
STAFFORDSHIRE TABLEWARE LIMITED

Report and Financial Statements

◆ Year ended 1 August 1998 ◆

Company Number : 2475957



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STAFFORDSHIRE TABLEWARE LIMITED

COMPANY INFORMATION

Directors	S W Bell P A Frendo (Non-Executive Chairman) A R May (Non-Executive) R A Quipp P S Roe G E Wareham (Non-Executive) A R Williams G R Windas
Company secretary	P S Roe
Registered office	Meir Park Stoke-on-Trent ST3 7AA
Registered number	2475957
Auditors	Robson Rhodes Chartered Accountants Centre City Tower 7 Hill Street Birmingham B5 4UU
Bankers	Bank of Scotland P O Box 10 38 St Andrew Square Edinburgh EH2 2YR
Solicitors	Wragge & Co 55 Colmore Row Birmingham B3 2AS

STAFFORDSHIRE TABLEWARE LIMITED

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements for the year ended 1 August 1998.

Principal activities

The principal activities of the group are the manufacture and distribution of ceramic and allied tableware products.

Business review and future developments

After two years in which profits before interest exceeded £2 million it is disappointing to report a loss before interest and exceptional items of £477,000.

Trading conditions, particularly in the second half of the financial year, were exceptionally difficult due to a combination of export related factors including the high value of sterling against European currencies and the collapse of the Far East markets. These factors also resulted in increased competition within the UK market.

The overall results were also affected by exceptional costs of £1,180,000 associated with restructuring the cost base and product offer in line with the changed market conditions.

The company, with the support of its bankers, is in the process of implementing a plan to streamline manufacturing facilities, re-focus sales and marketing on the profitable growth sectors and significantly reduce overheads.

Results and dividends

The loss for the year after tax amounted to £2,351,000 (1997 Restated profit - £2,011,000).

The directors do not propose a dividend for the year (1997 - £Nil).

Fixed assets

Land and buildings are carried at the original fair value to the group when they were acquired in August 1990 less depreciation charged since that date. A valuation in November 1995 was undertaken which valued these properties at less than their carrying value. No provision has been made for this shortfall in value as the directors are satisfied that the deficit arises from the basis of valuation, which excludes the inherent trade being undertaken from the property.

Directors

The present directors of the company are set out on page 1. All of the directors served throughout the year with the exception of A R May who was appointed on 11 December 1997. In addition, A J P Convey and A Whalley both resigned as directors on 11 December 1997.

STAFFORDSHIRE TABLEWARE LIMITED

REPORT OF THE DIRECTORS (Continued)

Directors (Continued)

None of the directors serving at the year end had any beneficial interests in the share capital of the company other than those shown below:

Ordinary shares		
	1 August 1998	2 August 1997
S W Bell	17,068	17,068
R A Quipp	17,068	17,068
P S Roe	15,000	15,000
G E Wareham	56,898	56,898
G R Windas	56,898	56,898

Preferred Ordinary Shares		
	1 August 1998	At date of appointment
A R May	193	193

The company operates an Inland Revenue approved share option scheme. Options to acquire ordinary shares held by directors under this scheme were as follows:

Number of Options		
	1 August 1998	2 August 1997
S W Bell	1,975	1,975
R A Quipp	1,975	1,975
P S Roe	1,361	1,361
G R Windas	1,361	1,361

The options were granted at a price of 25 pence per share and are exercisable between 1999 and 2006. During the year options to acquire 1,361 ordinary shares granted to G E Wareham lapsed.

Year 2000 Costs

Many computer systems store only the last two digits of the year and need to be adapted to deal correctly with the year 2000. The group is well advanced with a detailed programme designed to:

- identify and where appropriate modify software developed by the group.
- identify and upgrade software supplied to the group or maintained by suppliers to the group.
- ensure all new software developments are compliant.
- identify any potential problems arising from computer chips embedded in non IT equipment already in use.
- ensure suppliers and customers have appropriate strategies to resolve this issue.

Year 2000 costs, excluding internal costs, are estimated to be £70,000 (of which £25,000 is included in the year under review). The majority of the work on compliance has been completed following the year end.

REPORT OF THE DIRECTORS

(Continued)

Single European Currency

Although the United Kingdom will not be a member of the initial phase of the single european currency, the group expects that it will trade in the new currency. No significant computer systems development work will be required to enable this to happen.

Employees

The group has adopted a policy of providing employees with certain relevant information both through a system of regular briefings using a "cascade" technique via line managers, twice yearly presentations by the Chief Executive to all employees and through direct discussion with employee representatives. These techniques provide the opportunity for employees to ask for additional information and put forward their own views. The group is keen to ensure that employees are aware of significant factors affecting the trading position and are also aware of the group's future strategy, aims and targets.

The group maintains a policy of supporting the employment of disabled persons where possible. This is done through both recruitment and retention of employees who become disabled during employment.

In addition, the group is seeking to invest in its employees generally through a policy of training and career development and is actively pursuing an Investors In People programme.

During the period the group continued with a profit related pay scheme in which the employees were invited to participate.

Corporate Governance

The Cadbury Code

The board is supportive of the highest standards of corporate governance. Although there is no requirement to do so, it is the intention that the group complies, as far as it is reasonable to do so, with the Code of Best Practice on the Financial Aspects of Corporate Governance ("the Cadbury Code") and therefore the following voluntary statements are made.

The board consists of a non-executive chairman, five executive directors and two other non-executive directors. The board meets regularly and is responsible inter alia for overall group strategy, acquisitions and divestment policy, approval of major capital expenditure projects, financing arrangements and for ensuring that an appropriate framework of internal control is in place throughout the group. It reviews the strategic direction of the business, the annual budget, the progress towards achievement of the budget and the capital expenditure programme.

Internal financial control

The board acknowledges its responsibility for the group's system of internal financial control although such a system can only provide reasonable and not absolute assurance against material misstatement or loss. The group has an established internal financial control framework with a comprehensive budgeting and financial reporting system in place. Actual results are reported against budget each month and forecasts for the year are regularly reviewed.

REPORT OF THE DIRECTORS

(Continued)

Going concern

After making due enquiries, the directors have reasonable expectation that the group, has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis for preparing the accounts.

Directors' responsibilities

Company law requires the directors to prepare annual financial statements which show a true and fair view of the state of affairs of the company and group and of the profit or loss of the group for that period. In preparing these financial statements, the directors have:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- followed applicable accounting standards; and
- prepared the financial statements on the going concern basis.

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

Donations

During the year the group made donations to charitable organisations amounting to £635. No political donations were made during the year.

Auditors

The auditors, Robson Rhodes are willing to continue in office, and a resolution to reappoint them will be proposed at the Annual General Meeting.

By order of the board.



P S Roe
Secretary
21 May 1999

STAFFORDSHIRE TABLEWARE LIMITED

REPORT OF THE AUDITORS TO THE SHAREHOLDERS OF STAFFORDSHIRE TABLEWARE LIMITED

We have audited the financial statements on pages 7 to 25.

Respective responsibilities of directors and auditors

As described on page 5 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.

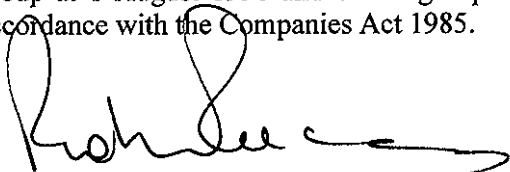
Basis of opinion

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 company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all 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 the 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 1 August 1998 and of the group's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Robson Rhodes
Chartered Accountants and Registered Auditors

Birmingham
21 May 1999

STAFFORDSHIRE TABLEWARE LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT for the year ended 1 August 1998

	Note	Before exceptional items 1998 £'000	Exceptional items 1998 £'000	Total 1998 £'000	1997 restated £'000
Turnover – continuing operations	3	31,212	-	31,212	35,487
Cost of sales	5	(25,182)	(1,037)	(26,219)	(26,774)
Gross profit		6,030	(1,037)	4,993	8,713
Distribution costs	5	(4,867)	(2)	(4,869)	(4,772)
Administrative expenses	5	(1,640)	(141)	(1,781)	(1,621)
Operating (loss)/profit – continuing operations	4	(477)	(1,180)	(1,657)	2,320
Income from interest in associated undertaking		-	-	-	(1)
Profit on sale of interest in associated undertaking		-	-	-	50
(Loss)/profit on ordinary activities before interest		(477)	(1,180)	(1,657)	2,369
Net interest payable and similar charges	6			(355)	(394)
(Loss)/profit on ordinary activities before taxation				(2,012)	1,975
Tax on (loss)/profit on ordinary activities	9			(339)	36
(Loss)/profit for the financial year	21&22			(2,351)	2,011
Other appropriations regarding non-equity shares	10			324	(237)
				(2,027)	1,774

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 1 August 1998

	Note	1998 £'000	1997 restated £'000
(Loss)/profit for the financial year		(2,351)	2,011
Prior year adjustment	2	670	
Total gains and losses recognised since last annual report		(1,681)	

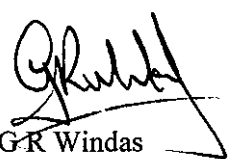
STAFFORDSHIRE TABLEWARE LIMITED

BALANCE SHEETS

At 1 August 1998

	Note	Group		Company	
		1998	1997 restated	1998	1997 restated
		£'000	£'000	£'000	£'000
Fixed assets					
Intangible assets	11	(671)	(767)	-	-
Tangible assets	12	10,234	10,138	10,234	10,138
		<u>9,563</u>	<u>9,371</u>	<u>10,234</u>	<u>10,138</u>
Current assets					
Stocks	13	4,283	4,972	4,283	4,972
Debtors due within one year	14	3,327	5,074	3,327	9,168
Debtors due after one year	19	-	337	-	337
Cash at bank		258	1,351	258	1,351
		<u>7,868</u>	<u>11,734</u>	<u>7,868</u>	<u>15,828</u>
Creditors : amounts falling due within one year	15	(5,052)	(6,181)	(5,052)	(10,275)
Net current assets		<u>2,816</u>	<u>5,553</u>	<u>2,816</u>	<u>5,553</u>
Total assets less current liabilities		<u>12,379</u>	<u>14,924</u>	<u>13,050</u>	<u>15,691</u>
Creditors : amounts falling due after more than one year	16	(3,858)	(3,859)	(3,858)	(3,859)
Provisions for liabilities and charges	18	(384)	(577)	(384)	(577)
Net assets		<u>8,137</u>	<u>10,488</u>	<u>8,808</u>	<u>11,255</u>
Capital and reserves					
Called up share capital	20	1,899	1,899	1,899	1,899
Share premium account	21	5,172	5,172	5,172	5,172
Dividend equalisation	21	364	688	364	688
Profit and loss account	21	702	2,729	1,373	3,496
Shareholders' funds (including non-equity interests)	22	<u>8,137</u>	<u>10,488</u>	<u>8,808</u>	<u>11,255</u>

The financial statements were approved by the board on 21 May 1999 and signed on its behalf by:


G.R. Windas
Chief Executive

STAFFORDSHIRE TABLEWARE LIMITED**CONSOLIDATED CASH FLOW STATEMENT**
for the year ended 1 August 1998

	Note	1998	1997
		£'000	restated
			£'000
Net cash inflow from operating activities	24	810	2,585
Returns on investment and servicing of finance			
Interest received		27	33
Interest paid		(363)	(419)
Net cash outflow for returns on investment and servicing of finance		(336)	(386)
Taxation paid			
UK corporation tax		-	-
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(791)	(474)
Payments for site enhancement		-	(21)
Receipts from government for site enhancement		-	217
Net cash outflow for capital expenditure and financial investment		(791)	(278)
Disposals			
Sale of interest in associated undertaking		-	297
Net cash (outflow)/inflow before financing		(317)	2,218
Financing			
Repayment of loans		(776)	(606)
Net cash outflow from financing		(776)	(606)
(Decrease)/increase in cash	25	(1,093)	1,612

NOTES TO THE FINANCIAL STATEMENTS

1 August 1998

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements are prepared in accordance with applicable accounting standards under the historical cost convention.

As permitted by Section 230 of the Companies Act 1985 the profit and loss account of the company has not been separately presented in the accounts.

Basis of consolidation

The group accounts consolidate the accounts of the company and all its subsidiary undertakings at the period end using acquisition accounting.

Investment in subsidiaries

Investments in subsidiaries are stated at cost less provision for any permanent diminution in value.

Turnover

Turnover comprises the invoiced value (excluding VAT) of goods and services supplied.

Foreign currencies

Exchange differences arising from transactions during the period are taken to the profit and loss account. Balances at the period end, denominated in foreign currencies are translated at the year end exchange rate or at the rate applicable in a corresponding forward rate agreement.

Tangible fixed assets and depreciation

Depreciation is provided evenly on the cost of tangible fixed assets, to write them down to their estimated residual values over their expected useful lives. No depreciation is provided on freehold land. The principal annual rates used for other assets are:

Freehold buildings	2%
Plant and machinery	3% to 7.5%
Fixtures, fittings and motor vehicles	20%

Operating leases

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis.

Negative Goodwill

Negative goodwill is the excess of the fair value of the identifiable assets and liabilities acquired over purchase consideration. It is written back to the profit and loss account by equal instalments over 15 years, being the expected period over which the acquired non-monetary assets are recovered through depreciation or sale. This policy represents a change in policy from previous years as detailed in note 2.

STAFFORDSHIRE TABLEWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 August 1998 (Continued)

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is determined on a first-in first-out basis. The cost of manufactured products comprises materials, direct labour and attributable production overheads. Net realisable value is based on the estimated sales price after allowing for all further costs of completion and disposal.

Deferred taxation

Deferred taxation is provided at the anticipated tax rates on timing differences arising from the different treatment of certain items for accounting and taxation purposes to the extent that it is probable that a liability or asset will crystallise in the future.

Pensions

The group operates a defined benefit pension scheme and funds pension liabilities on a going concern basis, on the advice of an external actuary, by payment to an independent trust. Independent actuarial valuations are normally carried out every three years. The amount charged to the profit and loss account is calculated so as to produce a substantially level percentage of the current and future pensionable payroll. Variations from regular costs are allocated to the profit and loss account over the employees average remaining service lives.

2. PRIOR YEAR ADJUSTMENT

As explained in the accounting policies (note 1), negative goodwill is written back to the profit and loss account by equal instalments over 15 years, being the expected period over which the acquired non-monetary assets are recovered through depreciation or sale. This policy follows Financial Reporting Standard 10 – “Goodwill and Intangible Assets” and represents a change of accounting policy from previous years when negative goodwill was not amortised and was shown as a permanent capital reserve rather than a negative intangible asset. A prior year adjustment has been made to present the financial statements as if the new policy had always applied. The effect of this change in policy has been to increase profit for the financial year by £96,000 (1997 - £96,000) and decrease reserves by £670,000 (1997 - £767,000).

3. TURNOVER

- (a) All turnover arises from the principal activity.
- (b) The analysis of the group's turnover from continuing activities by geographical area is as follows:

	1998 £'000	1997 £'000
United Kingdom	19,163	21,073
Other European Union	5,966	7,618
Rest of the world	6,083	6,796
	<u>31,212</u>	<u>35,487</u>

STAFFORDSHIRE TABLEWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 August 1998

4. OPERATING (LOSS)/PROFIT

Operating (loss)/profit is arrived at after charging/(crediting):

	1998	1997
	£'000	restated £'000
Operating lease rentals		
- plant and machinery	379	349
Auditors' remuneration		
- audit services	26	25
- other	36	11
Depreciation of tangible fixed assets	713	657
Amortisation of negative goodwill	(96)	(96)
Rates refund net of expenses	-	(90)
Compulsory purchase compensation	-	(257)
	<u> </u>	<u> </u>

5. EXCEPTIONAL ITEMS

	1998	1997
	£'000	£'000
Reductions in employees	406	-
Stock provisions	574	-
Product development costs	200	-
	<u>1,180</u>	<u>-</u>
	<u> </u>	<u> </u>

6. NET INTEREST PAYABLE AND SIMILAR CHARGES

	1998	1997
	£'000	£'000
Interest payable on bank overdrafts	40	53
Interest payable on bank loans	337	376
	<u>377</u>	<u>429</u>
Bank interest receivable	(22)	(35)
	<u>355</u>	<u>394</u>
	<u> </u>	<u> </u>

STAFFORDSHIRE TABLEWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 August 1998

7. EMPLOYEES

Average number of employees, including directors, employed by the group during the year:

	1998 Number	1997 Number
Production	913	928
Distribution	24	24
Selling and marketing	74	68
Administration	35	35
	<u>1,046</u>	<u>1,055</u>

Staff costs, including directors:	1998 £'000	1997 £'000
Wages and salaries	13,273	13,307
Social security costs	893	963
Other pension costs	510	383
	<u>14,676</u>	<u>14,653</u>

The group operates a funded defined benefit pension scheme. Contributions to this scheme are determined by a qualified independent actuary using the projected unit method.

The last actuarial valuation of this scheme was at 6 October 1996. This valuation showed that the market value of the scheme was £14m and that the actuarial value of the assets on the basis of the actuarial assumptions used was sufficient to cover 101% of the benefits which had accrued to members, on a past service reserve basis.

The main actuarial assumptions used in the valuation were:

Differential between investment returns and payroll cost increases	2.5% pa
Pension increases – for service up to August 1990	3% pa
Pension increases – for service after August 1990	4% pa
New entrants - a constant age profile for the pension scheme	
Average number of years service remaining for active members	14

STAFFORDSHIRE TABLEWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 August 1998

8. DIRECTORS

	1998 £'000	1997 £'000
Remuneration of the company's directors:		
Emoluments	475	627
Amount of money and other net assets receivable under long term incentive schemes	-	309
Contributions to money purchase pension schemes	17	22
Total emoluments	492	958
Compensation for loss of office	130	-

The emoluments of directors disclosed above include the following amounts paid to the highest paid director:

	1998 £'000	1997 £'000
Emoluments	112	148
Amount of money and other net assets receivable under long term incentive schemes	-	80
Contributions to money purchase pension schemes	5	6
	117	234

As at 1 August 1998 the following amounts relating to the highest paid director were accrued under a defined benefit pension scheme:

	1998 £'000	1997 £'000
Accrued pension entitlement	33	17

	1998 Number	1997 Number
During the year the following number of directors:		
Accrued benefits under money purchase pension schemes	5	6
Accrued benefits under defined benefit pension schemes	7	7

STAFFORDSHIRE TABLEWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 August 1998

9. TAXATION

Taxation credit for the year:

	1998 £'000	1997 £'000
Tax credit on UK dividends received	2	-
Deferred taxation (note 18)	337	(45)
	<hr/> 339	<hr/> (45)
Share of associated undertaking	-	9
	<hr/> 339	<hr/> (36)
	<hr/> <hr/>	<hr/> <hr/>

Deferred taxation not credited in the year amounted to £927,000 (1997 – not provided £593,000) in respect of trading losses, accelerated capital allowances and other timing differences.

10. OTHER APPROPRIATIONS REGARDING NON-EQUITY SHARES

As explained in note 20, representatives for the holders of the preference shares have given their written consent to amend the dividends payable on the preference shares to 10% per annum (based on the nominal value and premium paid) in respect of the year ended 31 July 2001. In accordance with Financial Reporting Standard No. 4, "Capital Instruments", finance costs have been allocated over the life of the preference shares using the internal rate of return of the anticipated cash flow. The difference between this internal rate of return and the actual dividend payment is represented by the appropriations figure.

STAFFORDSHIRE TABLEWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS 1 August 1998

11. INTANGIBLE FIXED ASSETS

Group	Negative Goodwill £'000
Amount arising on acquisition	
At 3 August 1997 as restated	(1,437)
	<hr/>
At 1 August 1998	(1,437)
	<hr/>
Amortisation	
At 3 August 1997 as restated	(670)
Credit for the year	(96)
	<hr/>
At 1 August 1998	(766)
	<hr/>
Net book value	
At 1 August 1998	(671)
	<hr/>
At 2 August 1997 as restated	(767)
	<hr/>

STAFFORDSHIRE TABLEWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 August 1998

12. TANGIBLE FIXED ASSETS

Group and company

	Freehold land and buildings	Plant and machinery	Fixtures, fittings and motor vehicles	Total
	£'000	£'000	£'000	£'000
Cost				
At 3 August 1997	6,728	10,398	705	17,831
Reclassified	2	1	1	4
Additions	43	618	148	809
Disposals	-	(61)	(21)	(82)
At 1 August 1998	<u>6,773</u>	<u>10,956</u>	<u>833</u>	<u>18,562</u>
Depreciation				
At 3 August 1997	685	6,505	503	7,693
Reclassified	(1)	1	4	4
Charged for the year	103	533	77	713
Disposals	-	(61)	(21)	(82)
At 1 August 1998	<u>787</u>	<u>6,978</u>	<u>563</u>	<u>8,328</u>
Net book value				
At 1 August 1998	<u>5,986</u>	<u>3,978</u>	<u>270</u>	<u>10,234</u>
At 2 August 1997	<u>6,043</u>	<u>3,893</u>	<u>202</u>	<u>10,138</u>

STAFFORDSHIRE TABLEWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 August 1998

13. STOCKS

Group and company

	1998 £'000	1997 £'000
Raw materials and consumables	1,035	1,184
Work in progress	1,048	1,148
Finished goods and goods for resale	2,200	2,640
	<u>4,283</u>	<u>4,972</u>

14. DEBTORS

	Group		Company	
	1998 £'000	1997 £'000	1998 £'000	1997 £'000
Due within one year				
Trade debtors	2,899	4,542	2,899	4,542
Amounts owed by group undertakings	-	-	-	4,094
Other debtors	257	257	257	257
Prepayments and accrued income	171	275	171	275
	<u>3,327</u>	<u>5,074</u>	<u>3,327</u>	<u>9,168</u>

15. CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	1998 £'000	1997 £'000	1988 £'000	1997 £'000
Term loan (note 17)	-	775	-	775
Trade creditors	4,113	3,956	4,113	3,956
Amounts owed to group undertakings	-	-	-	4,094
Other taxation and social security	403	470	403	470
Accruals and deferred income	536	980	536	980
	<u>5,052</u>	<u>6,181</u>	<u>5,052</u>	<u>10,275</u>

STAFFORDSHIRE TABLEWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 August 1998

16. CREDITORS : AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group and company	
	1998 £'000	1997 £'000
Term loans (note 17)	3,858	3,859
	<u>3,858</u>	<u>3,859</u>

17. BORROWINGS

	Group and company	
	1998 £'000	1997 £'000
Term loans:		
- due within one year	-	775
- due one to two years	750	949
- due two to five years	3,108	2,910
	<u>3,858</u>	<u>4,634</u>

The borrowings are secured by fixed and floating charges over substantially all the group's assets.

Following the year end the company has agreed an additional loan of £1.5m from Bank of Scotland which is repayable by three instalments of £0.5m at six monthly intervals commencing June 2000. This loan is to be secured by fixed and floating charges over substantially all the group's assets. In addition, the company proposes granting the Bank of Scotland an option to subscribe for up to 12.5% of ordinary and preferred ordinary shares of the company at par value. The proposed option will reduce by 2.5% on each loan repayment date provided the loan repayment is met on the due date and the company has complied with the loan covenants up to the repayment date.

STAFFORDSHIRE TABLEWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 August 1998

18. PROVISIONS FOR LIABILITIES AND CHARGES

Group and company

Pensions

£'000

At 3 August 1997 restated
Profit and loss account

577
(193)

At 1 August 1998

384

The provisions for liabilities and charges as at 3 August 1997 have been restated to reclassify the deferred tax asset at that date as a current asset.

19. DEFERRED TAXATION

Group and company

Deferred Taxation £'000

At 3 August 1997
Profit and loss account

(337)
337

At 1 August 1998

-

The deferred tax asset is due after more than one year.

Deferred taxation comprises:

	Amounts provided		Amounts not provided	
	1998 £'000	1997 £'000	1998 £'000	1997 £'000
Capital allowances in excess of depreciation	-	-	996	879
Pensions	-	(192)	(132)	-
Trading losses	-	(132)	(819)	-
Other timing differences	-	(13)	(93)	-
Capital gain	-	-	428	429
	-	(337)	380	1,308

No deferred taxation has been provided relating to the fair value adjustment on company properties. It is anticipated that if they were to be disposed of at their revalued amount, a tax liability would not arise, due to the relief expected to be available as a result of investing in replacement assets.

STAFFORDSHIRE TABLEWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS 1 August 1998

20. SHARE CAPITAL

	Authorised Number	Issued and fully paid Number	£'000
Non-equity:			
Cumulative redeemable preference shares of 25p each	6,500,000	6,500,000	1,625
Convertible cumulative participating preferred ordinary shares of 25p each	900,000	900,000	225
	<u>7,400,000</u>	<u>7,400,000</u>	<u>1,850</u>
Equity:			
Ordinary shares of 25p each	225,000	195,000	49
	<u>7,625,000</u>	<u>7,595,000</u>	<u>1,899</u>

Representatives for the holders of the preference shares have given their written consent to amend the timing of the redemption of the preference shares. The company proposes to implement this amendment as a Special Resolution. Under the proposed Special Resolution the preference shares will be redeemable at the company's option at any time but the company will be required to redeem all of the preference shares on 31 July 2001. The price payable on redemption is £1 per preference share.

On winding up the preference shares carry priority over any payment to the holders of any other shares to the extent of their nominal value plus premium paid plus any arrears or accruals of dividends, whether or not declared or earned. If the preference dividend remains unpaid three months after the annual payment date, or on the proposal of a resolution for winding up, the preference shares shall possess such number of votes in aggregate as is equal to three times the total number of votes in aggregate possessed by the preferred shares and the ordinary shares.

On winding up the preferred shares carry priority over any payment to the holders of the ordinary shares, to the extent of the nominal value plus premium paid plus any arrears or accruals of dividends, whether or not declared or earned. The preferred shares carry the same voting rights as the ordinary shares.

Representatives for the holders of preference and preferred ordinary shares have also given their written consent to amend the dividend rights of these two classes of shares. The company proposes to implement this amendment as a Special Resolution. Under the proposed Special Resolution the preference and preferred ordinary shareholders will waive their right to receive any dividends which were due and payable up to the date of the resolution. In addition, the dividend rights in respect of both the preference and the preferred shares will be amended. Both the preference shares and the preferred ordinary shares will carry a dividend of 10%, based on the nominal value (25p per share) and the premium paid (75p per share) in respect of the year commencing 1 August 2000 (equating to a dividend of 10p per 25p share).

STAFFORDSHIRE TABLEWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 August 1998

20. SHARE CAPITAL (Continued)

The company operates an Inland Revenue approved share option scheme under which options have been granted to acquire ordinary shares of 25p each as follows:

When granted	Number of Shares	Option price	Exercise period
1990	16,660	100p	1994 – 2000
1992	839	100p	1996 – 2002
1993	827	100p	1997 – 2003
1995	1,228	25p	1999 – 2005
1996	5,444	25p	2000 – 2006
	<u>24,998</u>		

21. RESERVES

Group	Share Premium account £'000	Capital reserve £'000	Dividend equalisation account £'000	Profit and loss account £'000
At 3 August 1997 as previously stated	5,172	1,437	688	2,059
Prior year adjustment:				
Transferred to intangible fixed assets	-	(1,437)	-	-
Negative amortisation	-	-	-	670
At 3 August 1997 as restated	<u>5,172</u>	<u>-</u>	<u>688</u>	<u>2,729</u>
Loss for the financial year	-	-	-	(2,351)
Dividend equalisation transfer	-	-	(324)	324
At 1 August 1998	<u>5,172</u>	<u>-</u>	<u>364</u>	<u>702</u>

Company	Share premium account £'000	Dividend Equalisation account £'000	Profit and loss account £'000
At 3 August 1997	5,172	688	3,496
Loss for the financial year	-	-	(2,447)
Dividend equalisation transfer	-	(324)	324
At 1 August 1998	<u>5,172</u>	<u>364</u>	<u>1,373</u>

STAFFORDSHIRE TABLEWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 August 1998

22. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	Group £'000	Company £'000
Loss for the financial year	(2,351)	(2,447)
Opening shareholders' funds as restated	10,488	11,255
Closing shareholders' funds	<u>8,137</u>	<u>8,808</u>

The total of shareholders' funds comprises:

	Group £'000	Company £'000
Non-equity interests:		
Preference shares	6,864	6,864
Preferred ordinary shares	900	900
	<u>7,764</u>	<u>7,764</u>
Equity interests	373	1,044
	<u>8,137</u>	<u>8,808</u>

23. FINANCIAL COMMITMENTS

Capital Commitments

	Group and company	
	1998 £'000	1997 £'000
Capital expenditure contracted for, but not provided in the accounts	<u>34</u>	<u>21</u>

NOTES TO THE FINANCIAL STATEMENTS**1 August 1998****23. FINANCIAL COMMITMENTS (Continued)****Operating lease commitments**

The payments which the group and company are committed to make in the next year under operating leases are as follows:

	Group and company	
	1998	1997
	£'000	£'000
Land and buildings leases expiring:		
- in two to five years	14	14
Other leases expiring:		
- within one year	26	75
- two to five years	267	242
	<u>307</u>	<u>331</u>
	<u><u>307</u></u>	<u><u>331</u></u>

24. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Group and company	
	1998	1997
	£'000	£'000
Operating (loss)/profit	(1,657)	2,320
Negative goodwill	(96)	(96)
Depreciation	713	657
Pension provision	(193)	(244)
Decrease/(increase) in stocks	689	(132)
Decrease/(increase) in debtors	1,740	(586)
(Decrease)/increase in creditors	(386)	666
	<u>810</u>	<u>2,585</u>
Net cash inflow from operating activities	<u><u>810</u></u>	<u><u>2,585</u></u>

STAFFORDSHIRE TABLEWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS 1 August 1998

25. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	Group	
	1998 £'000	1997 £'000
(Decrease)/increase in cash	(1,093)	1,612
Cash outflow from loan repayments	776	606
Movement in net debt in the year	(317)	2,218
Net debt at 3 August 1997	(3,283)	(5,501)
Net debt 1 August 1998	(3,600)	(3,283)

26. ANALYSIS OF CHANGES IN NET DEBT

	At 3 August 1997	Cash flows	Other changes	At 1 August 1998
	£'000	£'000	£'000	£'000
Cash at bank	1,351	(1,093)	-	258
Term loans:				
Due within one year	(775)	776	(1)	-
Due after one year	(3,859)	-	1	(3,858)
	(3,283)	(317)	-	(3,600)