

2185461

Wheel Investments Limited

Report and Financial Statements

Year Ended

31 December 2006



BDO Stoy Hayward
Chartered Accountants



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Wheel Investments Limited

Annual report and financial statements for the year ended 31 December 2006

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Directors

A J Finden-Crofts
D A Ward

Secretary and registered office

D A Ward, 118 Church Street, Stoke-on-Trent, Staffordshire, ST4 1BX

Company number

2185461

Auditors

BDO Stoy Hayward LLP, 125 Colmore Row, Birmingham, B3 3SD

Wheel Investments Limited

Report of the directors for the year ended 31 December 2006

The directors present their report together with the audited financial statements for the year ended 31 December 2006

Results and dividends

The profit and loss account is set out on page 5 and shows the loss for the year

The directors do not recommend the payment of a dividend.

Principal activities, review of business and future developments

The company is the holding company of a UK company whose principal activities are the design, manufacture, importation and sale of tableware, oven-to-tableware and ornamental products in fine bone china, porcelain and earthenware

The directors are pleased to report that the trading company is on track with its recovery plans. A comprehensive review of the business is included in the financial statements of the parent company

Directors

The directors of the company during the year were

A J Finden-Crofts
D A Ward

Directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

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

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

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

Wheel Investments Limited

Report of the directors for the year ended 31 December 2006 (*Continued*)

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO Stoy Hayward LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

On behalf of the board

D A Ward


Director

31 March 2008

Wheel Investments Limited

Independent auditor's report

To the shareholders of Wheel Investments Limited

We have audited the financial statements of Wheel Investments Limited for the year ended 31 December 2006 which comprise the profit and loss account, the balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the directors' report is consistent with those financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Wheel Investments Limited

Independent auditor's report (*Continued*)

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements

BDO Stoy Hayward LLP

BDO STOY HAYWARD LLP

*Chartered Accountants
and Registered Auditors
Birmingham*

31 March 2008

Wheel Investments Limited

Profit and loss account for the year ended 31 December 2006

	Note	2006 £'000	2005 £'000
Turnover		-	-
Interest payable and similar charges	4	(88)	(116)
Loss on ordinary activities before and after taxation for the financial year		<u>(88)</u>	<u>(116)</u>

All amounts relate to continuing activities

All recognised gains and losses in the current and prior year are included in the profit and loss account

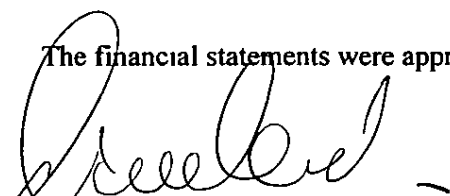
The notes on pages 7 to 13 form part of these financial statements

Wheel Investments Limited

Balance sheet at 31 December 2006

	Note	2006 £'000	2006 £'000	2005 £'000	2005 £'000
Fixed assets					
Fixed asset investments	6		14,787		14,787
Current assets					
Debtors	7	46		46	
Creditors: amounts falling due within one year	8	5,328		5,236	
Net current liabilities			(5,282)		(5,190)
Total assets less current liabilities			9,505		9,597
Creditors: amounts falling due after more than one year	9		2,619		2,623
			6,886		6,974
Capital and reserves					
Called up share capital	10		9,650		9,650
Share premium account	11		1,450		1,450
Profit and loss account	11		(4,214)		(4,126)
Shareholders' funds	12		6,886		6,974

The financial statements were approved by the board of directors and authorised for issue on 31 March 2008


D A Ward
Director

The notes on pages 7 to 13 form part of these financial statements.

1 Accounting policies

The financial statements have been prepared under the historical cost convention

The following principal accounting policies have been applied

Consolidated financial statements

The company is exempt under section 228 of the Companies Act 1985 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent. These financial statements therefore present information about the company as an individual undertaking and not about its group

Cash flow statement

The company has taken advantage of the exemption conferred by Financial Reporting Standard 1 'Cash Flow Statements (Revised 1996)' not to prepare a cash flow statement on the grounds that at least 90% of the voting rights in the company are controlled within the group headed by Royal Worcester and Spode Limited and the company is included in consolidated financial statements

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that

- deferred tax is not recognised on timing differences arising on revalued properties unless the company has entered into a binding sale agreement and is not proposing to take advantage of rollover relief; and
- the recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences

Deferred tax balances arising from underlying timing differences in respect of tax allowances on industrial buildings are reversed if and when all conditions for retaining those allowances have been met

Deferred tax balances are not discounted

Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by shareholders at an annual general meeting.

Dividends on shares wholly recognised as liabilities are recognised as expenses and classified within interest payable

Financial liability and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

Wheel Investments Limited

Notes forming part of the financial statements for the year ended 31 December 2006 *(Continued)*

1 Accounting policies *(continued)*

Financial instruments

Financial instruments are measured initially and subsequently at cost

2 Loss on ordinary activities

The audit fees for 2006 and 2005 have been borne by the company's subsidiary undertaking

3 Directors' remuneration

No director received any emoluments during the current year (2005 - £NIL)

The directors of the company received emoluments from subsidiary undertakings amounting to £117,736 during the year (2005 - £127,200)

The average number of employees (including directors) during the year was 2 (2005 - 3)

4 Interest payable and similar charges

	2006 £'000	2005 £'000
Bank loan and overdraft	1	29
Loans from group companies	87	87
	<hr/>	<hr/>
	88	116
	<hr/>	<hr/>

5 Taxation on loss on ordinary activities

The tax assessed for the the year is different to the standard rate of corporation tax in the UK. The differences are explained below:

	2006 £'000	2005 £'000
Loss on ordinary activities before tax	(88)	(116)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 30% (2005 - 30%)	(26)	(35)
Effect of Losses carried forward	26	35
Current tax charge for period	-	-

6 Fixed asset investments

	Group undertakings £'000
<i>Cost</i>	
At 1 January 2006 and 31 December 2006	14,787

Subsidiary undertakings, associated undertakings and other investments

The principal undertakings in which the company's interest at the year end is 20% or more are as follows

	Proportion of voting rights and ordinary share capital held	Nature of business
The Porcelain and Fine China Companies Limited	100%	Manufacture and sale of ceramic goods
Copeland & Garrett Limited*	100%	Dormant
Royal Worcester Limited*	100%	Dormant
Spode Limited*	100%	Dormant
The Worcester Royal Porcelain Company Limited*	100%	Dormant
W.T. Copeland & Sons Limited*	100%	Dormant

* Indirectly owned via the company's investment in The Porcelain and Fine China Companies Limited

Wheel Investments Limited

Notes forming part of the financial statements for the year ended 31 December 2006 (Continued)

7 Debtors

	2006	2005
	£'000	£'000
Amounts owed by group undertakings	46	46
	==	==

All amounts shown under debtors fall due for payment within one year

8 Creditors: amounts falling due within one year

	2006	2005
	£'000	£'000
Bank loan and overdraft (secured)	14	13
Amounts owed to group undertakings	5,314	5,223
	==	==
	5,328	5,236
	==	==

The bank loan and overdraft are secured as described in note 9

9 Creditors: amounts falling due after more than one year

	2006	2005
	£'000	£'000
Amounts owed to group undertakings	2,619	2,623
	==	==

The bank borrowings are secured by a fixed and floating charge over the assets of the company. Interest is charged on all loans at normal commercial rates

Wheel Investments Limited

Notes forming part of the financial statements for the year ended 31 December 2006 (*Continued*)

10 Share capital

	2006 £	2005 £
<i>Authorised</i>		
125,000 Ordinary shares of £10 each	1,250,000	1,250,000
25,000 9% Cumulative Convertible Preference shares of £10 each	250,000	250,000
10,000 8% Cumulative Redeemable Preference shares of £1,000 each	10,000,000	10,000,000
	<hr/>	<hr/>
	11,500,000	11,500,000
	<hr/>	<hr/>
	2006 £	2005 £
<i>Allotted, called up and fully paid</i>		
100,000 Ordinary shares of £10 each	1,000,000	1,000,000
25,000 9% Cumulative Convertible Preference shares of £10 each	250,000	250,000
10,000 8% Cumulative Redeemable Preference shares of £1,000 each	8,400,000	8,400,000
	<hr/>	<hr/>
	9,650,000	9,650,000
	<hr/>	<hr/>

9% Cumulative Convertible Preference Shares

The 9% cumulative convertible preference shares do not carry any voting rights. In the event of a winding up the surplus assets of the company shall be applied first to the holders of the 9% cumulative convertible preference shares

8% Cumulative Convertible Preference Shares

The 8% cumulative redeemable preference shares do not carry any voting rights. In the event of a winding up the surplus assets of the company shall be applied to the holders of the 8% cumulative redeemable preference shares after they have been applied to the holders of the 9% cumulative convertible preference shares

Waiver of rights in respect to the above shares

On 13 February 2002 a resolution was passed by the holders of the 9% cumulative convertible preference shares and the 8% cumulative redeemable preference shares to waive all rights with respect to dividends, accrued interest and redemption premia and dates. Since that date there have been no dividends or appropriations in respect of these shares

Presentation under FRS 25

On the basis of the above waiver being in place in respect of the 9% cumulative convertible preference shares and the 8% cumulative convertible preference shares then these shares are shown within equity

Wheel Investments Limited

Notes forming part of the financial statements for the year ended 31 December 2006 (*Continued*)

11 Reserves

	Share premium account £'000	Profit and loss account £'000
At 1 January 2006	1,450	(4,126)
Loss for the year	-	(88)
	<hr/>	<hr/>
At 31 December 2006	1,450	(4,214)
	<hr/>	<hr/>

12 Reconciliation of movements in shareholders' funds

	2006 £'000	2005 £'000
Loss for the year	(88)	(116)
Opening shareholders' funds	6,974	7,090
	<hr/>	<hr/>
Closing shareholders' funds	6,886	6,974
	<hr/>	<hr/>

13 Contingent liabilities

The company is party to a cross guarantee together with other Royal Worcester and Spode Limited group companies secured on the assets of the company in respect of amounts owed to Lloyds TSB Bank Plc and Intermediate Capital Group Plc. At the year end the amount owing by the group to the banks was £9.4 million (2005 - £9.9 million)

14 Related party disclosures

Controlling party

The company is controlled by its parent undertaking, Royal Worcester and Spode Limited. The company's ultimate controlling party is Mr A J Finden-Crofts, a director of the company and the majority shareholder of Royal Worcester and Spode Limited.

The company has taken advantage of the exemption conferred by Financial Reporting Standard 8 "Related party disclosures" not to disclose transactions with members of the group headed by Royal Worcester and Spode Limited on the grounds that at least 90% of the voting rights in the company are controlled within that group and the company is included in consolidated financial statements

15 Ultimate parent company and parent undertaking of larger group

The largest and smallest group in which the results of the company are consolidated is that headed by Royal Worcester and Spode Limited, incorporated in England and Wales

The consolidated financial statements of Royal Worcester and Spode Limited are available from Companies House, Crown Way, Cardiff, CF4 3DZ

The Porcelain and Fine China Companies Limited

Statement of total recognised gains and losses and note of historical cost profits and losses for the year ended 31 December 2006

	2006 £'000	2005 £'000
Statement of total recognised gains and losses		
Loss for the financial year	(7,242)	(3,272)
Unrealised surplus on revaluation of properties	4,391	66
Actuarial gains on pension schemes	3,719	225
Related deferred tax movement	(1,116)	(68)
	<hr/>	<hr/>
Total recognised gains and losses for the financial year	(248)	(3,049)
	<hr/>	<hr/>
	2006 £'000	2005 £'000
Note of historical cost profits and losses		
Reported loss on ordinary activities before taxation	(7,280)	(4,334)
Difference between actual and historical cost depreciation charge	27	27
	<hr/>	<hr/>
Historical cost loss on ordinary activities before taxation	(7,253)	(4,307)
	<hr/>	<hr/>
Historical cost loss for the year after taxation	(7,215)	(3,245)
	<hr/>	<hr/>

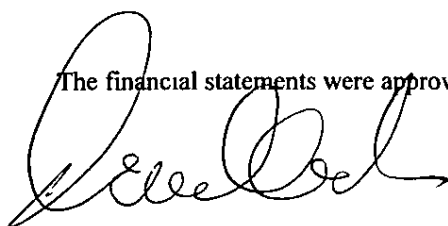
The notes on pages 10 to 31 form part of these financial statements

The Porcelain and Fine China Companies Limited

Balance sheet at 31 December 2006

	Note	2006 £'000	2006 £'000	2005 £'000	2005 £'000
Fixed assets					
Tangible assets	11		11,990		8,548
Fixed asset investments	12		15,863		15,863
			<u>27,853</u>		<u>24,411</u>
Current assets					
Stocks	13	7,726		10,532	
Debtors	14	14,081		13,290	
		<u>21,807</u>		<u>23,822</u>	
Creditors: amounts falling due within one year	15	17,096		15,443	
		<u>17,096</u>		<u>15,443</u>	
Net current assets			<u>4,711</u>		<u>8,379</u>
Total assets less current liabilities			<u>32,564</u>		<u>32,790</u>
Creditors: amounts falling due after more than one year	16		13,555		11,020
			<u>13,555</u>		<u>11,020</u>
Net assets excluding pension liability			<u>19,009</u>		<u>21,770</u>
Pension liability	23		(4,000)		(6,513)
			<u>(4,000)</u>		<u>(6,513)</u>
Net assets including pension liability			<u>15,009</u>		<u>15,257</u>
Capital and reserves					
Called up share capital	18		19,286		19,286
Revaluation reserve	19		9,403		5,039
Profit and loss account	19		(13,680)		(9,068)
			<u>15,009</u>		<u>15,257</u>
Shareholders' funds	20		<u>15,009</u>		<u>15,257</u>

The financial statements were approved by the board of directors and authorised for issue on 31 March 2008



D A Ward
Director

The notes on pages 10 to 31 form part of these financial statements

1 Accounting policies

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings and are in accordance with applicable accounting standards

The following principal accounting policies have been applied

Basis of preparation

The company meets its day to day working capital requirements through bank facilities and loans. The directors have prepared detailed projected cash flow information for the period to 31 December 2007 and outline information for subsequent periods

On this basis and given that current trading confirms that the company is meeting the strategic targets that were used in preparing forecasts for future periods, the directors have confirmed that it is appropriate to prepare the financial statements on a going concern basis

The company has also secured a credit facility post year end in order to meet its debt requirements

Consolidated financial statements

The company is exempt under section 228 of the Companies Act 1985 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent. These financial statements therefore present information about the company as an individual undertaking and not about its group

Cash flow statement

The company has taken advantage of the exemption conferred by Financial Reporting Standard 1 'Cash Flow Statements (Revised 1996)' not to prepare a cash flow statement on the grounds that at least 90% of the voting rights in the company are controlled within the group headed by Royal Worcester and Spode Limited and the company is included in consolidated financial statements

Turnover

Turnover represents sales to external customers at invoiced amounts less value added tax

Land and buildings

FRS 15 requires fixed assets which are carried at revalued amounts to be shown at their current value at the balance sheet date. To achieve this land and buildings are subject to a full valuation every five years with an interim valuation carried out in the third year of this cycle

The profit or loss on disposal of revalued properties is calculated by reference to net book value and any realised revaluation surplus is transferred to the profit and loss account through reserves

1 Accounting policies (*continued*)

Depreciation

Depreciation is provided to write off the cost or valuation, less estimated residual values, of all tangible fixed assets, except for freehold land evenly over their expected useful lives. It is calculated at the following rates:

Freehold land	- Nil
Freehold property	- 2% straight line
Plant & machinery	- 5% - 50% straight line
Motor vehicles	- 25% - 33.3% straight line

No depreciation is provided on assets under construction until they are brought into use.

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include attributable production overheads. Net realisable value is based on estimated selling price less additional costs to completion and disposal.

Foreign currency

Transactions denominated in foreign currencies are recorded at actual exchange rates at the time the transactions occur or at contracted exchange rates if they are covered by forward exchange contracts. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Any gains or losses arising from changes in exchange rates subsequent to the date of the transactions are included as exchange gains or losses in the profit and loss account.

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that:

- deferred tax is not recognised on timing differences arising on revalued properties unless the company has entered into a binding sale agreement and is not proposing to take advantage of rollover relief, and
- the recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

1 Accounting policies (continued)

Leased assets

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account.

Lease payments are analysed between capital and interest components. The interest element of the payment is charged to the profit and loss account over the period of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

Pension costs

Contributions to the company's defined contribution pension scheme are charged to the profit and loss account in the year in which they become payable.

The difference between the fair value of the assets held in the company's defined benefit pension scheme and the scheme's liabilities measured on an actuarial basis using the projected unit method are recognised in the company's balance sheet as a pension asset or liability as appropriate. The carrying value of any resulting pension scheme asset is restricted to the extent that the company is able to recover the surplus either through reduced contributions in the future or through refunds from the scheme. The pension scheme balance is recognised net of any related deferred tax balance, with the recognition of any deferred tax asset following the principles described in the deferred tax accounting policy above.

Changes in the defined benefit pension scheme asset or liability arising from factors other than cash contribution by the company are charged to the profit and loss account or the statement of total recognised gains and losses in accordance with FRS17 'Retirement benefits'.

Liquid resources

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by shareholders at an annual general meeting.

Dividends on shares wholly recognised as liabilities are recognised as expenses and classified within interest payable.

Financial instruments

Financial instruments are measured initially and subsequently at cost.

The Porcelain and Fine China Companies Limited

Notes forming part of the financial statements for the year ended 31 December 2006 *(Continued)*

2 Turnover

	2006	2005
	£'000	£'000
Analysis by geographical market		
United Kingdom	18,915	20,836
North America	10,646	7,807
Rest of the world	2,936	3,710
	32,497	32,353

Turnover is wholly attributable to the principal activity of the company

3 Net operating costs

	2006	2005
	£'000	£'000
Decrease in stocks of finished goods and work in progress	2,653	398
Raw materials and consumables	10,516	9,698
Staff costs	13,248	14,835
Depreciation and other amounts written off fixed assets	1,096	659
Other operating charges	9,820	9,959
	37,333	35,549

4 Operating loss

	2006	2005
	£'000	£'000
This is arrived at after charging/(crediting):		
Depreciation of tangible fixed assets	522	659
Impairment of tangible fixed assets	574	-
Hire of plant and machinery - operating leases	210	271
Hire of other assets - operating leases	336	404
Audit services	35	25
Non-audit services - taxation services	8	15
Exchange differences	84	(163)

The Porcelain and Fine China Companies Limited

Notes forming part of the financial statements for the year ended 31 December 2006 (Continued)

5 Employees

Staff costs (including directors) consist of.

	2006	2005
	£'000	£'000
Wages and salaries	12,130	13,287
Social security costs	909	1,150
Defined contribution pension costs	134	308
Defined benefit pension - current service costs	75	90
	13,248	14,835

The average number of employees (including directors) during the year was as follows

	2006	2005
	Number	Number
Retail concessions	132	176
Worcester site	120	194
Spode site	413	446
	665	816

The Porcelain and Fine China Companies Limited

Notes forming part of the financial statements for the year ended 31 December 2006 (Continued)

6 Directors' remuneration

	2006 £'000	2005 £'000
Directors' emoluments	404	416
Company contributions to money purchase pension schemes	50	50
	<u> </u>	<u> </u>

There were three directors in the company's defined benefit pension scheme (2005 - three) and two directors in the company's defined contribution pension scheme (2005 - two) during the year

The total amount payable to the highest paid director in respect of emoluments was £109,729 (2005 - £112,447)

The highest paid director during the year ended 31 December 2006 is a member of a defined benefit scheme under which the accrued pension at the year end was £31,397. He is also a member of a defined contribution pension scheme and contributions of £12,740 were made to that scheme on his behalf

The highest paid director during the year ended 31 December 2005 was a member of a defined benefit scheme under which the accrued pension at that date was £29,902. He was also a member of a defined contribution pension scheme and contributions of £12,372 were made to that scheme on his behalf

7 Other interest receivable and similar income

	2006 £'000	2005 £'000
Bank deposits	-	11
Loans to group companies	87	87
	<u> </u>	<u> </u>
	87	98
	<u> </u>	<u> </u>

8 Interest payable and similar charges

	2006 £'000	2005 £'000
Bank loans and overdrafts	1,629	993
Finance leases and hire purchase contracts	-	1
Exchange losses	774	-
	<u> </u>	<u> </u>
	2,403	994
	<u> </u>	<u> </u>

The Porcelain and Fine China Companies Limited

Notes forming part of the financial statements for the year ended 31 December 2006 (Continued)

9 Other finance charges

	2006	2005
	£'000	£'000
Expected return on pension scheme assets	(2,115)	(2,015)
Interest on pension scheme liabilities	2,243	2,257
	<u>128</u>	<u>242</u>

10 Taxation on loss on ordinary activities

	2006	2005
	£'000	£'000
<i>UK Corporation tax</i>		
Current tax on loss of the year	-	(31)
<i>Deferred tax</i>		
Origination and reversal of timing differences	-	(1,118)
Deferred tax on pension scheme liability	(38)	87
	<u>(38)</u>	<u>(1,031)</u>
Movement in deferred tax provision	(38)	(1,031)
	<u>(38)</u>	<u>(1,062)</u>

The tax assessed for the year is different to the standard rate of corporation tax in the UK. The differences are explained below:

	2006	2005
	£'000	£'000
Loss on ordinary activities before tax	(7,280)	(4,334)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 30% (2005 - 30%)	(2,184)	(1,300)
Effect of:		
Expenses not deductible for tax purposes	35	40
Depreciation in excess of capital allowances	67	172
Difference arising between pension contributions paid and amounts charged to operating loss under FRS 17	68	(90)
Corporation tax losses carried forward against future profits	2,012	1,147
Other	2	-
	<u>-</u>	<u>(31)</u>

The Porcelain and Fine China Companies Limited

Notes forming part of the financial statements for the year ended 31 December 2006 (*Continued*)

11 Tangible fixed assets

	Freehold land and buildings £'000	Plant and machinery £'000	Total £'000
<i>Cost or valuation</i>			
At 1 January 2006	7,225	9,423	16,648
Additions	46	143	189
Disposals	-	(130)	(130)
Revaluation during the year	4,267	-	4,267
	<hr/>	<hr/>	<hr/>
At 31 December 2006	11,538	9,436	20,974
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At 1 January 2006	95	8,005	8,100
Provided for the year	94	428	522
Disposals	-	(88)	(88)
Revaluation during the year	(124)	-	(124)
Impairment	-	574	574
	<hr/>	<hr/>	<hr/>
At 31 December 2006	65	8,919	8,984
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 December 2006	11,473	517	11,990
	<hr/>	<hr/>	<hr/>
At 31 December 2005	7,130	1,418	8,548
	<hr/>	<hr/>	<hr/>

The company's freehold land and buildings were valued at £7,225,000 on 31 December 2005 by Bache Treharne, Chartered Surveyors, in accordance with the RICS Appraisal and Valuation Manual on the basis of open market value for the continuation of existing use. This valuation was incorporated into the company's financial statements at 31 December 2005

At 31 December 2006, a proportion of the company's freehold land and buildings were valued at £9,250,000 by CB Richard Ellis, Chartered Surveyors, in accordance with the RICS Appraisal and Valuation Manual on the basis of market value. The valuation has been incorporated into the company's financial statements on the basis that this particular site is surplus to the requirements of the company at the balance sheet date

The remaining company properties have not been revalued at 31 December 2006 on the basis that the company continues with their existing use. These properties will be revalued in accordance with the accounting policy set out in Note 1.

The Porcelain and Fine China Companies Limited

Notes forming part of the financial statements for the year ended 31 December 2006 (Continued)

11 Tangible fixed assets (continued)

The historical cost of freehold land and buildings is

	2006	2005
	£'000	£'000
Cost	3,534	3,534
Accumulated depreciation based on historical cost	1,509	1,442
	<hr/>	<hr/>
Historical cost net book value	2,025	2,092
	<hr/>	<hr/>

The net book value of tangible fixed assets includes an amount of £NIL (2005 - £NIL) in respect of assets held under finance leases and hire purchase contracts. The related depreciation charge on these assets for the year was £NIL (2005 - £10,000)

Land at a valuation of £4,367,000 (2005 - £2,745,000) is not depreciated

The Porcelain and Fine China Companies Limited

Notes forming part of the financial statements for the year ended 31 December 2006 (*Continued*)

12 Fixed asset investments

Group
undertakings
£'000

Cost or valuation

At 1 January 2006 and 31 December 2006

15,863

Investment in fellow group undertaking

The above investment represents a non-equity interest in The Royal China and Porcelain Companies Inc, a subsidiary undertaking of Royal Worcester and Spode Limited and the company's sole distributor in the United States of America.

This interest was acquired on the following dates:

- 15,000,000 preference shares of \$1 per share acquired at par in September 2002
- 15,000,000 preference shares of \$1 per share acquired in June 2004

Subsidiary undertakings

The principal undertakings in which the company's interest at the year end is 20% or more are as follows

	Proportion of voting rights and ordinary share capital held	Nature of business
Copeland and Garrett Limited	100%	Dormant
Royal Worcester Limited	100%	Dormant
Spode Limited	100%	Dormant
The Worcester Royal Porcelain Company Limited	100%	Dormant
W T Copeland & Sons Limited	100%	Dormant

These investments are held at £Nil carrying value in the balance sheet

The Porcelain and Fine China Companies Limited

Notes forming part of the financial statements for the year ended 31 December 2006 (Continued)

13 Stocks

	2006	2005
	£'000	£'000
Raw materials and consumables	1,067	1,220
Work in progress	773	1,478
Finished goods and goods for resale	5,886	7,834
	<hr/>	<hr/>
	7,726	10,532
	<hr/>	<hr/>

There is no material difference between the replacement cost of stocks and the amounts stated above

14 Debtors

	2006	2005
	£'000	£'000
Amounts receivable within one year		
Trade debtors	2,602	2,980
Amounts owed by group undertakings	899	745
Other debtors	96	62
Prepayments and accrued income	472	174
	<hr/>	<hr/>
	4,069	3,961
Amounts receivable after more than one year		
Amounts owed by group undertakings	10,012	9,329
	<hr/>	<hr/>
Total debtors	14,081	13,290
	<hr/>	<hr/>

The Porcelain and Fine China Companies Limited

Notes forming part of the financial statements for the year ended 31 December 2006 (Continued)

15 Creditors: amounts falling due within one year

	2006 £'000	2005 £'000
Bank loans and overdrafts (see note 16)	8,272	8,880
Trade creditors	3,818	3,115
Amounts owed to group undertakings	236	205
Corporation tax	168	168
Other taxation and social security	1,905	886
Obligations under finance lease and hire purchase contracts	-	4
Other creditors	1,220	366
Accruals and deferred income	1,477	1,819
	<u>17,096</u>	<u>15,443</u>

The bank loan and overdraft and obligations under finance lease and hire purchase contracts are secured as described in note 16

16 Creditors: amounts falling due after more than one year

	2006 £'000	2005 £'000
Other loan (note 24)	8,702	6,167
Subordinated loan	1,000	1,000
Amounts owed to group undertakings	3,853	3,853
	<u>13,555</u>	<u>11,020</u>

Maturity of debt

	Loans and overdrafts 2006 £'000	Loans and overdrafts 2005 £'000	Finance leases 2006 £'000	Finance leases 2005 £'000	Total 2006 £'000	Total 2005 £'000
In one year or less, or on demand	<u>8,272</u>	<u>8,880</u>	<u>-</u>	<u>4</u>	<u>8,272</u>	<u>8,884</u>
In more than two years but not more than five years	1,000	1,000	-	-	1,000	1,000
In more than five years	<u>8,702</u>	<u>6,167</u>	<u>-</u>	<u>-</u>	<u>8,702</u>	<u>6,167</u>
	<u>9,702</u>	<u>7,167</u>	<u>-</u>	<u>-</u>	<u>9,702</u>	<u>7,167</u>

16 Creditors: amounts falling due after more than one year *(Continued)*

Bank loan and overdraft

The bank loan and overdraft are secured by a fixed and floating charge on the assets of the company and the group

Other loan

The other loan is secured by way of a fixed and floating charge over the assets of the company and is also guaranteed by a fellow subsidiary undertaking. There is no set repayment date for this loan.

Subordinated loan

The subordinated loan is provided by the Intermediate Capital Group plc. It is secured by a second fixed and floating charge on the assets of certain group companies. This loan of £1 million is repayable in 2009.

Obligations under finance lease and hire purchase contracts

Obligations under finance lease and hire purchase contracts are secured on the fixed assets to which they relate.

The Porcelain and Fine China Companies Limited

Notes forming part of the financial statements for the year ended 31 December 2006 (Continued)

17 Provisions for liabilities

	2006	2005
	£'000	£'000
Accelerated capital allowances	(10)	83
Other timing differences	626	626
	—	—
	616	709
Unutilised tax losses	(616)	(709)
	—	—
	-	-
	==	==

Subject to agreement with HM Customs and Revenue the company has tax losses of £9,568,000 carried forward to be relieved against future trading profits

Unprovided deferred taxation

At 31 December 2006 there was £2,412,000 (2005 - £1,103,000) of unprovided deferred tax in respect of revalued property

The Porcelain and Fine China Companies Limited

Notes forming part of the financial statements for the year ended 31 December 2006 *(Continued)*

18 Share capital

	2006	Authorised	Allotted, called up	
	2006	2005	and fully paid	
	£	£	2006	2005
			£	£
7,063,680 Ordinary shares, of £1 each	7,064,000	7,064,000	7,064,000	7,064,000
2,950 Redeemable Preference shares of £1,000 each	2,950,000	2,950,000	2,950,000	2,950,000
9,271,826 Redeemable Preference (class B) shares of £1 each	9,272,000	9,272,000	9,272,000	9,272,000
	<u>19,286,000</u>	<u>19,286,000</u>	<u>19,286,000</u>	<u>19,286,000</u>

Redeemable preference shares of £1 each

The 2,950 redeemable preference shares do not carry any voting rights

Class B redeemable preference shares

The holder or holders of the Class B preference shares shall not be entitled to receive notice of or attend any meeting of the company or vote on any resolution of the company

Waiver of rights in respect to the above shares

On 13 February 2002 a resolution was passed by the holders of the Redeemable preference shares of £1 each and the Class B redeemable preference shares to waive all future rights with respect to dividends, accrued interest and redemption premia and dates. Since that date there have been no dividends or appropriations in respect of these shares.

Presentation under FRS 25

On the basis of the above waiver being in place from 13 February 2002 in respect of the Redeemable preference shares of £1 each and the class B redeemable preference shares then these shares are shown within equity.

The Porcelain and Fine China Companies Limited

Notes forming part of the financial statements for the year ended 31 December 2006 *(Continued)*

19 Reserves

	Revaluation reserve £'000	Profit and loss account £'000
At 1 January 2006	5,039	(9,068)
Revaluation surplus in the year	4,391	-
Loss for the year	-	(7,242)
Transfer	(27)	27
Actuarial gain in pension schemes	-	3,719
Related deferred tax movement	-	(1,116)
	<hr/>	<hr/>
At 31 December 2006	9,403	(13,680)
	<hr/>	<hr/>
	2006 £'000	2005 £'000
Profit and loss reserve excluding pension liability	(9,680)	(2,555)
Pension liability	(4,000)	(6,513)
	<hr/>	<hr/>
Profit and loss reserve	(13,680)	(9,068)
	<hr/>	<hr/>

20 Reconciliation of movements in shareholders' funds

	2006 £'000	2005 £'000
Loss for the year	(7,242)	(3,272)
Other net recognised gains and losses relating to the year		
- Unrecognised surplus on revaluation of properties	4,391	66
- Actuarial gains on pension schemes	3,719	225
- Related deferred tax movement	(1,116)	(68)
	<hr/>	<hr/>
Net deductions from shareholders' funds	(248)	(3,049)
Opening shareholders' funds	15,257	18,306
	<hr/>	<hr/>
Closing shareholders' funds	15,009	15,257
	<hr/>	<hr/>

The Porcelain and Fine China Companies Limited

Notes forming part of the financial statements for the year ended 31 December 2006 (Continued)

21 Contingent liabilities

The company is party to a cross guarantee secured on the assets of the company together with other Royal Worcester and Spode Limited group companies in respect of amounts owed to Lloyds TSB Bank Plc and Intermediate Capital Group Plc. At the year end the amount owing by the group to the banks was £9.3 million (2005 - £9.9 million)

22 Commitments under operating leases

The company had annual commitments under non-cancellable operating leases as set out below

	2006 Land and buildings £'000	2006 Other £'000	2005 Land and buildings £'000	2005 Other £'000
Operating leases which expire				
Within one year	-	26	-	206
In two to five years	211	113	-	175
After five years	413	24	-	-
	<u>624</u>	<u>163</u>	<u>-</u>	<u>381</u>

23 Pensions

Defined contribution scheme

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension charge amounted to £117,000 (2005 - £308,000). Contributions amounting to £15,000 (2005 - £18,000) were payable to the fund and are included in creditors.

Defined benefit schemes

The company operates two defined benefit pension schemes in the UK, a senior employees scheme and a scheme for other employees. The schemes provide benefits on pensionable pay.

23 Pensions (continued)

Financial Reporting Standard 17 'Retirement Benefits' (FRS17)

For the purpose of FRS 17 the most recent actuarial valuation of the defined benefit schemes (being dated 5 April 2003) was updated to 31 December 2006 by a qualified independent actuary. The major assumptions at 31 December 2006 used by the actuary were

	2006	2005	2004
Rate of increase in salaries	n/a	n/a	2.80%
Rate of increase in pensions in payment	2.95%	2.80%	2.80%
Discount rate	5.30%	4.80%	5.30%
Inflation assumption	2.95%	2.80%	2.80%
Rate of increase in pensions deferment	2.95%	2.80%	2.80%

The assets in the scheme and the expected rate of return at 31 December 2006 were

	Long-term rate of return expected at 2006	Value at 2006 £'000	Long-term rate of return expected at 2005	Value at 2005 £'000	Long-term rate of return expected at 2004	Value at 2004 £'000
Equities	8.00%	25,593	6.25%	24,260	6.75%	19,642
Bonds	5.00%	8,966	4.50%	9,896	5.00%	12,193
Property	6.50%	4,588	5.25%	4,176	5.75%	2,017
Cash	5.00%	439	-%	-	-%	-
		<hr/>		<hr/>		<hr/>
Total market value of assets		39,586		38,332		33,852
Present value of scheme liabilities		(45,300)		(47,637)		(43,681)
		<hr/>		<hr/>		<hr/>
Deficit in scheme		(5,714)		(9,305)		(9,829)
Related deferred tax asset		1,714		2,792		2,948
		<hr/>		<hr/>		<hr/>
Net pension liability on a FRS17 basis		(4,000)		(6,513)		(6,881)
		<hr/>		<hr/>		<hr/>

The Porcelain and Fine China Companies Limited

Notes forming part of the financial statements for the year ended 31 December 2006 (Continued)

23 Pensions (continued)

<i>Movement in surplus during the year</i>	2006 £'000	2005 £'000
Deficit in scheme at beginning of year	(9,305)	(9,829)
Current service cost	(75)	(90)
Other finance costs	(128)	(242)
Actuarial gains	3,719	225
Contributions paid	75	631
	<hr/>	<hr/>
Deficit in scheme at end of year	(5,714)	(9,305)
	<hr/>	<hr/>
<i>Analysis of amount recognised in statement of total recognised gains and losses</i>	2006 £'000	2005 £'000
Actual return less expected return on pension scheme assets	1,459	4,097
Experience gains and losses arising on the scheme liabilities	360	-
Changes in assumptions underlying the present value of the scheme liabilities	1,900	(3,872)
	<hr/>	<hr/>
Actuarial gain recognised in statement of total recognised gains and losses	3,719	225
	<hr/>	<hr/>

The Porcelain and Fine China Companies Limited

Notes forming part of the financial statements for the year ended 31 December 2006 *(Continued)*

23 Pensions *(continued)*

The actuarial valuation at 31 December 2006 showed a reduction in the schemes' deficit from £9,305,000 to £5,714,000. Contributions of £75,000 were paid during 2006 (including contributions in respect of death service premiums). The group has agreed to pay combined future contributions of £44,000 per month into the schemes. In addition the group will continue to reimburse the Trustees for any life assurance premiums paid from the schemes.

<i>History of experience gains and losses</i>	2006	2005	2004	2003	2002
Difference between the expected and actual return on scheme assets					
Amount £'000	1,459	4,097	1,361	2,039	(5,861)
Percentage of scheme assets	4.00%	11.00%	4.00%	6.00%	-21.00%
Experience gains and losses on scheme liabilities					
Amount £'000	360	-	153	(215)	(358)
Percentage of the present value of the scheme liabilities	1.00%	-%	-%	-%	-1.00%
Total amount recognised in statement of total recognised gains and losses					
Amount £'000	3,719	225	684	(3,577)	(8,826)
Percentage of the present value of the scheme liabilities	8.00%	-%	2.00%	-8.00%	-24.00%

24 Related party disclosures

Controlling parties

The company is controlled by its ultimate parent company, Royal Worcester and Spode Limited. The company's ultimate controlling party is Mr A J Finden-Crofts, a director of the company and the majority shareholder of Royal Worcester and Spode Limited.

The company has taken advantage of the exemption conferred by Financial Reporting Standard 8 "Related party disclosures" not to disclose transactions with members of the group headed by Royal Worcester and Spode Limited on the grounds that at least 90% of the voting rights in the company are controlled within that group and the company is included in consolidated financial statements.

Related party transactions and balances

Related parties

The company is related to Raleigh Holdings Limited and Wamrox Management Limited as they are also controlled by Mr A J Finden-Crofts.

Transactions with Raleigh Holdings Limited

During the year interest of £26,000 (2005 - £23,000) was charged to the company by Raleigh Holdings Limited in respect of a finance fee and the company made payments of £Nil (2005 - £nil). The amount owed to Raleigh Holdings Limited at 31 December 2006 was £340,000 (2005 - £314,000).

Transactions with Wamrox Management Limited

During the prior year the company received a secured mortgage loan from Wamrox Management Limited of £6,167,000, an additional secured mortgage loan was received during the year of £2,250,000. During the year interest of £536,000 (2005 - £283,000) was charged to the company by Wamrox Management Limited in respect of a finance fee and the company made payments of £511,000 (2005 - £nil).

The amount owed to Wamrox Management Limited at 31 December 2006 was £8,519,000 (2005 - £6,196,000).

Transactions with Mr A J Finden-Crofts

In accordance with financial restructuring arrangements and the consequent withdrawal of the cash-backed guarantee, Mr Finden-Crofts has provided a personal guarantee to the company's bankers limited to £2,000,000. In accordance with this guarantee interest of £20,000 was payable to Mr Finden-Crofts from the company.

25 Post balance sheet events

In 2007 the Royal Worcester and Spode group refinanced its senior debt with subsidiaries of the Bank of Ireland. The new facilities are Asset Based using agreed advance rates against eligible inventory and receivables. In addition a term loan of £8,000,000 was agreed, secured against property. Mr Finden-Crofts, Chairman, took over the loan from Intermediate Capital Group. Mr. Finden-Crofts has made loans to the group of £9,667,000 and also guarantees £2,000,000 of the facilities provided by the Bank of Ireland.

In March 2008 Mr Finden-Crofts increased his guarantee to £2,750,000.

26 Ultimate parent company and parent undertaking of larger group

The company's parent undertaking is Wheel Investments Limited and its ultimate parent company is Royal Worcester and Spode Limited, both of which are registered in England and Wales.

The largest group in which the results of the company are consolidated is that headed by Royal Worcester and Spode Limited, incorporated in England and Wales.

The consolidated accounts of Royal Worcester and Spode Limited are available from Companies House, Crown Way, Cardiff, CF4 3UZ.