

Royal Doulton (UK) Limited

Annual report and financial statements  
for the year ended 31 March 2007

Registered number 58357



# **Royal Doulton (UK) Limited**

## **Annual report and financial statements for the year ended 31 March 2007**

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# **Royal Doulton (UK) Limited**

## **Directors' report for the year ended 31 March 2007**

The directors present their annual report and the audited financial statements for the year ended 31 March 2007

### **Principal activities**

The company's principal activity is the manufacture and distribution of fine china and crystal tableware and giftware

### **Basis of preparation**

The Company is a wholly owned subsidiary of Waterford Wedgwood PLC. The Directors have received assurances from the parent company that it will continue to support the company for the foreseeable future.

On 5 April 2007, the parent company announced a proposal to raise €100 million by way of open offer of cumulative convertible preference shares. The proceeds will provide increased working capital and will fund a new restructuring programme.

Authority was also sought from shareholders to allow the insurance of a further €100 million in cumulative convertible preference shares.

On 2 July 2007 the parent company announced that the 1 for 535 open offer of preference shares at €10 per preference share to raise approximately €100 million gross of expenses, has closed. 9,995,313 preference shares (with an aggregate 569,732,841 warrants attached) were offered to qualifying stockholders pursuant to the open offer.

The Group's projections suggest adequate profitability and cash flows to meet its financial needs and obligations. The directors, having regard to the Group's budgets and business plans, the current trading position and the proceeds of the convertible share issue, are satisfied that it is appropriate to adopt the going concern basis in preparing the financial statements.

### **Business review**

The year to March 2007 saw a period of consolidation of sales levels for Royal Doulton with over 8 points of margin growth during the period.

In line with our strategy, the transfer of 54 stores from our sister company Wedgwood has seen strong growth in sales in our retail division and in turn reduced our overall cost base as we move towards a single retail model.

Continued down pressure on costs, increased outsourcing of supply to the Far East and the integration of the warehouse and back office functions with our sister company, Wedgwood, has also contributed to the significant reduction in operating loss by some £6.1m.

### **Results and dividends**

The loss for the year after taxation as absorbed into reserves was £9,918,000 (2006: £13,022,000).

The directors propose a final dividend of £nil (2006: £nil).

# **Royal Doulton (UK) Limited**

## **Directors' report for the year ended 31 March 2007 (continued)**

### **Research and development**

The company continues to participate in research and development activities associated with compliance to both European and US federal requirements concerning the use of lead and cadmium in decorated ceramic articles

### **The environment**

The company has achieved its targets for carbon dioxide emission within the industry sector Climate Change Agreement. Due to the continuing national increases in energy costs the company has incurred increases in both gas and electricity for the year.

### **Directors and directors' interests**

The directors who held office during the period since the last report were as follows

W J Nutbeen

T Crump (resigned 22 May 2006)

J Campbell (appointed 19 May 2006, resigned 30 June 2006)

M Parks (appointed 30 June 2006)

S Payne (appointed 20 March 2007)

The Articles of Association do not require the directors to retire by rotation

None of the directors held shares in the company. W J Nutbeen is a director of Waterford Wedgwood UK PLC and his interests are shown in the accounts of that company.

### **Employees**

Communication with employees on issues related to the company and its progress is maintained through regular briefing sessions, email, and through the company's intranet site. Regular meetings are also held with the employee representative bodies.

The company recognises that disabled persons can have valuable skills to offer. Disabled persons within the company's employment are encouraged and trained to develop skills which will enable them to take a full and active part in the company's activities.

The company recognises that personnel development and training are essential to its continued progress. The company's training department offers a portfolio of internal and external training courses.

### **Political and charitable contributions**

The company made no political contributions during the year. Donations to UK charities amounted to £27,000 (2006 £29,000).

### **Policy and practice on payment of creditors**

It is the company's policy to agree payment terms at the commencement of trading relationships and thereafter pay suppliers within these terms. The amount of trade creditors for the company as at March 2007 was equivalent to 53 days of purchases (2006 51).

# **Royal Doulton (UK) Limited**

## **Directors' report for the year ended 31 March 2007 (continued)**

### **Financial risk management**

The company's operations are potentially exposed to a variety of financial risks that include the effects of price, foreign exchange, credit, liquidity and interest rate risk. The Waterford Wedgwood Group has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company by monitoring levels of debt finance and the related finance costs.

#### *Price risk*

The company operates in markets that are affected by factors beyond its control including the performance of national economies. Luxury goods are typically discretionary purchases for consumers and so sales are sensitive to trends in the general economy. The company has significant experience in dealing with this risk and achieving its objective of maintaining strong positions in the markets in which it operates.

The company mitigates supplier price risk by working with a broad spectrum of different suppliers to minimize its dependency on any one supplier. The company maintains close working relationships with its suppliers.

#### *Foreign exchange risk*

While a significant portion of the company's debtors and creditors are denominated in sterling, the company is exposed to some foreign exchange risk in the normal course of business, principally on its debtors and creditors in US\$. While the company has not used financial instruments to date to hedge these foreign exchange exposures, this position is kept constantly under review.

#### *Credit risk*

The company's principal credit risk arises from trade balances with external third parties. The company has long-standing and proven processes around the credit management of accounts. Export credit insurance is in place.

#### *Liquidity risk*

The company actively maintains a mixture of funding consistent with the requirements of the Waterford Wedgwood plc group.

#### *Interest rate cash flow risk*

The company has both interest bearing assets and interest bearing liabilities. Interest bearing assets include loans and cash balances.

# **Royal Doulton (UK) Limited**

## **Directors' report for the year ended 31 March 2007 (continued)**

### **Statement of Directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial year that 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 period. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently in the preparation of the financial statements. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 March 2007 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that 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.

### **Auditors and disclosure of information to auditors**

In respect of each of the persons who was a director of the company at the date at which the directors' report was approved:

- So far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- The director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

### **Auditors**

The auditors PricewaterhouseCoopers LLP have expressed their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

By order of the board



D J Bates  
Secretary  
9 October 2007

## **Independent auditors' report to the members of Royal Doulton (UK) Limited**

We have audited the financial statements of Royal Doulton (UK) Limited for the year ended 31 March 2007, which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses and 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). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we 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.

### **Basis of audit opinion**

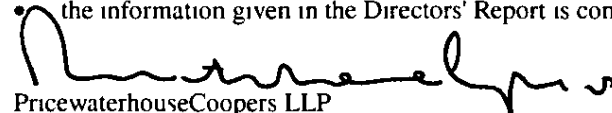
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments 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.

### **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 March 2007 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.



PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors

East Midlands

12 October 2007

# Royal Doulton (UK) Limited

## Profit and loss account for the year ended 31 March 2007

		2007			2006		
	Note	Pre exceptional items	Exceptional items (note 3)	Total	Pre exceptional items	Exceptional items (note 3)	Total
		£000	£000	£000	£000	£000	£000
<b>Turnover</b>	2	50,071	-	50,071	51,508	-	51,508
Cost of sales		(27,576)	-	(27,576)	(33,246)	560	(32,686)
<b>Gross profit</b>		22,495	-	22,495	18,262	560	18,822
Distribution costs		(19,750)	(850)	(20,600)	(20,048)	(1,485)	(21,543)
Administrative expenses		(7,718)	(313)	(8,031)	(8,404)	(787)	(9,191)
Other operating income		1,506	-	1,506	1,178	155	1,333
<b>Operating loss</b>		(3,467)	(1,163)	(4,630)	(9,012)	(1,557)	(10,579)
Loss on sale of fixed assets	4	-	-	-	-	(96)	(96)
Interest receivable and similar income	8	799	-	799	1,122	-	1,122
Interest payable and similar charges	9	(4,087)	-	(4,087)	(779)	-	(779)
Other finance costs – net interest on pension scheme assets / liabilities	21	(2,000)	-	(2,000)	(2,700)	-	(2,690)
<b>Loss on ordinary activities before taxation</b>	5	(8,755)	(1,163)	(9,918)	(11,369)	(1,653)	(13,022)
Tax charge on loss on ordinary activities	10	-	-	-	-	-	-
<b>Loss for the financial year</b>		(8,755)	(1,163)	(9,918)	(11,369)	(1,653)	(13,022)

All activities are derived from continuing operations

There is no difference between the loss on ordinary activities before taxation and the loss absorbed for the year stated above and their historical cost equivalents

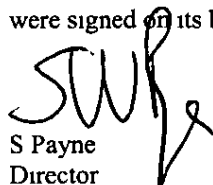


# Royal Doulton (UK) Limited

## Balance sheet as at 31 March 2007

	Note	31 March 2007		31 March 2006	
		£000	£000	£000	£000
<b>Fixed assets</b>					
Tangible assets	11		1,824		2,116
<b>Current assets</b>					
Stocks	12	14,540		10,506	
Debtors	13	21,002		30,524	
Cash at bank and in hand		794		2,629	
		36,336		43,659	
<b>Creditors</b> amounts falling due within one year	14	(103,504)		(111,368)	
<b>Net current liabilities</b>			(67,168)		(67,709)
<b>Total assets less current liabilities</b>			(65,344)		(65,593)
<b>Creditors:</b> amounts falling due after more than one year	15		(56,370)		(46,027)
<b>Provisions for liabilities and charges</b>	16		(1,476)		(1,726)
<b>Net liabilities excluding pension liability</b>			(123,190)		(113,346)
<b>Pension liability</b>	21		(34,700)		(45,656)
<b>Net liabilities</b>			(157,890)		(159,002)
<b>Capital and reserves</b>					
Called up share capital	17		32,971		32,971
Share based payment	18		187		-
Profit and loss account	18		(191,048)		(191,973)
<b>Total shareholders' deficit</b>			(157,890)		(159,002)

These financial statements on pages 6 to 28 were approved by the board of directors on 9 October 2007 and were signed on its behalf by

  
S Payne  
Director

## Royal Doulton (UK) Limited

### Notes to the financial statements for the year ended 31 March 2007 (continued)

#### Statement of total recognised gains and losses for the year ended 31 March 2007

	2007	2006
	£000	£000
Loss for the financial year	(9,918)	(13,022)
Actuarial gain on pension scheme	11,100	6,130
Unrealised (loss)/gain on long term group loan	(257)	336
<b>Total recognised gains and losses relating to the year</b>	<b>925</b>	<b>(6,556)</b>

#### Reconciliation of movements in total shareholders' deficit for the year ended 31 March 2007

	2007	2006
	£000	£000
Loss for the financial year	(9,918)	(13,022)
Unrealised (loss)/gain on long term group loan	(257)	336
Actuarial gain on pension scheme	11,100	6,130
Share based payment	187	-
<b>Net decrease/(increase) in total shareholders' deficit</b>	<b>1,112</b>	<b>(6,556)</b>
Opening shareholders' deficit	(159,002)	(152,446)
<b>Closing shareholders' deficit</b>	<b>(157,890)</b>	<b>(159,002)</b>

# **Royal Doulton (UK) Limited**

## **Notes to the financial statements for the year ended 31 March 2007 (continued)**

### **1 Accounting policies**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements

#### **Basis of preparation & going concern**

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom. A summary of the principal accounting policies is set out below

The Directors have received assurances from the parent company that it will continue to support the company for the foreseeable future

On 5 April 2007, the parent company announced a proposal to raise €100 million by way of open offer of cumulative convertible preference shares. The proceeds will provide increased working capital and will fund a new restructuring programme

Authority was also sought from shareholders to allow the insurance of a further €100 million in cumulative convertible preference shares

On 2 July 2007 the parent company announced that the 1 for 535 open offer of preference shares at €10 per preference share to raise approximately €100 million gross of expenses, has closed. 9,995,313 preference shares (with an aggregate 569,732,841 warrants attached) were offered to qualifying stockholders pursuant to the open offer

The Group's projections suggest adequate profitability and cash flows to meet its financial needs and obligations. The directors having regard to the Group's budgets and business plans, the current trading position and the proceeds of the convertible share issue, are satisfied that it is appropriate to adopt the going concern basis in preparing the financial statements

The company is exempt by virtue of s228 of the Companies Act 1985 from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its group

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements

As the company is a wholly owned subsidiary of Waterford Wedgwood plc the company has taken advantage of the exemption contained in FRS8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The Consolidated Financial statements of Waterford Wedgwood plc within which this company is included, can be obtained from the address given in note 22

# Royal Doulton (UK) Limited

## Notes to the financial statements for the year ended 31 March 2007 (continued)

### 1 Accounting policies (continued)

#### Fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows

Freehold buildings	-	various rates between 2% and 5% per annum
Leasehold land and buildings	-	life of lease
Plant and machinery/Fixtures & fittings	-	various rates between 5% and 20% per annum

Interest is not capitalised

The directors carry out an annual review of the carrying amount of fixed assets and make provisions for impairment as appropriate

#### Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into sterling at rates of exchange ruling at the end of the financial period. Other foreign exchange differences are taken to the profit and loss account in the period in which they arise with foreign exchange differences on equity loans being taken to reserves

#### Leases

Assets held under finance leases are capitalised and included in tangible fixed assets. Each asset is depreciated over the shorter of the lease term or its useful life. The obligations relating to finance leases, net of finance charges in respect of future periods, are included as appropriate under creditors due within, or creditors due after, one period. The interest element of the rental obligation is allocated to financial periods over the lease term to reflect a constant rate of interest on the remaining balance of the obligation for each financial period. Rentals under operating leases are charged to the profit and loss account over the life of the lease.

#### Share based payment

For equity-settled share-based payment transactions (i.e. the granting of share options), the parent company measures the cost at fair value at the measurement date (which is the grant date) using a recognised valuation methodology for the pricing of financial instruments (Binomial model). The share options granted by the parent company grants rights to its equity instruments direct to employees of the Company. These are accounted for as equity settled transactions.

The expense in the income statement is recognised in the financial statements of the Company as an employee cost. This represents the product of the total number of options expected to vest and the fair value of those options. The resulting amount is allocated to accounting periods over the vesting period. This is accounted for as a capital contribution in the form of a share based payment reserve from the parent company.

# **Royal Doulton (UK) Limited**

## **Notes to the financial statements for the year ended 31 March 2007 (continued)**

### **1 Accounting policies (continued)**

#### **Pension costs and other post-retirement benefits**

The company operates a funded defined benefit pension scheme in the UK, with assets held in a separately administered fund. The company accounts for this scheme in accordance with Financial Reporting Standard No 17, through full recognition of the scheme's surplus or deficit on the balance sheet at the end of the year. Actuarial gains and losses are included in the statement of recognised gains and losses. Current and past service costs, curtailments and settlements are recognised within operating profit. Returns on scheme assets and interest on obligations are recognised as a component of interest costs.

For defined contribution arrangements the costs charged to the profit and loss account represents the company's contributions to the relevant schemes in the period in which they fall due.

#### **Research and development expenditure**

Expenditure on research and development is written off to the profit and loss account in the period in which it is incurred.

#### **Stocks**

Stocks and work in progress are valued at the lower of cost and net realisable value. In the case of manufactured stocks, cost comprises direct materials, labour and factory overheads. Net realisable value is determined as estimated selling price less cost of disposal. It is the group's policy to provide in full for seconds stock and part provide against current lines using a formula based approach, based on the stock holding and the annual sales forecast.

#### **Taxation**

The charge for taxation is based on the loss for the period and takes into account tax deferred because of the timing differences between the treatment of certain items for taxation and accounting purposes.

Provision is made for deferred taxation without discounting on all material timing difference. Deferred tax assets are only recognised when it is more likely than not that they will be realised in the future.

#### **Turnover**

Turnover which excludes value added tax and trade discounts, represents the value of goods supplied through retail shops and wholesaling. Retail turnover, which is net of estimated returns, is recognised in the financial statements on collection of goods by the customer. Sales of gift vouchers are treated as cash received in advance of collection and included as deferred income. Wholesale turnover is recognised on despatch of goods to the customer.

# Royal Doulton (UK) Limited

## Notes to the financial statements for the year ended 31 March 2007 (continued)

### 2 Analysis of turnover

Turnover represents amounts invoiced to customers, including royalties but excluding VAT. The turnover by destination is shown below.

	2007	2006
	£000	£000
By geographical market		
United Kingdom	38,213	38,539
North America	5,452	5,808
Europe	2,206	3,592
Asia Pacific	3,145	1,693
Australasia	419	1,316
Rest of World	636	560
	50,071	51,508

### 3 Exceptional items

	2007	2006
	£000	£000
Redundancy costs	813	762
Stock write off	350	144
Other Nile Street closure (credit) / costs	-	(852)
Fenton onerous lease	-	860
Other restructuring costs	-	783
Costs related to acquisition by Waterford Wedgwood	-	15
Sale of museum pieces	-	(155)
	1,163	1,557

# Royal Doulton (UK) Limited

## Notes to the financial statements for the year ended 31 March 2007 (continued)

### 3 Exceptional items (continued)

The charge is analysed as follows

	2007
	£000
Integration costs with Waterford Wedgwood Retail	54
Integration of selling operations with Josiah Wedgwood	167
Warehouse integration with Josiah Wedgwood	942
	1,163

### 4 Loss on sale of fixed assets

	2007	2006
	£000	£000
Loss on sale of Piccadilly site	-	(96)
	-	(96)

# Royal Doulton (UK) Limited

## Notes to the financial statements for the year ended 31 March 2007 (continued)

### 5 Loss on ordinary activities before taxation

	2007	2006
	£000	£000
<hr/> Loss on ordinary activities before taxation is stated after charging / (crediting)		
Auditors' remuneration		
Audit	106	169
Other services - fees paid to the auditor and its associates	-	15
Depreciation and other amounts written off tangible fixed assets		
Owned	703	829
Hire of plant and machinery - rentals payable under operating leases	307	345
Hire of other assets - operating leases	1,320	2,044
Research and development expenditure	93	194

### 6 Remuneration of directors

	2007	2006
	£000	£000
Directors' emoluments	423	710
Company contributions to pension schemes	4	17
	427	727

The aggregate of emoluments of the highest paid director was £311,000 (2006 £563,000), and company pension contributions of £nil (2006 £nil) were made to a pension scheme on his behalf



# Royal Doulton (UK) Limited

## Notes to the financial statements for the year ended 31 March 2007 (continued)

### 6 Remuneration of directors (continued)

	2007	2006
	Number	Number
Retirement benefits are accruing to the following number of directors under		
Money purchase schemes	3	3
Defined benefit schemes	2	2

### 7 Staff numbers and costs

The monthly average number of persons employed by the company (including directors) during the period, analysed by category, was as follows

	2007	2006
	Number	Number
Production	-	95
Distribution	87	101
Administration (including selling)	462	523
	549	719

The aggregate payroll costs of these persons were as follows

	2007	2006
	£000	£000
Wages and salaries	10,404	10,962
Social security costs	894	872
Other pension costs	183	259
Share based payment	187	-
	11,481	12,093

Payroll costs include redundancy costs of £813,000 (2006 £762,000) charged to exceptionals (see note 3)

## Royal Doulton (UK) Limited

### Notes to the financial statements for the year ended 31 March 2007 (continued)

#### 8 Other interest receivable and similar income

	2007	2006
	£000	£000
Receivable from group undertakings	799	1,122
	799	1,122

#### 9 Interest payable and similar charges

	2007	2006
	£000	£000
On bank loans and overdrafts	2,705	498
On loans from Group Companies	1,382	281
	4,087	779

#### 10 Tax on loss on ordinary activities

##### (a) Analysis of credit in the year

	2007	2006
	£000	£000
UK corporation tax		
Current tax on income for the year	-	-
Adjustments in respect of prior periods	-	-
Total current tax (see (b) below)	-	-

## Royal Doulton (UK) Limited

### Notes to the financial statements for the year ended 31 March 2007 (continued)

#### 10 Tax on loss on ordinary activities (continued)

##### (b) Factors affecting the tax charge for the current period

Applying the UK corporate tax rate of 30% (2006 30%) to the loss before tax of £9,918,000 (2006 £13,022,000) would result in a £2,975,400 credit (2006 £3,907,000 credit) compared to an actual current period credit of £nil (2006 £nil). The principal reason for the difference is due to a combination of permanent differences, unrecognised deferred tax and group relief not paid for

	2007	2006
	£000	£000
Loss on ordinary activities before taxation	9,918	13,022
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2006 – 30%)	2,975	3,907
Current period losses not utilised	(2,810)	(4,081)
Accelerated capital allowances	(248)	1,026
Pension costs deductible when paid	111	(807)
Sale of fixed assets	(18)	(29)
Permanent differences	(10)	(16)
Total current tax	-	-

# Royal Doulton (UK) Limited

## Notes to the financial statements for the year ended 31 March 2007 (continued)

### 11 Tangible fixed assets

	Buildings	Plant and machinery	Fixtures, fittings, tools and equipment	Total
	£000	£000	£000	£000
<b>Cost</b>				
At 1 April 2006	1,114	1,073	12,392	14,579
Additions	-	-	411	411
<b>At 31 March 2007</b>	<b>1,114</b>	<b>1,073</b>	<b>12,803</b>	<b>14,990</b>
<b>Depreciation</b>				
At 1 April 2006	591	956	10,916	12,463
Charge for year	38	41	624	703
<b>At 31 March 2007</b>	<b>629</b>	<b>997</b>	<b>11,540</b>	<b>13,166</b>
<b>Net book value</b>				
<b>At 31 March 2007</b>	<b>485</b>	<b>76</b>	<b>1,263</b>	<b>1,824</b>
At 31 March 2006	523	117	1,476	2,116
The net book value of buildings comprises				
			2007	2006
			£000	£000
Freehold			215	229
Short leasehold			270	294
			<b>485</b>	<b>523</b>

# Royal Doulton (UK) Limited

## Notes to the financial statements for the year ended 31 March 2007 (continued)

### 12 Stocks

	2007	2006
	£000	£000
Raw materials and consumables	114	187
Finished goods and goods for resale	14,426	10,319
	14,540	10,506

### 13 Debtors

	2007	2006
	£000	£000
Amounts falling due within one year		
Trade debtors	6,769	4,721
Amounts owed by group undertakings	12,883	23,303
Other debtors	351	184
Prepayments and accrued income	999	2,316
	21,002	30,524

### 14 Creditors: amounts falling due within one year

	2007	2006
	£000	£000
Overdrafts	-	-
Trade creditors	4,009	3,232
Amounts owed to group undertakings	92,247	101,528
Other taxation and social security	566	83
Other creditors	2,018	2,189
Accruals and deferred income	4,664	4,336
	103,504	111,368

The amounts owed to group undertakings are unsecured and attract no interest, and are technically due on demand, however the company has received assurances that these amounts will not be called for settlement for the foreseeable future

# Royal Doulton (UK) Limited

## Notes to the financial statements for the year ended 31 March 2007 (continued)

### 15 Creditors: amounts falling due after more than one year

	2007	2006
	£000	£000
Bank loans	56,213	45,733
Other creditors	157	294
	56,370	46,027

#### Analysis of debt:

	2007	2006
	£000	£000
Debt can be analysed as falling due		
In one year or less, or on demand	-	64,558
Between one and two years	-	-
Between two and five years	56,213	45,733
	56,213	110,291

All bank loans and overdrafts are secured by fixed and floating charges over the company's assets, and are liable for interest at normal commercial rates

### 16 Provisions for liabilities and charges

	Re- structuring Provisions
	£000
At 1 April 2006	1,726
Utilised during the year	(1,414)
Charge to the profit and loss for the year	1,163
At 31 March 2007	1,476

The restructuring provisions will be fully utilised during the 12 months to 31 March 2008 and relate to the costs associated with providing a rent free period to the tenant of the former head office building and costs associated with the closure of the Fenton distribution centre

# Royal Doulton (UK) Limited

## Notes to the financial statements for the year ended 31 March 2007 (continued)

### 16 Provisions for liabilities and charges (continued)

Unrelieved taxation losses estimated at £139.8m (2006: £121.1m) are currently available for offset against taxation liabilities of future periods. In addition to the unprovided deferred tax assets of £41.9m, arising from the trading losses of £139.8m there are £15.7m (2006: £10.3m) of unprovided deferred tax assets arising on the excess of pension liabilities, depreciation over tax allowances and short term timing differences. These assets will only be recognised when it is more likely than not that they will be realised in the future.

### 17 Called up share capital

	2007	2006
	£000	£000
<b>Authorised</b>		
Equity: Ordinary shares of £1 each	42,971	42,971
<b>Allotted, called up and fully paid</b>		
Equity: Ordinary shares of £1 each	32,971	32,971

### 18 Reserves

	Share based payment	Profit and loss account
	£000	£000
At 1 April 2006	-	(191,973)
Result for the year	-	(9,918)
Actuarial gain on pension scheme	-	11,100
Exchange loss on non trading intercompany loans	-	(257)
Share based payment	187	-
At 31 March 2007	187	(191,048)

## Royal Doulton (UK) Limited

### Notes to the financial statements for the year ended 31 March 2007 (continued)

#### 19 Contingent liabilities

The company has effected a guarantee to HM Customs and Excise for the sum of £285,000 (2006 £285,000)

#### 20 Commitments

a) Capital commitments at the end of the financial year for which no provision has been made, are as follows

	2007	2006
	£000	£000
Authorised but not yet contracted for	183	70

Annual commitments under non-cancellable operating leases are as follows

	31 March 2007		31 March 2006	
	Land and buildings	Other	Land and buildings	Other
	£000	£000	£000	£000
Operating leases which expire				
Within one year	87	130	11	166
In the second to fifth years inclusive	247	38	215	107
Over five years	1,287	-	1,726	31
	1,621	168	1,952	304



# Royal Doulton (UK) Limited

## Notes to the financial statements for the year ended 31 March 2007 (continued)

### 21 Retirement benefits

The Company operates a defined benefit pension scheme. The Royal Doulton Pension Plan (the "Plan"), which covers the majority of UK employees, converted for future service accrual from a funded defined benefit scheme to funded defined contribution arrangement. Members' benefits in respect of pre 6 April 1999 service continue to be on a defined benefits basis.

The liabilities set out below are based on the most recent full actuarial valuation available for the scheme updated to 31 March 2007 by an independent qualified actuary.

#### (i) Major assumptions

	2007	2006	2005
Rate of general increase in salaries	3.10%	2.90%	2.90%
Rate of increase in pensions in payment	3.00%	2.80%	2.90%
Rate of increase to deferred pensions	3.00%	2.80%	2.90%
Discount rate for scheme liabilities	5.30%	4.90%	5.40%
Inflation	3.10%	2.90%	2.90%

Pensions accrued before 6 April 1997 in the Plan are assumed to increase at the rate of 2.20% pa. Pensions accrued after 5 April 1997 are assumed to increase at 2.70% pa.

#### (ii) Profit and loss account charge

Total charge to operating profit for year ended March 2007 includes £0.2m (2006: £0.3m) to reflect the cost of the defined contribution part of the Royal Doulton Pension Plan.

The defined benefit plan is closed to new entrants and thus no operating charges have been incurred during the year.

Analysis of the amount that has been charged to finance income on full compliance with FRS17 for the year ended March 2007:

	2007	2006
	£'000	£'000
Expected return on post employment scheme assets	9,100	8,700
Interest on post employment scheme liabilities	(11,100)	(11,400)
Net charge to other finance income	(2,000)	(2,700)

# Royal Doulton (UK) Limited

## Notes to the financial statements for the year ended 31 March 2007 (continued)

### 21 Retirement benefits (continued)

#### (iii) Consolidated statement of total recognised gains and losses

Analysis of the amount that has been recognised in the consolidated statement of total recognised gains and losses on full compliance with FRS17 for the year ended March 2007

	2007	2006	2005	2003
	£'000	£'000	£'000	£'000
Actual return less expected return on post reemployment scheme assets	1,100	20,800	7,700	8,600
Experience gains and losses arising on the scheme liabilities	(100)	(5,100)	(1,100)	(5,500)
Changes in assumptions underlying the present value of the scheme liabilities	10,100	(9,600)	(31,900)	(2,000)
<b>Actuarial gain / (loss) recognised in the reconciliation of the surplus</b>	<b>11,100</b>	<b>6,100</b>	<b>(25,300)</b>	<b>1,100</b>

#### History of experience of gains and losses

	2007	2006	2005	2003
	£'000	£'000	£'000	£'000
Difference between the expected and actual return on scheme assets	1,100	20,800	7,700	8,600
Experience losses on scheme liabilities	(100)	(5,100)	(1,100)	(5,500)
<b>Total amount recognised in statement of total recognised gains and losses</b>	<b>11,100</b>	<b>6,100</b>	<b>(25,300)</b>	<b>1,100</b>

# Royal Doulton (UK) Limited

## Notes to the financial statements for the year ended 31 March 2007 (continued)

### 21 Retirement benefits (continued)

#### (iv) Balance sheet information

The expected long term rates of return and market values of the assets of the significant defined benefit post employment plans at 31 March 2007 were as follows -

	Expected long term rate of return	Market value
	%	£'000
<b>Market value of assets</b>		
Equities	7.0	70,200
Index linked bonds	4.0	113,700
Other	4.4	4,100
<b>Total market value of assets (see (a))</b>		188,000
Present value of post employment plan liabilities (see (b))		(222,700)
<b>Post employment liabilities before deferred tax</b>		(34,700)
Deferred tax asset		-
<b>Net pension deficit</b>		(34,700)

(a) Total market value of assets excludes assets of £11,920,000 in respect of AVCs and the defined contribution part of the Plan

(b) The value of the liabilities excludes liabilities of £11,920,000 in respect of AVCs and the defined contribution of part of the Plan

## Royal Doulton (UK) Limited

### Notes to the financial statements for the year ended 31 March 2007 (continued)

#### 21 Retirement benefits (continued)

The expected long term rates of return and market values of the assets of the significant defined benefit post employment plans at 31 March 2006 were as follows -

	Expected long term rate of return	Market value
	%	£'000
<b>Market value of assets</b>		
Equities	6.80	72,100
Index linked bonds	3.80	110,500
Other	3.80	3,000
<b>Total market value of assets (see (a))</b>		185,600
Present value of post employment plan liabilities (see (b))		(231,200)
<b>Post employment liabilities before deferred tax</b>		(45,600)
Deferred tax asset		-
<b>Net pension deficit</b>		(45,600)

(a) Total market value of assets excludes assets of £10,390,000 in respect of AVCs and the defined contribution part of the Plan

(b) The value of the liabilities excludes liabilities of £10,390,000 in respect of AVCs and the defined contribution of part of the Plan

## Royal Doulton (UK) Limited

### Notes to the financial statements for the year ended 31 March 2007 (continued)

#### 21 Retirement benefits (continued)

The expected long term rates of return and market values of the assets of the plans at 31 December 2005 were as follows

	Expected long term rate of return	Market value
	%	£'000
<b>Market value of assets</b>		
Equities	7.20	65,300
Index linked bonds	4.20	96,100
Other	4.20	2,000
<b>Total market value of assets (see (a))</b>		163,400
Present value of post employment plan liabilities (see (b))		(215,600)
<b>Post employment liabilities before deferred tax</b>		(52,200)
Deferred tax asset		-
<b>Net pension deficit</b>		(52,200)

(a) Total market value of assets excludes assets of £9,800,000 in respect of AVCs and the defined contribution part of the Plan

(b) The value of the liabilities excludes liabilities of £9,800,000 in respect of AVCs and the defined contribution of part of the Plan

## Royal Doulton (UK) Limited

### Notes to the financial statements for the year ended 31 March 2007 (continued)

#### 21 Retirement benefits (continued)

##### (v) Net assets and profit and loss account

Movement in surplus during the period

	2007	2006	2005	2003
	£'000	£ 000	£'000	£'000
Deficit in scheme at beginning of the year	(45,600)	(52,200)	(26,700)	(28,100)
Cash contributions	1,800	3,100	1,500	2,000
Other finance income	(2,000)	(2,700)	(1,700)	(1,700)
Actuarial gain/loss	11,100	6,200	(25,300)	1,100
Deficit in scheme at end of the year	(34,700)	(45,600)	(52,200)	(26,700)

There are £13,700,000 (2006 £13,700,000) of unprovided deferred tax assets arising on the pension scheme. These assets will only be recognised when it is more likely than not that they will be realised.

#### 22 Ultimate parent company

The parent undertaking is Royal Doulton Limited (formerly Royal Doulton Plc), a company registered in the United Kingdom. The results of Royal Doulton Limited are incorporated within the consolidated accounts of Waterford Wedgwood UK plc and Waterford Wedgwood plc. Waterford Wedgwood plc is the ultimate parent undertaking and controlling party.

Waterford Wedgwood UK plc is incorporated in the United Kingdom and registered in England. Waterford Wedgwood plc, the Company's ultimate holding company, is incorporated in the Republic of Ireland. Copies of either of these accounts may be obtained from the Public Relations Office, Waterford Wedgwood UK plc, Barlaston, Stoke on Trent, ST12 9ES.