
STAFFORDSHIRE TABLEWARE LIMITED

Report and Financial Statements

◆ Year ended 31 July 1999 ◆



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	RSM 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

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements for the year ended 31 July 1999.

Principal activities

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

Business review and future developments

The results show a small loss before tax of £269,000.

The very difficult trading conditions experienced by the group and industry continued throughout the financial year affecting both the home and export markets. The UK was adversely affected by the marked increases in imports, largely caused by the strength of sterling and the impact of oversupply by local manufacturers suffering from a tough export environment. The export market was very difficult owing to a combination of the strength of sterling and economic difficulties experienced in the Far East and Russia.

The overall results were also affected by exceptional costs which included a net impairment write down of £2,399,000 on fixed assets and negative goodwill, downsizing the manufacturing output and de-registration of the profit related pay scheme.

The pressures on trading have continued in 1999/2000. Following a major and fundamental review of our future trading strategy we are changing emphasis in respect of low end product progressively from being a manufacturer to a supplier with product sourced from overseas. Manufacturing capacity is being reduced and changes are being made to improve flexibility and efficiency. Part of the manufacturing site has been sold for retail redevelopment for £10.5m and the proceeds, the majority of which were received in August 2000, will be used to reduce gearing and to finance the restructure and improvement of the manufacturing facilities, which will be fully operational in Autumn 2000. The profit on the land sale of £7.1m has been included in the 1998/99 reported results.

Results and dividends

The loss for the year after tax amounted to £269,000 (1998 - £2,351,000).

The directors do not propose a dividend for the year (1998 - £Nil).

Directors

The present directors of the company, all of whom served throughout the year, are set out on page 1.

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	
	31 July 1999	1 August 1998
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	
	31 July 1999	1 August 1998
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	
	31 July 1999	1 August 1998
S W Bell	1,975	1,975
R A Quipp	1,975	1,975
P S Roe	1,361	1,361
A R Williams	5,002	-
G R Windas	1,361	1,361

During the year options to acquire 5,002 ordinary shares at a price of 25 pence per share exercisable between 2002 and 2008 were granted to A R Williams. The remaining options were granted at a price of 25 pence per share and are exercisable between 1999 and 2006.

Year 2000

The group has reviewed and upgraded all its IT systems where necessary and has confirmed that all principal customers and suppliers have appropriate strategies in place to deal with this issue. The directors are pleased to report that following the year end no difficulties were encountered in the transition from 1999 to 2000.

Single European Currency

The group has taken all steps necessary to trade in Euros and there are no outstanding technical or accounting issues to be dealt with.

REPORT OF THE DIRECTORS

(Continued)

Employees

The group has adopted a policy of providing employees with certain relevant information both through a system of regular briefings 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.

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 £590. No political donations were made during the year.

By order of the board.



P S Roe
Secretary
5 September 2000

STAFFORDSHIRE TABLEWARE LIMITED

REPORT OF THE AUDITORS TO THE SHAREHOLDERS OF STAFFORDSHIRE TABLEWARE LIMITED

We have audited the financial statements on pages 6 to 22.

Respective responsibilities of directors and auditors

As described on page 4 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.

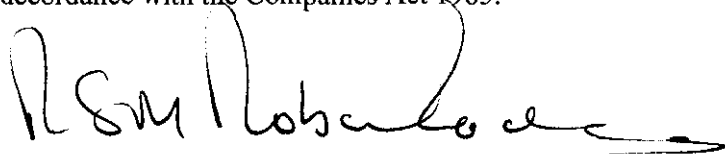
Basis of opinion

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 31 July 1999 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



RSM Robson Rhodes
Chartered Accountants and Registered Auditors

Birmingham

5 September 2000

STAFFORDSHIRE TABLEWARE LIMITED**CONSOLIDATED PROFIT AND LOSS ACCOUNT**
for the year ended 31 July 1999

	Note	Before Exceptional Items 1999 £'000	Exceptional Items (note 4) 1999 £'000	Total 1999 £'000	Total 1998 £'000
Turnover – continuing operations	2	24,763	-	24,763	31,212
Cost of sales		(21,859)	(3,548)	(25,407)	(26,219)
Gross profit / (loss)		<u>2,904</u>	<u>(3,548)</u>	<u>(644)</u>	<u>4,993</u>
Distribution costs		(4,446)	(133)	(4,579)	(4,869)
Administrative expenses		(1,347)	(360)	(1,707)	(1,781)
Operating loss – continuing operations	3	<u>(2,889)</u>	<u>(4,041)</u>	<u>(6,930)</u>	<u>(1,657)</u>
Profit on sale of fixed assets	5			7,136	-
Profit / (loss) on ordinary activities before interest				<u>206</u>	<u>(1,657)</u>
Net interest payable and similar charges	6			(475)	(355)
Loss on ordinary activities before taxation				<u>(269)</u>	<u>(2,012)</u>
Tax on loss on ordinary activities	10			-	(339)
Loss for the financial year	23&24			<u>(269)</u>	<u>(2,351)</u>
Other appropriations regarding non-equity shares	11			(94)	324
				<u>(363)</u>	<u>(2,027)</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There were no recognised gains and losses other than those included in the profit and loss account above.

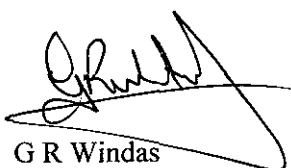
STAFFORDSHIRE TABLEWARE LIMITED

BALANCE SHEETS

At 31 July 1999

		Group		Company	
	Note	1999 £'000	1998 £'000	1999 £'000	1998 £'000
Fixed assets					
Negative goodwill	12	-	(671)	-	-
Tangible assets	14	3,739	10,234	3,739	10,234
		<u>3,739</u>	<u>9,563</u>	<u>3,739</u>	<u>10,234</u>
Current assets					
Stocks	15	3,642	4,283	3,642	4,283
Debtors due within one year	16	2,963	3,327	2,963	3,327
Debtors due after one year	16	10,500	-	10,500	-
Cash at bank		-	258	-	258
		<u>17,105</u>	<u>7,868</u>	<u>17,105</u>	<u>7,868</u>
Creditors : amounts falling due within one year	17	(6,190)	(5,052)	(6,190)	(5,052)
Net current assets		<u>10,915</u>	<u>2,816</u>	<u>10,915</u>	<u>2,816</u>
Total assets less current liabilities		<u>14,654</u>	<u>12,379</u>	<u>14,654</u>	<u>13,050</u>
Creditors : amounts falling due after more than one year	18	(6,604)	(3,858)	(6,604)	(3,858)
Provisions for liabilities and charges	20	(182)	(384)	(182)	(384)
Net assets		<u>7,868</u>	<u>8,137</u>	<u>7,868</u>	<u>8,808</u>
Capital and reserves					
Called up share capital	22	1,899	1,899	1,899	1,899
Share premium account	23	5,172	5,172	5,172	5,172
Dividend equalisation	23	458	364	458	364
Profit and loss account	23	339	702	339	1,373
Shareholders' funds (including non-equity interests)	24	<u>7,868</u>	<u>8,137</u>	<u>7,868</u>	<u>8,808</u>

The financial statements were approved by the board on 5 September 2000 and signed on its behalf by:


G R Windas
Chief Executive

STAFFORDSHIRE TABLEWARE LIMITED**CONSOLIDATED CASH FLOW STATEMENT**
for the year ended 31 July 1999

	Note	1999 £'000	1998 £'000
Net cash (outflow) / inflow from operating activities	26	(3,136)	810
Returns on investment and servicing of finance			
Interest received		1	27
Interest paid		(472)	(363)
Net cash outflow for returns on investment and servicing of finance		(471)	(336)
Taxation			
UK corporation tax		-	-
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(345)	(791)
Payments for site enhancement		(13)	-
Receipts from government for site enhancement		252	-
Net cash outflow for capital expenditure and financial investment		(106)	(791)
Net cash outflow before financing		(3,713)	(317)
Financing			
Repayment of secured loan		-	(776)
Increase in secured loans		2,442	-
Net cash inflow / (outflow) from financing		2,442	(776)
Decrease in cash in the year	27	(1,271)	(1,093)

NOTES TO THE FINANCIAL STATEMENTS

31 July 1999

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements are prepared in accordance with applicable Accounting Standards under the historical cost convention.

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 impairment.

Turnover

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

Foreign currencies

Foreign exchange transactions are translated at the rate ruling at the date of the transactions. Balances at the period end, denominated in foreign currencies are translated at the period end exchange rate or at the rate applicable in a corresponding forward rate agreement. Differences arising on foreign exchange translation are taken to the profit and loss account as they arise.

Tangible fixed assets and depreciation

Depreciation is provided to write off the cost less estimated residual value of tangible fixed assets on a straight line basis 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, machinery, fixtures and fittings	3% to 7.5%
Computer equipment and vehicles	20%

Operating leases

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

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 over the period in which the acquired non-monetary assets are recovered through depreciation, impairment or sale.

NOTES TO THE FINANCIAL STATEMENTS**31 July 1999****1. ACCOUNTING POLICIES (Continued)****Stocks**

Stocks are valued at the lower of cost and net realisable value. Cost is calculated on a first-in first-out basis and comprises materials and direct labour cost together with an appropriate proportion of 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.

Contributions payable to the defined contribution scheme are charged to the profit and loss account in the period to which they relate.

Research and development

Research and development expenditure is written off in the profit and loss account in the period in which it is incurred.

Impairment losses

Impairment reviews have been carried out on tangible fixed assets and negative goodwill comparing the carrying values to the net realisable value and the value in use based on the discounted future cash flows.

2. TURNOVER

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

	1999	1998
	£'000	£'000
United Kingdom	15,429	19,163
Other European Union	4,823	5,966
Rest of the world	4,511	6,083
	<u>24,763</u>	<u>31,212</u>
	<u><u>24,763</u></u>	<u><u>31,212</u></u>

NOTES TO THE FINANCIAL STATEMENTS

31 July 1999

3. OPERATING LOSS

	1999 £'000	1998 £'000
Operating loss is arrived at after charging / (crediting):		
Operating lease rentals		
- plant and machinery	403	379
Auditors' remuneration		
- audit fees	28	26
- other services	15	36
Depreciation of tangible fixed assets	974	713
Amortisation of negative goodwill	(96)	(96)

4. EXCEPTIONAL ITEMS

	1999 £'000	1998 £'000
Impairment loss on tangible fixed assets	2,700	-
Impairment credit on negative goodwill	(301)	-
Costs of downsizing the manufacturing output	973	-
De-registration of profit related pay scheme	445	-
Reduction in employee numbers	-	406
Stock provisions	224	574
Product development costs	-	200
	4,041	1,180

Exceptional distribution costs comprise £121,000 regarding downsizing the manufacturing output and £12,000 relating to the de-registration of the profit related pay scheme. Exceptional administrative expenses include £272,000 regarding the de-registration of the profit related pay scheme and £88,000 relating to downsizing the manufacturing output. The remaining exceptional items are included in cost of sales.

5. PROFIT ON SALE OF FIXED ASSETS

	1999 £'000	1998 £'000
Profit on sale of tangible fixed assets	6,862	-
Negative goodwill eliminated on sale of tangible fixed assets	274	-
	7,136	-

The profit on sale of fixed assets mainly arises from the sale of approximately 10 acres of the group's Meir Park site to a property developer.

NOTES TO THE FINANCIAL STATEMENTS**31 July 1999****6. NET INTEREST PAYABLE AND SIMILAR CHARGES**

	1999 £'000	1998 £'000
On bank loans and overdrafts	476	377
Bank interest receivable	(1)	(22)
	<u>475</u>	<u>355</u>

7. EMPLOYEES

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

	1999 Number	1998 Number
Production	822	913
Distribution	24	24
Selling and marketing	65	74
Administration	31	35
	<u>942</u>	<u>1,046</u>

	1999 £'000	1998 £'000
Staff costs:		
Wages and salaries	12,646	13,273
Social security costs	843	893
Other pension costs	470	510
	<u>13,959</u>	<u>14,676</u>

8. PENSION SCHEMES**Defined benefit scheme**

The group operates a funded defined benefit pension scheme, the total cost of which was £452,000 (1998 - £493,000). Contributions to this scheme are determined by a qualified independent actuary using the projected unit method.

The latest formal actuarial valuation of this scheme for funding purposes was at 6 April 1999. The market value of the assets of the scheme on that date was £22m and the valuation showed that the assets, on the basis of the actuarial assumptions used, were sufficient at that date to cover 92% of the benefits that had accrued to members, on a past service reserve basis.

NOTES TO THE FINANCIAL STATEMENTS**31 July 1999****8. PENSION SCHEMES (Continued)**

This represented a shortfall of £1,852,000. In view of this the group has increased employer contributions to the scheme for the next 10 years.

The main actuarial assumptions used in determining the pension cost to the group were:

Rate of return – pre retirement	7% pa
Rate of return – post retirement	6% pa
Rate of increase in pensionable earnings	5% pa
Inflation	3% pa
Pension increases	3% pa
Average number of years service remaining for active members	14
New entrants – a constant age profile for the pension scheme	

A provision of £182,000 is included in provisions of liabilities and charges being the excess of accumulated pension cost over the amount funded.

Defined contribution scheme

The group operates a funded defined contribution scheme the total cost of which was £18,000 (1998 - £17,000). The assets of the scheme are held separately from those of the group in an independently administered fund.

9. DIRECTORS

	1999	1998
	£'000	£'000
Remuneration of the company's directors:		
Emoluments	461	475
Amount of money receivable under long term incentive schemes	109	-
Contributions to money purchase pension schemes	18	17
Total emoluments	<u>588</u>	<u>492</u>
Compensation for loss of office	<u>-</u>	<u>130</u>

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

	1999	1998
	£'000	£'000
Emoluments	118	112
Amount of money receivable under long term incentive schemes	32	-
Contributions to money purchase pension schemes	5	5
	<u>155</u>	<u>117</u>

NOTES TO THE FINANCIAL STATEMENTS**31 July 1999****9. DIRECTORS (Continued)**

As at 31 July 1999 the following amounts relating to the highest paid director were accrued under a defined benefit pension scheme:

	1999	1998
	£'000	£'000
Accrued pension entitlement	31	33
	<hr/>	<hr/>

	1999	1998
	Number	Number
During the year the following number of directors:		
Accrued benefits under money purchase pension schemes	5	5
Accrued benefits under defined benefit pension schemes	5	7

10. TAXATION

	1999	1998
	£'000	£'000
The taxation charge for the year comprises:		
Tax credit on UK dividends received	-	2
Deferred taxation (note 21)	-	337
	<hr/>	<hr/>
	-	339
	<hr/>	<hr/>

Deferred taxation not credited in the year amounted to £1,109,000 (1998 - £927,000) in respect of trading losses, depreciation in advance of tax allowances and differences between the historical costs of and tax allowances on assets disposed of.

11. OTHER APPROPRIATIONS REGARDING NON-EQUITY SHARES

As explained in note 22, the dividends payable on the preference shares are 10% per annum (based on the nominal value and premium paid) in respect of the years commencing 1 August 2000. 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

31 July 1999

12. NEGATIVE GOODWILL

Group

	£'000
Amount arising on acquisition	
At 2 August 1998	(1,437)
Disposal	683
	<hr/>
At 31 July 1999	(754)
	<hr/>
Amortisation	
At 2 August 1998	(766)
Credit for the year	(96)
Credit arising on impairment loss on tangible fixed assets	(301)
Eliminated on disposal	409
	<hr/>
At 31 July 1999	(754)
	<hr/>
Net book value	
At 31 July 1999	-
	<hr/>
At 1 August 1998	(671)
	<hr/>

13. FIXED ASSET INVESTMENTS

The company owns, directly or indirectly, the whole of issued share capital of the following dormant companies, all of which are registered in England:

Cathedral Tableware Limited
Staffordshire Tableware Export Limited
The Freestyle Trading Company Limited
Staffordshire Potteries Limited

STAFFORDSHIRE TABLEWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 July 1999

14. TANGIBLE FIXED ASSETS

Group and company

	Freehold land and buildings	Plant, machinery, fixtures and fittings	Computer equipment and vehicles	Total
	£'000	£'000	£'000	£'000
Cost				
At 2 August 1998	6,773	10,956	833	18,562
Reclassified	-	26	(26)	-
Additions	139	381	77	597
Disposals	(3,406)	(1,324)	(68)	(4,798)
At 31 July 1999	3,506	10,039	816	14,361
Depreciation				
At 2 August 1998	787	6,978	563	8,328
Reclassified	-	26	(26)	-
Charged for the year	138	736	100	974
Impairment loss	325	2,219	156	2,700
Eliminated on disposals	(473)	(864)	(43)	(1,380)
At 31 July 1999	777	9,095	750	10,622
Net book value				
At 31 July 1999	2,729	944	66	3,739
At 1 August 1998	5,986	3,978	270	10,234

15. STOCKS

	Group and company	
	1999	1998
	£'000	£'000
Raw materials	812	1,035
Work in progress	801	1,048
Finished goods	2,029	2,200
	3,642	4,283

NOTES TO THE FINANCIAL STATEMENTS

31 July 1999

16. DEBTORS

	Group and company	
	1999	1998
	£'000	£'000
Due within one year		
Trade debtors	2,788	2,899
Other debtors	-	257
Prepayments and accrued income	175	171
	<u>2,963</u>	<u>3,327</u>
	<u><u>2,963</u></u>	<u><u>3,327</u></u>
Due after one year		
Other debtors	10,500	-
	<u>10,500</u>	<u>-</u>
	<u><u>10,500</u></u>	<u><u>-</u></u>

17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group and company	
	1999	1998
	£'000	£'000
Bank overdraft (note 19)	1,013	-
Trade creditors	4,021	4,113
Taxation and social security	662	403
Accruals and deferred income	494	536
	<u>6,190</u>	<u>5,052</u>
	<u><u>6,190</u></u>	<u><u>5,052</u></u>

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

	Group and company	
	1999	1998
	£'000	£'000
Debenture loan (note 19)	800	800
Bank loans (note 19)	5,500	3,058
Other creditors	304	-
	<u>6,604</u>	<u>3,858</u>
	<u><u>6,604</u></u>	<u><u>3,858</u></u>

NOTES TO THE FINANCIAL STATEMENTS

31 July 1999

19. BORROWINGS

	Group and company	
	1999	1998
	£'000	£'000
Bank loans and overdraft and debenture loan are repayable:		
- in one year or less or on demand	1,013	-
- in one to two years	6,300	750
- in two to five years	-	3,108
	<u>7,313</u>	<u>3,858</u>
	<u><u>7,313</u></u>	<u><u>3,858</u></u>

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

20. PROVISIONS FOR LIABILITIES AND CHARGES

Group and company

	Pensions
	£'000
At 2 August 1998	384
Profit and loss account	(202)
At 31 July 1999	<u>182</u>
	<u><u>182</u></u>

21. DEFERRED TAXATION

	Group and company
	£'000
At 2 August 1998	-
Profit and loss account	-
At 31 July 1999	<u>-</u>
	<u><u>-</u></u>

Deferred taxation comprises:	Amounts provided		Amounts not provided	
	1999	1998	1999	1998
	£'000	£'000	£'000	£'000
Excess of depreciation over tax allowances	-	-	(675)	996
Pensions	-	-	(71)	(132)
Trading losses carried forward	-	-	(505)	(819)
Other timing differences	-	-	(113)	(93)
Capital gain	-	-	207	428
	<u>-</u>	<u>-</u>	<u>(1,157)</u>	<u>380</u>
	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>(1,157)</u></u>	<u><u>380</u></u>

NOTES TO THE FINANCIAL STATEMENTS

31 July 1999

22. 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	385,715	195,000	49
	<u>7,785,715</u>	<u>7,595,000</u>	<u>1,899</u>

During the year the authorised share capital was increased from £1,906,250 to £1,946,429 by the creation of a further 160,715 ordinary shares of 25 pence each ranking pari passu with the existing ordinary shares.

By Special Resolution dated 17 August 1999, the timing of the redemption of the preference shares was amended so that they are now all redeemable on 31 July 2001. The price payable on redemption is £1 per preference share.

By Special Resolution dated 17 August 1999, the dividend rights of both the preference and preferred ordinary shares were amended. The preference and preferred ordinary shareholders waived their rights to receive any dividends that were due or payable up to the date of the resolution. For both preference and preferred ordinary shares, future dividends will be payable at 10% per annum, based on the nominal value (25 pence per share) and the premium paid (75 pence per share), in respect of years commencing 1 August 2000 (equating to a dividend of 10 pence per annum per 25 pence 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.

In September 1999 the company granted an option to the Bank of Scotland to call for the allotment and issue of ordinary shares of 25 pence each at par value, to rank pari passu with existing ordinary shares. The number of ordinary shares covered by this option represents 10% of the aggregate of the existing issued ordinary and preferred ordinary shares, as enlarged by this option and any other options outstanding at the time of exercise. If the option had been in existence at 31 July 1999 this would have amounted to 124,445 ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS

31 July 1999

22. 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:

Year granted	Number of Shares	Option price	Exercise period
1990	11,662	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
1998	5,002	25p	2002 – 2008
	<u>25,002</u>		

23. RESERVES

Group	Share premium account £'000	Dividend equalisation account £'000	Profit and loss account £'000
At 2 August 1998	5,172	364	702
Loss for the financial year	-	-	(269)
Dividend equalisation transfer	-	94	(94)
At 31 July 1999	<u>5,172</u>	<u>458</u>	<u>339</u>
Company	Share premium account £'000	Dividend equalisation account £'000	Profit and loss account £'000
At 2 August 1998	5,172	364	1,373
Loss for the financial year	-	-	(940)
Dividend equalisation transfer	-	94	(94)
At 31 July 1999	<u>5,172</u>	<u>458</u>	<u>339</u>

As permitted by section 230 of the Companies Act 1985 the profit and loss account of the parent company has not been presented as part of these financial statements.

STAFFORDSHIRE TABLEWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 July 1999

24. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	Group £'000	Company £'000
Loss for the financial year	(269)	(940)
Opening shareholders' funds	8,137	8,808
Closing shareholders' funds	<u>7,868</u>	<u>7,868</u>
The total of shareholders' funds comprises:	Group £'000	Company £'000
Non-equity interests:		
- attributable to preference shareholders	6,958	6,958
- attributable to preferred ordinary shareholders	900	900
	<u>7,858</u>	<u>7,858</u>
Equity interests	10	10
	<u>7,868</u>	<u>7,868</u>

25. FINANCIAL COMMITMENTS

Capital Commitments	Group and company 1999 £'000	1998 £'000
Capital expenditure contracted for but not provided in the accounts	23	34

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 1999 £'000	1998 £'000
Land and buildings leases expiring:		
- within one year	8	-
- in two to five years	-	14
Other leases expiring:		
- within one year	66	26
- two to five years	180	267
	<u>254</u>	<u>307</u>

STAFFORDSHIRE TABLEWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 July 1999

26. RECONCILIATION OF OPERATING LOSS TO NET CASH FLOW FROM OPERATING ACTIVITIES

	Group	
	1999 £'000	1998 £'000
Operating loss	(6,930)	(1,657)
Negative goodwill	(96)	(96)
Impairment credit on negative goodwill	(301)	-
Depreciation	974	713
Impairment loss on tangible fixed assets	2,700	-
Pension provision	(202)	(193)
Decrease in stocks	641	689
Decrease in debtors	146	1,740
Decrease in creditors	(68)	(386)
Net cash (outflow)/inflow from operating activities	<u>(3,136)</u>	<u>810</u>

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

	Group	
	1999 £'000	1998 £'000
Decrease in cash	(1,271)	(1,093)
Cash (inflow) / outflow from loans	(2,442)	776
Movement in net debt in the year	<u>(3,713)</u>	<u>(317)</u>
Net debt at 2 August 1998	(3,600)	(3,283)
Net debt at 31 July 1999	<u>(7,313)</u>	<u>(3,600)</u>

28. ANALYSIS OF CHANGES IN NET DEBT

Group	At 2 August 1998 £'000	Cash flows £'000	Other Changes £'000	At 31 July 1999 £'000
Cash at bank	258	(1,271)	1,013	-
Bank overdraft	-	-	(1,013)	(1,013)
Bank loans due after one year	(3,058)	(2,442)	-	(5,500)
Debenture loan due after one year	(800)	-	-	(800)
	<u>(3,600)</u>	<u>(3,713)</u>	<u>-</u>	<u>(7,313)</u>