u>
Tax on profit/(loss) on ordinary activities	7	100	41,772
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		<u>225,014</u>	<u>(39,293)</u>
PROFIT/(LOSS) FOR THE FINANCIAL YEAR	8	<u>225,014</u>	<u>(39,293)</u>
Dividends	9	(35,683)	—
RETAINED PROFIT/(LOSS) FOR THE YEAR	20	<u>£189,331</u>	<u>£(39,293)</u>

All disclosures relate only to continuing operations.

There are no recognised gains or losses other than the profit or loss for the year.

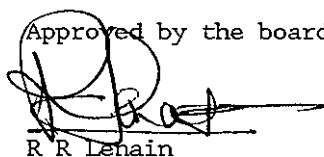
CHARCUTERIE FOODS LIMITED

CONSOLIDATED BALANCE SHEET

As at 31st March 1998

	Note	1998 £	1997 £
FIXED ASSETS			
Intangible assets	10	28,282	31,680
Tangible assets	11	2,159,890	1,799,924
		<u>2,188,172</u>	<u>1,831,604</u>
CURRENT ASSETS			
Stocks	13	389,779	322,890
Debtors	14	978,188	685,325
Cash at bank and in hand		5,728	31,954
		<u>1,373,695</u>	<u>1,040,169</u>
CREDITORS -- amounts falling due within one year	15	(2,050,120)	(1,315,558)
NET CURRENT LIABILITIES		<u>(676,425)</u>	<u>(275,389)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,511,747</u>	<u>1,556,215</u>
CREDITORS -- amounts falling due after more than one year	16	261,233	470,950
PROVISIONS FOR LIABILITIES AND CHARGES	17	23,958	48,040
		<u>(285,191)</u>	<u>(518,990)</u>
TOTAL NET ASSETS		<u><u>£1,226,556</u></u>	<u><u>£1,037,225</u></u>
CAPITAL AND RESERVES			
Called up share capital	18	328,800	328,800
Share premium	19	23,700	23,700
Profit and loss account	20	874,056	684,725
TOTAL EQUITY INTEREST		<u><u>£1,226,556</u></u>	<u><u>£1,037,225</u></u>

Approved by the board on 30th September 1998


R R Lenain

Director

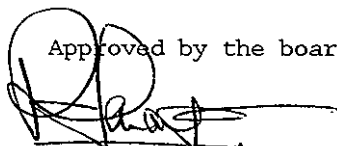
CHARCUTERIE FOODS LIMITED

BALANCE SHEET

As at 31st March 1998

	Note	£	1998 £	£	1997 £
FIXED ASSETS					
Investments	12		318,955		318,955
CURRENT ASSETS					
Debtors	14	308,483		277,489	
CREDITORS -- amounts falling due within one year	15	(30,994)		—	
NET CURRENT ASSETS			<u>277,489</u>	<u>277,489</u>	
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>£596,444</u>	<u>£596,444</u>	
CAPITAL AND RESERVES					
Called up share capital	18		328,800		328,800
Share premium	19		23,700		23,700
Profit and loss account	20		243,944		243,944
TOTAL EQUITY INTEREST			<u>£596,444</u>	<u>£596,444</u>	

Approved by the board on 30th September 1998



R R Lenain

Director

CHARCUTERIE FOODS LIMITED

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

Basis of accounting

The accounts have been prepared under the historical cost convention, and in accordance with applicable accounting standards.

Basis of consolidation

The consolidated accounts include the results of Charcuterie Foods Limited and its subsidiary undertakings for the year ended 31st March 1998.

No profit and loss account is presented for the company as provided for by Section 230(4) of the Companies Act 1985.

Turnover

Turnover consists of sales to third parties, net of value added tax and trade discounts.

Depreciation of intangible fixed assets

Goodwill arising on consolidation is being depreciated over a period of twenty years. This period is considered by the directors to be the useful economic life.

Depreciation of tangible fixed assets

Depreciation is provided on all tangible fixed assets (other than freehold property) so as to write them off over their anticipated useful lives at the following annual rates on a straight line basis:

Long leasehold property	- 1.5%
Short leasehold property	- over the length of the lease
Fixtures and fittings	- 10%
Computers, plant and machinery	- 10%
Motor vehicles	- 25%

Freehold property is not depreciated. Properties are maintained to ensure that their value does not diminish over time. The maintenance costs are charged to the profit and loss account in the year incurred. In the opinion of the directors, depreciation would be immaterial and has not been charged.

Stocks

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

Foreign currencies

Assets and liabilities expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated at the rate ruling at the date of the transaction. Differences arising are dealt with in the profit and loss account.

CHARCUTERIE FOODS LIMITED

NOTES TO THE ACCOUNTS (continued)

1. ACCOUNTING POLICIES (continued)

Invoice discounting

The group has a facility whereby it can draw up to 80% of the value of trade debtors. Responsibility for invoicing and collection remains with the group and the loan is repaid out of the proceeds of settlement by debtors or on debts becoming uncollectable.

Trade debtors are disclosed at the amounts collectable from third parties. Advances made under the facility are disclosed within creditors due within one year.

Leasing and hire purchase contracts

Assets being acquired under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their anticipated useful lives. The obligation to make future rental payments, net of future finance charges, is recognised as a liability in the balance sheet. The interest element of the lease and hire purchase payments are charged to the profit and loss account at a constant rate over the period of the agreement.

Rentals under operating leases are charged to the profit and loss account as incurred.

Deferred taxation

Deferred taxation is calculated using the liability method and provision is made to the extent that it is probable that such tax will become payable in the foreseeable future.

Pension costs

Retirement benefits to employees are provided by defined contribution schemes which are funded by contributions from the group and employees.

Payments are made to insurance companies and are charged to the profit and loss account for the year in which they become payable.

2. INVESTMENT INCOME

	1998	1997
Bank interest receivable	<u>£364</u>	<u>£1,190</u>

3. INTEREST PAYABLE

On bank loans and overdrafts	6,717	10,679
On other loans	102,573	69,603
On finance leases and hire purchase contracts	15,406	9,597
	<u>£124,696</u>	<u>£89,879</u>

CHARCUTERIE FOODS LIMITED

NOTES TO THE ACCOUNTS (continued)

4. TURNOVER AND PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

Turnover derives from the one principal activity of the group and arose wholly within the United Kingdom.

Profit/(loss) on ordinary activities before taxation is stated after charging:

	1998 £	1997 £
(Profit)/loss on disposal of fixed assets	(623)	6,880
Depreciation of fixed assets – owned	81,357	127,434
– leased	37,884	19,198
Amortisation of goodwill on consolidation	3,398	3,398
Directors' remuneration (note 5)	158,139	175,258
Auditors' remuneration	10,000	9,800
Profit on exchange	(133,370)	(7,603)
Other operating lease payments	191,347	154,490

5. DIRECTORS AND OTHER EMPLOYEES

Staff costs include the following:

	1998 £	1997 £
Wages and salaries	1,227,457	959,379
Social security costs	106,022	90,056
Other pension costs	60,186	40,154
	<u>£1,393,665</u>	<u>£1,089,589</u>

The average number of persons employed by the group during the year was as follows:

	Number	Number
Production	64	42
Selling and distribution	22	21
Administration	10	14
	<u>96</u>	<u>77</u>

CHARCUTERIE FOODS LIMITED

NOTES TO THE ACCOUNTS (continued)

5. DIRECTORS AND OTHER EMPLOYEES (continued)

The emoluments of the directors were as follows:

	£	£
Emoluments	137,000	150,750
Company contributions to money purchase pension schemes	34,237	24,508
	<u>£171,237</u>	<u>£175,258</u>

Both directors have benefits accruing under money purchase pension schemes.

6. PENSIONS

The group operates three defined contribution schemes. The assets of the schemes are held separately from those of the group in independently administered funds.

The pension cost charge represents contributions payable by the group to the funds and amounted to £60,186 (1997 – £40,154). There were no prepaid or proposed contributions at the balance sheet date.

7. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	1998 £	1997 £
Based on the profit/loss for the year:		
Corporation tax at 21% (1997 – 24%)	18,905	(23,463)
Deferred taxation	(19,005)	(15,026)
Taxation over provided in prior years:		
Corporation tax	–	(3,283)
	<u>£ (100)</u>	<u>£(41,772)</u>

8. PROFIT/(LOSS) FOR THE FINANCIAL YEAR

Dealt with in the accounts of:

Charcuterie Foods Limited	–	–
Subsidiary undertaking	225,014	(39,293)
	<u>£225,014</u>	<u>£(39,293)</u>

CHARCUTERIE FOODS LIMITED

NOTES TO THE ACCOUNTS (continued)

9. DIVIDENDS

	1998 £	1997 £
Interim dividend paid:		
'A' ordinary shares - 5% (1997 - 0%)	4,689	—
Final dividend proposed:		
'A' ordinary shares - 16% (1997 - 0%)	14,577	—
Ordinary shares - 7% (1997 - 0%)	16,417	—
	<u>£35,683</u>	<u>£ —</u>

10. INTANGIBLE FIXED ASSETS

Goodwill on consolidation

Written down value:

At 1st April 1997	31,680	35,078
Amortised in year	(3,398)	(3,398)
At 31st March 1998	<u>£28,282</u>	<u>£31,680</u>

11. TANGIBLE FIXED ASSETS — GROUP

	Land and buildings £	Computers and office equipment £	Plant and machinery £	Motor vehicles £	Total £
Cost:					
At 1st April 1997	1,389,039	199,177	674,938	11,742	2,274,896
Additions	137,174	33,541	305,917	6,244	482,876
Disposals	—	(51,487)	—	(11,742)	(63,229)
At 31st March 1998	<u>£1,526,213</u>	<u>£181,231</u>	<u>£980,855</u>	<u>£ 6,244</u>	<u>£2,694,543</u>
Depreciation:					
At 1st April 1997	41,231	89,149	339,455	5,137	474,972
Charge for year	13,979	24,974	76,759	3,529	119,241
Disposals	—	(51,487)	—	(8,073)	(59,560)
At 31st March 1998	<u>£ 55,210</u>	<u>£ 62,636</u>	<u>£416,214</u>	<u>£ 593</u>	<u>£ 534,653</u>
Net book value:					
At 31st March 1998	<u>£1,471,003</u>	<u>£118,595</u>	<u>£564,641</u>	<u>£ 5,651</u>	<u>£2,159,890</u>
At 31st March 1997	<u>£1,347,808</u>	<u>£110,028</u>	<u>£335,483</u>	<u>£ 6,605</u>	<u>£1,799,924</u>

CHARCUTERIE FOODS LIMITED

NOTES TO THE ACCOUNTS (continued)

11. TANGIBLE FIXED ASSETS – GROUP (continued)

	Land and buildings £	Computers and office equipment £	Plant and machinery £	Motor vehicles £	Total £
Net book value of assets under finance lease agreements included above:					
At 31st March 1998	£ 51,560	£ 24,556	£375,970	£ 4,151	£ 456,237
At 31st March 1997	£ 52,309	£ 27,930	£160,962	£ –	£ 241,226

The depreciation charge for the year includes £8,289 for the permanent diminution in value of certain items of plant and machinery.

The net book values of land and building comprises:

	1998 £	1997 £
Freehold	731,914	731,914
Long leasehold	636,929	615,894
Short leasehold	102,160	–
	<u>£1,471,003</u>	<u>£1,347,808</u>

12. FIXED ASSET INVESTMENTS

	1998	1997
Shares in group undertakings		
Cost:		
At 1st April 1997 and 31st March 1998	<u>£318,955</u>	<u>£318,955</u>

The group undertakings are as follows:

Name	Country of registration	Nature of business	Holding	Shares Class	%
Charcuterie Limited	England	Manufacture of pate and fine foods	6,600	Ordinary	100
Gourmandise Foods Limited	England	Dormant	1,000	Ordinary	100

CHARCUTERIE FOODS LIMITED

NOTES TO THE ACCOUNTS (continued)

13. STOCKS

	GROUP		COMPANY	
	1998	1997	1998	1997
	£	£	£	£
Raw materials and consumables	198,531	151,081	—	—
Finished goods and goods for resale	191,248	171,809	—	—
	<u>£389,779</u>	<u>£322,890</u>	<u>£ —</u>	<u>£ —</u>

14. DEBTORS

Trade debtors	871,389	630,664	—	—
Amounts owed by subsidiary undertakings	—	—	308,483	277,489
Corporation tax recoverable	32,319	—	—	—
Other debtors	61,255	48,389	—	—
Prepayments and accrued income	13,225	6,272	—	—
	<u>£978,188</u>	<u>£685,325</u>	<u>£308,483</u>	<u>£277,489</u>

Trade debtors are subject to an invoice discounting arrangement, as noted in Note 15.

15. CREDITORS — amounts falling due within one year

	GROUP		COMPANY	
	1998	1997	1998	1997
	£	£	£	£
Loans	192,500	55,000	—	—
Bank overdraft	116,910	52,037	—	—
Invoice discounting facility	480,128	417,967	—	—
Trade creditors	879,260	575,989	—	—
Obligations under finance leases and hire purchase contracts	86,800	46,800	—	—
Corporation tax	23,982	680	—	—
Other taxation and social security	37,877	33,792	—	—
Other creditors	420	13,461	—	—
Proposed dividend	30,994	—	30,994	—
Accruals and deferred income	201,249	119,832	—	—
	<u>£2,050,120</u>	<u>£1,315,558</u>	<u>£30,994</u>	<u>£ —</u>

The bank overdraft is secured by a mortgage debenture on properties and book debts and a floating charge over all other assets.

The invoice discounting facility is advanced on up to 80% of the value of trade debtors. Interest is charged at 1.5% above base rate.

CHARCUTERIE FOODS LIMITED

NOTES TO THE ACCOUNTS (continued)

16. CREDITORS – amounts falling due after more than one year

	GROUP		COMPANY	
	1998	1997	1998	1997
	£	£	£	£
Loan, repayable:				
– between one and two years	–	55,000	–	–
– between two and five years	–	165,000	–	–
– after five years	–	96,250	–	–
	<u>–</u>	<u>316,250</u>	<u>–</u>	<u>–</u>
Obligations under finance leases and hire purchase contracts, repayable within five years	261,233	154,700	–	–
	<u>£261,233</u>	<u>£470,950</u>	<u>£ –</u>	<u>£ –</u>

The loan is repayable in equal quarterly instalments of £55,000. Interest is charged at the higher of 4% and 2.5% over LIBOR. The loan is secured on the group's freehold property, a floating charge over the assets of Charcuterie Limited and by guarantees given by the other two group undertakings.

17. PROVISION FOR LIABILITIES AND CHARGES

	GROUP		COMPANY	
	1998	1997	1998	1997
	£	£	£	£
DEFERRED TAXATION				
Balance at 1st April 1997	51,885	66,911	–	7,006
Transfer from profit and loss account	(19,005)	(15,026)	–	(7,006)
Transfer to subsidiary	–	–	–	–
	<u>32,880</u>	<u>51,885</u>	<u>–</u>	<u>–</u>
Less: Advance corporation tax recoverable	(8,922)	(3,845)	–	–
Balance at 31st March 1998	<u>£23,958</u>	<u>£48,040</u>	<u>£ –</u>	<u>£ –</u>
The deferred taxation balance comprises:				
Excess of capital allowances over depreciation charged	32,880	51,885	–	–
Less: Advance corporation tax recoverable	(8,922)	(3,845)	–	–
	<u>£23,958</u>	<u>£48,040</u>	<u>£ –</u>	<u>£ –</u>

CHARCUTERIE FOODS LIMITED

NOTES TO THE ACCOUNTS (continued)

18. CALLED UP SHARE CAPITAL

	1998 £	1997 £
Authorised:		
272,800 ordinary shares of £1 each	272,800	272,800
88,800 'A' ordinary shares of £1 each	88,800	88,800
	<u>£361,600</u>	<u>£361,600</u>
Allotted and fully paid:		
240,000 Ordinary shares of £1 each	240,000	240,000
88,800 'A' ordinary shares of £1 each	88,800	88,800
	<u>£328,800</u>	<u>£328,800</u>

18. CALLED UP SHARE CAPITAL (continued)

Equity share interests

Holders of the 'A' Ordinary shares are entitled to a cumulative preferential dividend (referred to as the Participating Dividend) calculated as a percentage of the group's profits for the relevant financial year.

On a return of capital on a winding up, or otherwise, the 'A' Ordinary shares carry the right to repayment of capital and a sum equal to any arrears or deficiency of dividend; this right is in priority to the rights of all other shareholders.

19. SHARE PREMIUM ACCOUNT

	COMPANY	
	1998 £	1997 £
Balance at 1st April 1997 and 31st March 1998	<u>£23,700</u>	<u>£23,700</u>

20. PROFIT AND LOSS ACCOUNT

	GROUP		COMPANY	
	1998 £	1997 £	1998 £	1997 £
Balance at 1st April 1997	684,725	724,018	243,944	243,944
Retained profit/(loss) for the year	189,331	(39,293)	—	—
Balance at 31st March 1998	<u>£874,056</u>	<u>£684,725</u>	<u>£243,944</u>	<u>£243,944</u>

CHARCUTERIE FOODS LIMITED

NOTES TO THE ACCOUNTS (continued)

21. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	GROUP	
	1998	1997
	£	£
Profit/(loss) for the financial year	225,014	(39,293)
Dividends	(35,683)	—
Net addition to/(reduction from) shareholders' funds	189,331	(39,293)
Opening shareholders' funds	1,037,225	1,076,518
Closing shareholders' funds	<u>£1,226,556</u>	<u>£1,037,225</u>

22. CAPITAL COMMITMENTS

The aggregate amount of contracts for capital expenditure, not provided for, was £64,000 (1997 – Nil).

23. FINANCIAL COMMITMENTS

The amounts payable in the next year in respect of operating leases are shown below, analysed according to the expiry date of the leases.

	Land and buildings		Other	
	1998	1997	1998	1997
	£	£	£	£
Expiry date:				
Within one year	—	—	23,413	2,335
Between one and five years	27,400	—	117,311	126,736
After five years	6,000	2,475	—	—
	<u>£33,400</u>	<u>£2,475</u>	<u>£140,724</u>	<u>£129,071</u>

24. CONTINGENT LIABILITIES

The company has given a guarantee, secured on all its assets, as security to the loan taken out by its subsidiary, Charcuterie Limited, in relation to its purchase of the freehold property. At the year end, the amount of the loan outstanding was £192,500 (1997 – £371,250).

25. RELATED PARTY DISCLOSURES

The company is controlled by Mr R R Lenain, who owns 55.5% of the total issued share capital of the company.

CHARCUTERIE FOODS LIMITED

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31st March 1998

	1998	1997
£	£	£
Net cash inflow from operating activities (note 1)	521,251	213,492
Returns on investment and servicing of finance		
Interest received	364	1,190
Interest paid	(109,290)	(80,282)
Interest element of finance lease rental payments	(15,406)	(9,597)
Net cash outflow for returns on investments and servicing of finance	(124,332)	(88,689)
Taxation		
UK corporation tax paid	(34,689)	(26,907)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(482,876)	(496,345)
Sale of fixed assets	4,292	3,660
Net cash outflow for capital expenditure and financial investment	(478,584)	(492,685)
Equity dividends paid	(4,689)	(15,000)
	(121,043)	(409,789)
Financing		
New finance lease loans	200,000	234,000
Repayment of amounts borrowed	(178,750)	(55,000)
Capital element of finance lease rental payments	(53,467)	(32,500)
Net cash inflow for financing	(32,217)	146,500
Decrease in cash	<u>£(153,260)</u>	<u>£(239,966)</u>
Reconciliation of net cash flow to movement in net debt (note 2)		
Decrease in cash in the period	(153,260)	(239,966)
Cash outflow from repayment of debt and lease financing	232,217	87,500
New finance leases	(200,000)	(234,000)
	(121,043)	(386,466)
Net debt as at 1st April 1997	(1,010,800)	(624,334)
Net debt as at 31st March 1998	<u>£(1,131,843)</u>	<u>£(1,010,800)</u>

CHARCUTERIE FOODS LIMITED

NOTES TO THE CASH FLOW STATEMENT

1. Reconciliation of operating profit to net cash inflow from operating activities

	1998 £	1997 £
Operating profit	349,246	7,624
Depreciation charges	122,639	150,030
Loss on sale of fixed assets	(623)	6,880
Increase in stocks	(66,889)	(1,991)
Decrease/(increase) in debtors	(260,544)	116,188
(Decrease)/increase in creditors	377,422	(65,239)
Net cash inflow from continuing operating activities	<u>£521,251</u>	<u>£213,492</u>

2. Analysis of changes in net debt

	Balance brought forward £	Cash flow £	Other Non-cash changes £	Balance carried forward £
Cash in hand, at bank	31,954	(26,226)	—	5,728
Overdraft and invoice discounting facility	(470,004)	(127,034)	—	(597,038)
		<u>(153,260)</u>		
Debt due within one year	(55,000)	—	(137,500)	(192,500)
Debt due after one year	(316,250)	178,750	137,500	—
Finance leases	(201,500)	53,467	(200,000)	(348,033)
		<u>232,217</u>		
	<u>£(1,010,800)</u>	<u>£78,957</u>	<u>£(200,000)</u>	<u>£(1,131,843)</u>

3. Major non-cash transactions

During the year the group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the lease of £200,000.