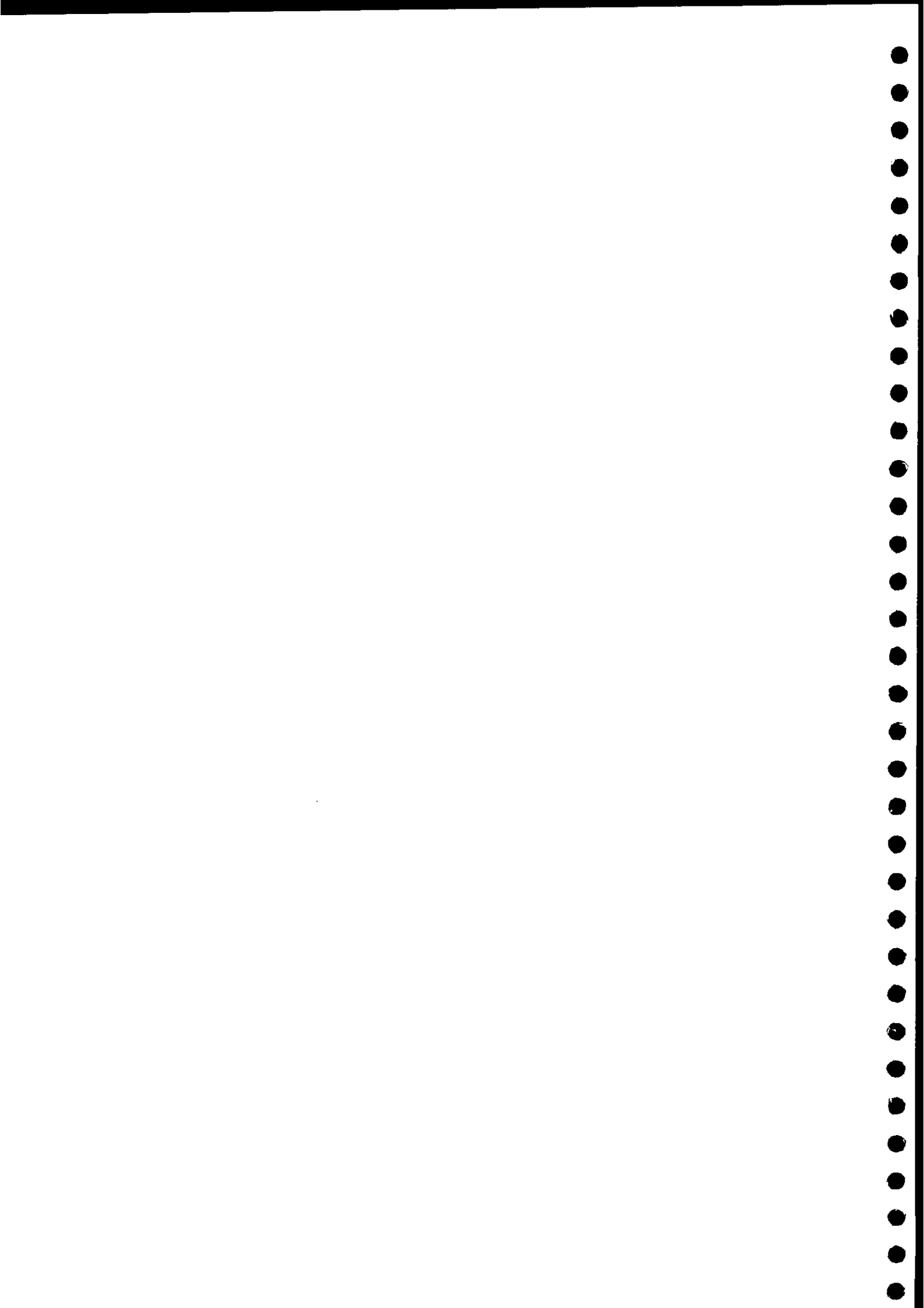


Royal Doulton (UK) Limited

**Directors' report and financial statements
15 months ended 31 March 2005**

Registered number 58357





Contents

Directors' report	1
Independent auditors' report to the members of Royal Doulton (UK) Limited	4
Profit and loss account for the 15 months ended 31 March 2005	5
Balance sheet as at 31 March 2005	6
Statement of total recognised gains and losses for the 15 months ended 31 March 2005	7
Reconciliation of movements in shareholders' funds for the 15 months ended 31 March 2005	7
Notes to the financial statements for the 15 months ended 31 March 2005	8



Directors' report

The directors present their annual report and the audited financial statements for the 15 month period ended 31 March 2005.

Principal activities

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

Business review

On 17 January 2005 the Company's parent undertaking, Royal Doulton Plc, was acquired by Waterford Wedgwood UK Plc whose parent undertaking is Waterford Wedgwood Plc. Waterford Wedgwood UK plc is incorporated in Great Britain and registered in England. Waterford Wedgwood plc, the Company's ultimate holding company is incorporated in the Republic of Ireland.

The Directors have received assurances from the ultimate parent company that it will continue to support the company for the foreseeable future. In particular, assurances have been received that the short term loans, although technically due on demand, will not be required for repayment in the foreseeable future (see note 15).

The 15 month period to March 2005 saw continued pressure on sale revenues as weaker consumer spend impacted both sales in our own retail stores and sales to our independent retail customers. This reduction was marginally offset by growth in our business to business sector. Demand from our sister companies was also lower as they began the process of direct sourcing.

Whilst margins on sourced products were good, this was offset by reduced volumes through our UK factory resulting in lower margins due to the high fixed costs in the factory.

Costs continue to be managed downwards and headcount was further reduced by circa 300 heads to circa 1500.

During the period the company announced the closure of its last remaining UK factory at Nile Street and the relocation of the majority of its supply to its own Indonesian factory and third party outsourcing. Thus completing the strategy of moving from a high fixed costs manufacturer to a global branded sourcing organisation.

Provision has been made within the accounts to cover the costs of the closure of the Nile Street factory.

Results and dividends

The loss for the period after taxation as absorbed into reserves was £31,841,000 (2003: loss £1,126,000)

The directors propose a final dividend of £nil (2003: £nil)

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 period.

Directors' report *(continued)*

Directors and directors' interests

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

W J Nutbeen

G E Barnes (appointed 30 June 2005, resigned 27 January 2006)

G P Martin (resigned 30 June 2005)

T Crump (appointed 16 January 2006)

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

None of the directors held shares in the company. Other than as indicated below, the directors' interests in the share capital of Royal Doulton plc (until its acquisition by Waterford Wedgwood plc) and in Waterford Wedgwood plc are given in the investors' report of Royal Doulton Limited (formerly Royal Doulton plc).

The beneficial interest of Mrs T Crump in the ordinary shares of Royal Doulton Limited were as follows:

	At start of period	Exercised in the period Waterford Wedgwood acquisition	At end of period	Grant price pence	Date from which exercisable	Expiry date
T Crump	100,000	-	100,000	9.5	23.04.05	22.04.12
	80,000	(80,000)	-	3.5	28.02.06	27.02.13

Following the acquisition of Royal Doulton plc by Waterford Wedgwood UK plc on 17th January 2005, all outstanding options under the Royal Doulton Executive Share Option Scheme, other than those disclosed above, were compulsorily purchased by Waterford Wedgwood UK plc.

The remaining shares outstanding at 31st March 2005 were also compulsorily purchased in April 2005.

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 period. Donations to UK charities amounted to £41,000 (15 months) (2003: £15,000).

Directors' report (*continued*)

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 15 months to March 2005 was equivalent to 32 days of purchases (2003: 33).

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business (see note 15).


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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Auditors

On 7 March 2005, KPMG Audit Plc resigned as auditors of the company and PricewaterhouseCoopers LLP were appointed to fill the casual vacancy.

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of PricewaterhouseCoopers LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board


D J Bates
Secretary

Barlaston
Stoke-on-Trent
ST12 9ES

10 April 2006

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

We have audited the financial statements, which comprise the profit and loss account, statement of total recognised gains and losses, the balance sheet and related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors'.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. 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 if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all 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 of the state of affairs of the company at 31 March 2005 and of the company's loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
East Midlands
10 April 2006

Profit and loss account
for the 15 months ended 31 March 2005

	Note	2005 15 months Pre exceptional items £000	2005 15 months Exceptional items £000	2005 15 months £000	2003 12 months Pre exceptional items £000	2003 12 months Exceptional items £000	2003 12 months £000
Turnover	2	74,292	-	74,292	73,594	-	73,594
Cost of sales		(50,900)	(13,045)	(63,945)	(46,407)	4,508	(41,899)
Gross profit		23,392	(13,045)	10,347	27,187	4,508	31,695
Distribution costs		(32,062)	(52)	(32,114)	(29,608)	-	(29,608)
Administrative expenses		(9,688)	(3,534)	(13,222)	(7,214)	(389)	(7,603)
Other operating income		1,197	1,575	2,772	1,082	499	1,581
Operating loss	3	(17,161)	(15,056)	(32,217)	(8,553)	4,618	(3,935)
Profit on sale of fixed assets	4	-	353	353	-	3,306	3,306
Other interest receivable and similar income	8	1,645	-	1,645	971	-	971
Interest payable and similar charges	9	(1,622)	-	(1,622)	(1,514)	-	(1,514)
Loss on ordinary activities before taxation		(17,138)	(14,703)	(31,841)	(9,096)	7,924	(1,172)
Tax on loss on ordinary activities	10	-	-	-	46	-	46
Loss for the financial period		(17,138)	(14,703)	(31,841)	(9,050)	7,924	(1,126)

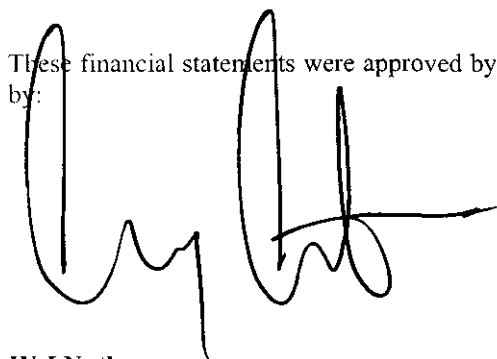
All activities are derived from continuing operations.

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

Balance sheet
as at 31 March 2005

	Note	31 March 2005		31 December 2003	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	11		2,885		7,319
Investments	12		-		9
			<hr/>		<hr/>
			2,885		7,328
Current assets					
Stocks	13	12,630		18,030	
Debtors	14	28,813		41,255	
Cash at bank and in hand		2,466		1,057	
		<hr/>		<hr/>	
		43,909		60,342	
Creditors: amounts falling due within one year	15	(141,051)		(91,985)	
		<hr/>		<hr/>	
Net current liabilities			(97,142)		(31,643)
			<hr/>		<hr/>
Total assets less current liabilities			(94,257)		(24,315)
Creditors: amounts falling due after more than one year	16		(210)		(43,594)
Provisions for liabilities and charges	17		(12,584)		(7,052)
			<hr/>		<hr/>
Net liabilities			(107,051)		(74,961)
			<hr/>		<hr/>
Capital and reserves					
Called up share capital	18	32,971		32,971	
Profit and loss account	19	(140,022)		(107,932)	
		<hr/>		<hr/>	
Shareholders' deficit			(107,051)		(74,961)
			<hr/>		<hr/>

These financial statements were approved by the board of directors on 10 April 2006 and were signed on its behalf by:



W J Nutbeen
Director

Statement of total recognised gains and losses
for the 15 months ended 31 March 2005

	2005 15 months £000	2003 12 months £000
Loss for the financial period	(31,841)	(1,126)
Unrealised loss on long term group loan	(249)	(567)
Total recognised gains and losses relating to the financial period	(32,090)	(1,693)

Reconciliation of movements in shareholders' funds
for the 15 months ended 31 March 2005

	2005 15 months £000	2003 12 months £000
Loss for the financial period	(31,841)	(1,126)
Unrealised loss on long term group loan	(249)	(567)
Net reduction in shareholders' deficit	(32,090)	(1,693)
Opening shareholders' deficit	(74,961)	(73,268)
Closing shareholders' deficit	(107,051)	(74,961)

Notes to the financial statements for the 15 months ended 31 March 2005 (forming part of the financial statements)

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 and going concern

The financial statements have been prepared in accordance with the Companies Act 1985 and with applicable accounting standards and under the historical cost accounting rules.

The Directors have received assurances from the ultimate parent company that it will continue to support the company for the foreseeable future. In particular, assurances have been received that the short term loans, although technically due on demand, will not be required for repayment in the foreseeable future (see note 15).

On 10 December 2005, the Waterford Wedgwood Group replaced its existing asset backed lending facility with a new asset backed lending facility provided by a syndicate of banks led by Bank of America and GE Capital. The new facility of €250 million is for a term of four and a half years and is secured against the fixed and floating assets of certain Waterford Wedgwood Group companies including Royal Doulton (UK) Limited.

In view of the above, the Directors are confident that there will be adequate liquidity to meet the company's financial needs and obligations over the foreseeable future. The Directors therefore consider it appropriate to adopt the going concern basis in preparing these 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 was a wholly owned subsidiary of Royal Doulton Plc, until 17 January 2005, and then of Waterford Wedgwood plc, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of either 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 23.

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
Motor vehicles	-	25% per annum

No depreciation is provided on freehold land. 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.

Notes to the financial statements for the 15 months ended 31 March 2005 *(continued)*

1 Accounting policies *(continued)*

Fixed asset investments

Investments are carried at cost less any provision for impairment. The directors conduct an impairment review annually.

Foreign currencies

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.

Post-retirement benefits

The costs of providing defined benefit pensions and other post-retirement benefits are charged to the profit and loss account on a consistent basis over the service lives of the employees. Such costs are calculated by reference to actuarial valuations, and variations from such regular costs are spread over the remaining service lives of the current employees. To the extent to which such costs do not equate with cash contributions a provision or repayment is recognised in the balance sheet. The cost of providing defined contribution pensions are accounted for in the profit and loss account as incurred.

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.

Notes to the financial statements for the 15 months ended 31 March 2005 *(continued)*

1 Accounting policies *(continued)*

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. Wholesaling turnover is recognised on despatch of goods to the customer.

2 Analysis of turnover

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

	2005 15 months £000	2003 12 months £000
<i>By geographical market</i>		
United Kingdom	50,051	47,842
North America	9,901	11,113
Europe	4,063	3,067
Asia Pacific	7,089	7,367
Australasia	2,652	3,623
Rest of World	536	582
	<hr/> 74,292	<hr/> 73,594

Notes to the financial statements for the 15 months ended 31 March 2005 (continued)

3 Exceptional items

	2005 15 months £000	2003 12 months £000
Redundancy costs	6,618	2,100
Stock write off	5,290	(6,400)
Fixed assets written off in respect of Nile Street disposal	2,029	-
Other Nile Street closure costs	677	-
Other restructuring costs	777	181
Costs related to acquisition by Waterford Wedgwood	1,240	-
Sale of museum pieces	(1,575)	(499)
	15,056	(4,618)

The charge is analysed as follows:

	Redundancy costs	Stock write off	Fixed assets written off in respect of Nile Street disposal	Other Nile Street closure costs	Other restructuring costs	Costs related to acquisition by Waterford Wedgwood	Sale of museum pieces	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Cost of Sales	4,895	5,290	2,029	677	154	-	-	13,045
Distribution	8	-	-	-	44	-	-	52
Costs								
Administrative	1,715	-	-	-	579	1,240	-	3,534
Expenses								
Other	-	-	-	-	-	-	(1,575)	(1,575)
operating								
income								
	6,618	5,290	2,029	677	777	1,240	(1,575)	15,056

Redundancy costs in the 15 month period to 31 March 2005 include £236,000 in respect of compensation for directors' loss of office (see note 6).

During 2003, a stock provision release of £6,400,000 was credited to exceptional items.

Notes to the financial statements for the 15 months ended 31 March 2005 (continued)

4 Profit on sale of fixed assets

	2005	2003
	15 months	12 months
	£000	£000
Profit on sale of Nile Street	353	-
Profit on sale of Baddeley Green	-	2,657
Profit on sale of Regent site	-	509
Profit on sale of plant from Baddeley Green and Beswick sites	-	140
	353	3,306

5 Loss on ordinary activities before taxation

	2005	2003
	15 months	12 months
	£000	£000
<i>Loss on ordinary activities before taxation is stated after charging / (crediting)</i>		
Auditors' remuneration:		
Audit	68	54
Other services - fees paid to the auditor and its associates	32	101
Depreciation and other amounts written off tangible fixed assets:		
Owned	1,639	1,423
Leased	-	-
Profit on disposal of fixed assets	(28)	(18)
Hire of plant and machinery - rentals payable under operating leases	545	1,457
Hire of other assets - operating leases	2,458	2,005
Research and development expenditure	379	453

Notes to the financial statements for the 15 months ended 31 March 2005 (continued)

6 Remuneration of directors

	2005 15 months £000	2003 12 months £000
Directors' emoluments	566	454
Compensation for loss of office	236	-
	<hr/>	<hr/>
	802	454
Company contributions to pension schemes	20	15
	<hr/>	<hr/>
	822	469
	<hr/>	<hr/>

The aggregate of emoluments of the highest paid director was £360,000 (2003: £313,000), and company pension contributions of £ nil (2003 :£nil) were made to a pension scheme on his behalf.

	Number of directors	
	2005	2003
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	1	1
Defined benefit schemes	1	1
	<hr/>	<hr/>

Two directors exercised share options during the period.

In addition to the above, three further directors received total remuneration of £688,000 including termination payments of £144,000 from Royal Doulton (UK) Limited in relation to services for other group companies prior to acquisition by Waterford Wedgwood plc

Notes to the financial statements for the 15 months ended 31 March 2005 (continued)

7 Staff numbers and costs

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

	Number of employees	
	2005	2003
Production	576	749
Distribution	162	145
Administration (including selling)	764	908
	<hr/>	<hr/>
	1,502	1,802
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	2005 15 months £000	2003 12 months £000
Wages and salaries	31,481	26,128
Social security costs	2,406	2,354
Other pension costs	3,684	2,561
	<hr/>	<hr/>
	37,571	31,043
	<hr/>	<hr/>

Payroll costs include redundancy costs of £6,618,000 (2003: £2,100,000) charged to exceptionals (see note 3).

8 Other interest receivable and similar income

	2005 15 months £000	2003 12 months £000
Receivable from group undertakings	420	967
Other interest	1,225	4
	<hr/>	<hr/>
	1,645	971
	<hr/>	<hr/>

9 Interest payable and similar charges

	2005 15 months £000	2003 12 months £000
On bank loans and overdrafts	1,024	1,513
On loans from Group Companies	47	-
On all other loans	551	1
	<hr/>	<hr/>
	1,622	1,514
	<hr/>	<hr/>

Notes to the financial statements for the 15 months ended 31 March 2005 (continued)

10 Taxation

(a) Analysis of credit in the period

	2005 15 months £000	2003 12 months £000
<i>UK corporation tax</i>		
Current tax on income for the period	-	-
Adjustments in respect of prior periods	-	(46)
	<hr/>	<hr/>
Total current tax (see (b) below)	-	(46)

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

Applying the UK corporate tax rate of 30% (2003: 30%) to the loss before tax of £31,841,000 (2003: £1,172,000) would result in a £9,552,000 credit (2003: £351,600 credit) compared to an actual current period credit of £nil (2003: £46,000). The principal reason for the difference is that the group has not recognised deferred tax assets on short term timing differences, excesses of capital allowances over depreciation or trading losses as the deferred tax assets are deemed not to be recoverable within the foreseeable future.

Notes to the financial statements for the 15 months ended 31 March 2005 (continued)

11 Tangible fixed assets

	Land and buildings £000	Plant and machinery £000	Fixtures, fittings, tools and equipment £000	Total £000
Cost				
At beginning of period	6,801	13,697	11,702	32,200
Additions	2	46	1,785	1,833
Disposals	(5,735)	(12,658)	(1,244)	(19,637)
At end of period	1,068	1,085	12,243	14,396
Depreciation				
At beginning of period	3,962	10,501	10,418	24,881
Charge for period	89	648	902	1,639
On disposals	(3,544)	(10,232)	(1,233)	(15,009)
At end of period	507	917	10,087	11,511
Net book value				
At 31 March 2005	561	168	2,156	2,885
At 31 December 2003	2,839	3,196	1,284	7,319

No assets are held under finance leases.

The net book value of land and buildings comprises:

	31 March 2005 £000	31 December 2003 £000
Freehold	238	2,479
Short leasehold	323	360
	561	2,839

Notes to the financial statements for the 15 months ended 31 March 2005 (continued)

12 Fixed asset investments

	Shares held in trust £000
<i>Shares</i>	
<i>Cost</i>	
At beginning of period	919
Disposal	(919)
At end of period	-
At end of period	-
<i>Amortisation</i>	
At beginning of period	910
Charge in period	9
Disposal	(919)
At end of period	-
<i>Net book value</i>	
At 31 March 2005	-
At 31 December 2003	9

13 Stocks

	31 March 2005 £000	31 December 2003 £000
Raw materials and consumables	1,161	1,673
Work in progress	804	1,711
Finished goods and goods for resale	10,665	14,646
	12,630	18,030

Notes to the financial statements for the 15 months ended 31 March 2005 *(continued)*

14 Debtors

	31 March 2005 £000	31 December 2003 £000
Amounts falling due within one year		
Trade debtors	5,431	8,111
Amounts owed by group undertakings	22,501	29,753
Other debtors	78	394
Prepayments and accrued income	803	1,497
	<hr/>	<hr/>
	28,813	39,755
Amounts falling due after more than one year		
Deferred consideration on Baddeley Green site	-	1,500
	<hr/>	<hr/>
	28,813	41,255

15 Creditors: amounts falling due within one year

	31 March 2005 £000	31 December 2003 £000
Overdrafts	20,298	-
Trade creditors	5,503	4,509
Amounts owed to group undertakings	108,019	81,034
Other taxation and social security	481	762
Other creditors	3,077	2,737
Accruals and deferred income	3,673	2,935
Obligations under finance leases and hire purchase contracts	-	8
	<hr/>	<hr/>
	141,051	91,985

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.

Notes to the financial statements for the 15 months ended 31 March 2005 *(continued)*

16 Creditors: amounts falling due after more than one year

	31 March 2005 £000	31 December 2003 £000
Bank loans and overdrafts	-	43,384
Other creditors	210	210
	<hr/>	<hr/>
	210	43,594

Analysis of debt:

	31 March 2005 £000	31 December 2003 £000
Debt can be analysed as falling due:		
In one year or less, or on demand	128,317	81,034
Between one and two years	-	43,384
Between two and five years	-	-
	<hr/>	<hr/>
	128,317	124,418

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.

Notes to the financial statements for the 15 months ended 31 March 2005 *(continued)*

17 Provisions for liabilities and charges

	Pensions and similar obligations £000	Restructuring provisions £000	Total £000
At beginning of period	5,305	1,747	7,052
Utilised during period	-	(1,725)	(1,725)
Charge to the profit and loss for the period	3,684	5,757	9,441
Contributions paid to pension scheme	(2,184)	-	(2,184)
At end of period	6,805	5,779	12,584

The restructuring provisions will be fully utilised during the 12 months to 31 March 2006.

Unrelieved taxation losses estimated at £108.0m (2003: £76.2m) are currently available for offset against taxation liabilities of future periods. In addition to the unprovided deferred tax assets of £32.5m, arising from the trading losses of £108.0m there are £10.1m (2003: £9.6m) of unprovided deferred tax assets arising on the excess of 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.

18 Called up share capital

	31 March 2005 £000	31 December 2003 £000
<i>Authorised</i> Equity: Ordinary shares of £1 each	42,971	42,971
<i>Allotted, called up and fully paid</i> Equity: Ordinary shares of £1 each	32,971	32,971

19 Reserves

	Profit and loss account £000
At beginning of period	(107,932)
Result for the period	(31,841)
Exchange loss on non trading intercompany loans	(249)
At end of period	(140,022)

Notes to the financial statements for the 15 months ended 31 March 2005 *(continued)*

20 Contingent liabilities

The company has effected a guarantee to HM Customs and Excise for the sum of £285,000 (2003:£285,000).

21 Commitments

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

	31 March 2005 £000	31 December 2003 £000
Authorised but not yet contracted for	16	-

(b) Annual commitments under non-cancellable operating leases are as follows:

	31 March 2005		31 December 2003	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Operating leases which expire:				
Within one year	-	255	45	60
In the second to fifth years inclusive	220	202	46	363
Over five years	1,956	-	1,598	-
	<hr/>	<hr/>	<hr/>	<hr/>
	2,176	457	1,689	423

Notes to the financial statements for the 15 months ended 31 March 2005 *(continued)*

22 Retirement benefits

SSAP24 disclosures

The Royal Doulton group operates a number of pension schemes throughout the world. With effect from April 1999, the major UK scheme, the Royal Doulton Pension Plan (the 'Plan'), which covers all UK employees converted, for future service accrual, from a funded defined benefit scheme to a funded defined contribution arrangement. Members' benefits in respect of pre-6 April 1999 service continues to be on a defined benefit basis.

The various pension schemes are generally self-administered and the schemes' assets are held independently of Royal Doulton finances. The UK schemes' assets are held by Doulton Pension Trust Limited.

The total pension and post-retirement cost for the UK scheme was £3.69m (2003: £2.6m, 2002: £1.1m).

The contributions to the Plan from the group are charged to the profit and loss account so as to spread the cost of pension as incurred over employees' working lives with the Company. Contributions are determined by an independent Scheme Actuary on the basis of periodic valuations using the projected unit method. The most recently completed valuation of the Plan for the purpose of assessing pension costs was prepared as at 1 January 2003.

The valuation showed that the market value of the assets in the Plan on the date was £148.6 million and that the actuarial value of the assets on the basis of the actuarial assumptions used was sufficient to cover 91% of the benefits which have accrued to members after allowing for prospective increases in pensionable salaries. The group is paying additional contributions to restore the funding level to 100%.

The assumptions which had the most significant effect on the results of this valuation were those relating to the rate of return on investments and, the rate of increase in salaries and pensions. It was assumed that investment return would be 6.0% per annum, salary growth 2.5% per annum and pension increases of 2.25% per annum for benefits accrued after 5 April 1997 and 1.75% per annum for those accrued before 6 April 1997. Assets were taken at market value.

Employer contributions in respect of post-5 April 1999 defined contribution accrual were at the rates defined in the rules of the plan.

The balance sheet pension provision at the end of the year amounted to £6,805,000.

Notes to the financial statements for the 15 months ended 31 March 2005 *(continued)*

22 Retirement benefits *(continued)*

FRS 17 disclosures

Composition of the schemes

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. Member's 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 recent full actuarial valuation available for the scheme updated to 31 March 2005 by an independent qualified actuary.

(i) Major assumptions

	31 March 2005	31 December 2003	31 December 2002
Rate of general increase in salaries	2.90%	2.65%	2.40%
Rate of increase in pensions in payment	2.90%	2.15%	1.90%
Rate of increase to deferred pensions	2.90%	2.65%	2.40%
Discount rate for scheme liabilities	5.40%	5.50%	5.50%
Inflation	2.90%	2.65%	2.40%

Pensions accrued before 6 April 1997 in the Plan are assumed to increase at the rate of 1.75% pa. Pensions accrued after 5 April 1997 are assumed to increase at 2.25% pa.

(ii) Profit and loss account charge

Total charge to operating profit for period ending 15 months to March 2005 includes £0.5m (2003: £0.6m) to reflect the cost of the defined contribution part of the Royal Doulton Pension Plan.

No amounts would be charged to operating profit in respect of the defined benefit plan on full compliance with FRS17 for the period ended 15 months to March 2005 (2003: £nil). The defined benefit plan is closed to new entrants and thus no operating charges have been incurred during the period.

Notes to the financial statements for the 15 months ended 31 March 2005 (continued)

22 Retirement benefits (continued)

Analysis of the amount that would be charged to finance income on full compliance with FRS17 for the period ended 15 months to March 2005.

	2005 15 months £m	2003 12 months £m	2002 12 months £m
Expected return on post employment scheme assets	10.5	7.7	9.8
Interest on post employment scheme liabilities	(12.2)	(9.4)	(10.4)
Net charge to other finance income	(1.7)	(1.7)	(0.6)

(iii) Consolidated statement of total recognised gains and losses

Analysis of the amount that would be recognised in the consolidated statement of total recognised gains and losses on full compliance with FRS17 for the period ended 15 months to March 2005.

	2005 15 months £m	2003 12 months £m	2002 12 months £m
Actual return less expected return on post reemployment scheme assets	7.7	8.6	(13.2)
Experience gains and losses arising on the scheme liabilities	(1.1)	(5.5)	5.2
Changes in assumptions underlying the present value of the scheme liabilities	(31.9)	(2.0)	(3.4)
Actuarial (loss) / gain recognised in the reconciliation of the surplus	(25.3)	1.1	(11.4)

	2005 %	2003 %	2002 %
Difference between the expected and actual return on scheme assets expressed as a percentage of the scheme assets:	4.7	5.5	(8.9)
Experience gains and losses on scheme liabilities expressed as a percentage of the scheme liabilities	(0.5)	(3.0)	(3.0)
Total amount recognised in statement of total recognised gains and losses expressed as a percentage of the scheme liabilities	(11.7)	0.6	(6.4)

Notes to the financial statements for the 15 months ended 31 March 2005 (continued)

22 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 2005 were as follows:-

	Expected long term rate of return %	Market value £m
Market value of assets		
Equities	7.20	65.3
Index linked bonds	4.20	96.1
Other	4.20	2.0
Total market value of assets (see Note 1)		163.4
Present value of post employment plan liabilities (Note 2)		(215.6)
Post employment liabilities before deferred tax		(52.2)
Deferred tax asset		-
Net pension deficit		(52.2)

Note 1: Total market value of assets excludes assets of £9.8m in respect of AVCs and the defined contribution part of the Plan.

Note 2: The value of the liabilities excludes liabilities of £9.8m in respect of AVCs and the defined contribution of part of the Plan.

If the deficit had been recognised in the financial statements, the Group's net assets and profit and loss account at 15 months to March 2005 would be as follows:-

	£m		£m
Net liabilities	(107.0)	Profit and loss reserve	(140.0)
Pension Provision under SSAP 24	6.8	Release of SSAP 24 pension provision	6.8
Pension deficit under FRS17	(52.2)	Pension deficit under FRS17	(52.2)
Revised net liabilities	(152.4)	Revised profit and loss reserves	(185.4)

Notes to the financial statements for the 15 months ended 31 March 2005 (continued)

22 Retirement benefits (continued)

The expected long term rates of return and market values of the assets of the plans at 31 December 2003 were as follows:

	Expected long term rate of return %	Market value £m
Market value of assets		
Equities	7.50	48.5
Index linked bonds	4.75	103.9
Other	4.00	4.4
Total market value of assets (see Note 1)		156.8
Present value of post employment plan liabilities (Note 2)		(183.5)
Post employment liabilities before deferred tax		(26.7)
Deferred tax asset		8.0
Net pension deficit		(18.7)

Note 1: Total market value of assets excludes assets of £8.1m in respect of AVCs and the defined contribution part of the Plan.

Note 2: The value of the liabilities excludes liabilities of £8.1m in respect of AVCs and the defined contribution of part of the Plan.

If these assets had been recognised in the financial statements, the Group's net assets and profit and loss account at 31 December 2003 would be as follows:

	£m		£m
Net liabilities	(75.0)	Profit and loss reserve	(107.9)
Pension Provision under SSAP 24	5.3	Release of SSAP 24 pension provision	5.3
Pension deficit under FRS17	(18.7)	Pension deficit under FRS17	(18.7)
Revised net liabilities	(88.4)	Revised profit and loss reserves	(121.3)

Notes to the financial statements for the 15 months ended 31 March 2005 (continued)

22 Retirement benefits (continued)

The expected long term rates of return and market values of the assets of the plans at 31 December 2002 were as follows:

	Expected long term rate of return %	Market value £m
Market value of assets		
Equities	7.50	43.7
Index linked bonds	4.25	97.0
Property	6.50	6.6
Other	4.25	1.3
Total market value of assets (see Note 1)		148.6
Present value of post employment plan liabilities (Note 2)		(176.7)
Post employment liabilities before deferred tax		(28.1)
Deferred tax asset		8.4
Net pension deficit		(19.7)

Note 1: Total market value of assets excludes assets of £6.8m in respect of AVCs and the defined contribution part of the Plan.

Note 2: The value of the liabilities excludes liabilities of £6.8m in respect of AVCs and the defined contribution of part of the Plan.

If these assets had been recognised in the financial statements, the Group's net assets and profit and loss account at 31 December 2003 would be as follows:

	£m		£m
Net liabilities	(73.3)	Profit and loss reserve	(106.2)
Pension Provision under SSAP 24	5.4	Release of SSAP 24 pension provision	5.4
Pension deficit under FRS17	(19.7)	Pension deficit under FRS17	(19.7)
Revised net liabilities	(87.6)	Revised profit and loss reserves	(120.5)

Notes to the financial statements for the 15 months ended 31 March 2005 *(continued)*

22 Retirement benefits *(continued)*

(v) Net assets and profit and loss account

Movement in surplus during the period:

	2005 15 months £m	2003 12 months £m	2002 12 months £m
Deficit in scheme at beginning of the period	(26.7)	(28.1)	(16.7)
Cash contributions	1.5	2.0	0.5
Other finance income	(1.7)	(1.7)	(0.6)
Actuarial gain/loss	(25.3)	1.1	(11.3)
Deficit in scheme at end of the period	(52.2)	(26.7)	(28.1)

23 Ultimate parent company

The parent undertaking is Royal Doulton Limited (formerly Royal Doulton Plc), a company registered in the United Kingdom. On 17 January 2005, Royal Doulton Limited became a wholly owned subsidiary of Waterford Wedgwood UK plc. 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.

24 Post balance sheet events

On 10 December 2005, the Waterford Wedgwood Group replaced its existing asset backed lending facility with a new asset backed lending facility provided by a syndicate of banks led by Bank of America and GE Capital. The new facility of €250 million is for a term of four and a half years and is secured against the fixed and floating assets of certain Waterford Wedgwood Group companies including Royal Doulton (UK) Limited.

On 6 January 2006, the Royal Doulton business relocated from Sir Henry Doulton House to the Waterford Wedgwood site at Barlaston.