

Royal Worcester and Spode Limited  
Statement to the Press  
26 October 2006.

Spode has observed the comments that have been in the press recently in regard to the Spode factory site and believes it is essential that the facts are presented objectively.

The ceramic industry in the UK is going through very difficult times. It has experienced significant cost pressures. At the same time there has been a fall-off in demand for formal china and an increase in demand for casual products. Retailers are also requiring a higher margin to combat the difficult market conditions. Many retailers have reacted to this problem by sourcing some product directly from overseas; a route which most manufacturers have had to follow, including Spode. It is only by having price competitive products that the company will survive and return to profitability.

The manufacturing facility at Spode's Church Street factory does not lend itself to efficient production. Thus continuation of manufacturing in the UK will depend upon having a highly efficient operation on an alternative site.

The Company has incurred substantial losses throughout these difficult times which have been funded by increased borrowings. It should be noted that there have been no dividends paid to shareholders in over 19 years nor are any envisaged in the recovery plans of the Company. The Church Street site will be sold by the Company to raise substantial money to reduce the level of debt, without which the business will not be viable.

The Company has two deferred benefit pension schemes, which, like the majority of UK schemes, are in deficit. This deficit can only be funded if the business returns to profitability and has much lower levels of debt. This situation therefore depends upon maximising the value of the site in a realistic time period.

The sale of the site to Stoke Vision is subject to obtaining satisfactory planning permission. Stoke Vision and Spode are conscious of the heritage of the Company and plans will therefore include the protection of key buildings which are associated particularly with the Spode heritage. Consideration will be given to using these to house the Museum's collection. The outline plans have been reviewed by Robert Copeland, of the Copeland family who owned Spode for the greater part of its existence, Mr Copeland has commented that 'The plans represent a sensible balance between the protection of the Spode heritage and the commercial survival of the company.'

Some time ago, the Company took the decision to donate all of its' major historic artefacts such as pattern books, copper engravings and antique pieces to the Spode Museum Trust which is a separate and quite independent charity. Should the financial position of the Trust not allow the retention of these items then the Trustees are required by the Trust Deed to offer the collection to the City of Stoke Potteries Museum, thus in all

circumstances the collection is protected.

We welcome the views expressed by the Stoke City Council in its report to the Department for Transport, Local Government and the Regions in 2002, highlighting issues about the viability of potteries when they are listed or contained within a Conservation Area. The Council's report recognised the role that heritage has to play in regeneration but argued that such designations can lead to the dereliction of the very thing they are trying to preserve. We agree wholeheartedly with the Council's view.

The company therefore is set on a course to regenerate the company, fund its pension schemes and protect its heritage. This recovery will be severely jeopardised if the Spode site is designated as a conservation area since this would mean a substantial reduction in the value of the site which could easily result in the closure of the company.