2058427

Waterford Wedgwood U.K. plc

Annual report & accounts
2007

WATERFORD WEDGWOOD

Waterford Wedgwood U K plc is an intermediate holding company, registered in England (Number 2058427) The ultimate parent company is Waterford Wedgwood plc These financial statements have been sent to you solely to comply with the requirements in the United Kingdom of the Companies Act, 1985 For a full understanding of the activities and financial position of the Waterford Wedgwood Group, readers are referred to the report and accounts of Waterford Wedgwood plc

Throughout this document, references to 'WW Group' relate to Waterford Wedgwood plc and all its operations worldwide and references to 'the Group' relate to Waterford Wedgwood U K plc and all its operations worldwide 'Waterford' refers to Waterford Crystal activities worldwide, 'Wedgwood' refers to Wedgwood Group activities worldwide, 'Rosenthal' refers to Rosenthal AG activities worldwide and 'Royal Doulton' refers to Royal Doulton activities worldwide

Waterford Wedgwood U K plc
Barlaston, Stoke-on-Trent, Staffordshire, ST12 9ES, England

Contents

Report of the Directors

The Directors submit their report to the shareholders, together with the audited financial statements for the year ended 31 March 2007

RESULTS

The financial statements for the year ended 31 March 2007 are set out in detail on pages 5 to 50 A review of the Waterford Wedgwood Group s business is set out in the Waterford Wedgwood plc accounts for the year A summary of the results of the Group is as follows

	12 months to 31 March 2007 £ Mils
Revenue	437 1
Operating loss before exceptional items	(4 3)
Exceptional items	(0 8)
Operating loss	(5 1)
Finance income and costs	
Interest receivable and similar income	0 4
Interest payable and similar charges before exceptional items	(17 8)
Loss before income tax	(22 5)
Income tax expense	(0 2)
Loss for the year	(22 7)
(Loss)/profit attributable to	
– Equity holders of the company	(22 8)
– Minority interests	0 1
	(22 7)

Translation of overseas subsidiaries totalling £2 3 million have increased the reserves during the year No interim dividend was paid in the financial year ended 31 March 2007 The Directors do not propose to pay a final dividend

PRINCIPAL ACTIVITIES

The Company is an intermediate holding company During the year to 31 March 2007 the Company managed the Wedgwood Royal Doulton and Rosenthal brands

Wedgwood comprises the manufacture distribution and retailing of high quality bone china and earthenware tableware and giftware under the Wedgwood brand together with quality earthenware tableware by Johnson Brothers (including the Franciscan brand) Mason s Ironstone fine tableware and giftware and Coalport bone china giftware

Royal Doulton is engaged in the manufacture distribution and sale of prestige and premium branded ceramic and glassware products in the giftware collectible and tabletop markets Its principal brands are Royal Doulton, Minton and Royal Albert It has retail concession and wholesale selling operations throughout the developed world its primary markets being the UK, Canada, Australia Japan and the United States It has distribution companies in each of these markets

Rosenthal is a premium ceramics manufacturer based in Germany Rosenthal manufactures, markets and distributes luxury porcelain giftware and tableware The Group s interest in Rosenthal AG was 89 8% at 31 March 2007 The Group also distributes crystal and other products in certain world markets

The Company s principal subsidiary companies as at 31 March 2007 are set out in note 31 to the financial statements

FUTURE DEVELOPMENTS

Future developments and prospects are outlined in the Waterford Wedgwood Group Chairman s and Chief Executive s statements contained within Waterford Wedgwood plc s accounts for the year ended 31 March 2007

BOARD OF DIRECTORS

The Directors of the Company at 31 March 2007 were

Peter John Goulandris (Chairman)
Moira Gavin*
Wayne Nutbeen*
Lady O Reilly
F Alan Wedgwood
Lord Wedgwood*

Company Secretary
Patrick J Dowling

Executive Directors

DIRECTORS (EXCEPT FOR DIRECTORS OF WATERFORD WEDGWOOD PLC)

Moira Gavin is Chief Executive of Wedgwood and she has a service contract that can be terminated by one year's notice Wayne Nutbeen is Chief Executive of Royal Doulton and he has a service contract that can be terminated by one year's notice

PJ Goulandris and Lady O Reilly retire by rotation at the Annual General Meeting in accordance with the Articles of Association and being eligible will offer themselves for re-election

DIRECTORS' INTERESTS — SHARE CAPITAL

The interests of the Directors (except for Directors of Waterford Wedgwood plc) and their immediate families in the share capital of Waterford Wedgwood plc are set out below

	Description of shares	31 March 2006	Number of stock units 31 March 2007
Director			
M Gavin	stock units	200	200
W Nutbeen	stock units	–	–

Waterford Wedgwood plc stock units each comprise one Waterford Wedgwood plc ordinary share of €0 06 and one non-voting income share of Stg1p in Waterford Wedgwood U K plc

DIRECTORS' OPTIONS

Details of executive share options granted in accordance with the rules of the WW Group Schemes, held by the Directors (except for Directors of Waterford Wedgwood plc) in the share capital of Waterford Wedgwood plc are set out below

	31 March 2006	31 March 2007	Weighted average exercise price
Director			
M Gavin	15 307 984	15 307 984	stg 5 3p
W Nutbeen	14,501,632	14 501 632	stg 4 1p

Outstanding options are exercisable on dates between 2007 and 2015

The market price at the year end date was Stg4 42p The highest share price during the year was Stg4 46p and the lowest Stg2 28p

DIRECTORS' CONTRACTS

Other than service contracts there have been no contracts or arrangements with the Company or any subsidiary during the financial year or between 31 March 2007 and 29 July 2007 in which a Director of the Company was materially interested and which was significant in relation to the Companys business

INSURANCE OF OFFICERS

During the year to 31 March 2007 the Company maintained an Insurance of Officers against liabilities to the Company and its subsidiaries

DIRECTORS' RESPONSIBILITIES IN RELATION TO THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the annual report and the Group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and for preparing the parent Company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

The Directors are responsible for preparing financial statements for each financial year which give a true and fair view, in accordance with IFRSs as adopted by the European Union of the state of affairs of the Group and of the profit or loss of the Group and a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice of the state of affairs of the Company for that period In preparing those financial statements the Directors are required to

- select suitable accounting policies and then apply them consistently
- make judgments and estimates that are reasonable and prudent
- state whether the Group financial statements comply with IFRSs as adopted by the European Union and with regard to the parent Company financial statements whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business

The Directors confirm that they have complied with the above requirements in preparing the financial statements

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

STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS

So far as each of the Directors in office at the date of approval of these financial statements are aware

- there is no relevant audit information of which the Companys auditors are unaware and
- they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Companys auditors are aware of that information

SHARE CAPITAL

All of the Company's ordinary shares of 25p each which carry the right to vote at general meetings of the Company are held by Waterford Wedgwood plc At 31 March 2007 the issued share capital of the Company comprised 181 601 769 ordinary shares and 5 454 084 984 income shares During the year there was a bonus issue of 1 003 946,503 income shares

RESEARCH AND PRODUCT DEVELOPMENT

The Group maintains design and development departments in its main manufacturing divisions Expenditure on design and development in the year amounted to £3 7 million and related mainly to the development of new processes and manufacturing technologies

EMPLOYMENT POLICIES

The Directors remain committed to providing the conditions best suited to encourage the personal involvement of all employees in the future development of the business This involves open and regular communication with all employees the provision of training and development opportunities and profit sharing and employee share schemes Several employee share schemes operate within the Group and involve a significant number of employees

The Group's continuous improvement initiatives are important features in improving the quality of working life

With regard to the employment of disabled people the Group works in close co-operation with local disablement resettlement officers to recruit and train disabled employees and to provide whenever possible career development for those whose health no longer allows them to continue in their normal occupation

HEALTH, SAFETY AND THE ENVIRONMENT

The Group pursues an active policy of providing safe systems of work and high standards of environmental management

Regular meetings of the Groups health and safety committees have been held

The Group's policies and procedures have achieved compliance with legal obligations

CHARITABLE AND POLITICAL CONTRIBUTIONS

The Group donated approximately £193,000 for charitable purposes during the year

The Group made no political contributions

EVENTS SINCE THE YEAR END

There have been no significant events affecting the Group since the year end other than those set out in note 1 to the financial statements

FINANCIAL RISK MANAGEMENT

The Group recognises the importance of an effective financial risk management programme The key objectives and policies of the Group in relation to financial risk management including the use of hedging and the exposure of the Group to credit liquidity interest rate and foreign currency risks are set out in note 24 to the financial statements

CORPORATE GOVERNANCE

The Group is committed to good Corporate Governance and supports the principles set out in the Combined Code As an intermediate holding Company, the Group is part of the governance procedures established by WW Group The WW Group annual report and financial statements describe how the main and supporting principles set out in the Combined Code have been applied

INTERNATIONAL FINANCIAL REPORTING STANDARDS

The results for 2007 and 2006 have been prepared in accordance with the Groups accounting policies under International Financial Reporting Standards (IFRS)

AUDITORS

A resolution to re appoint PricewaterhouseCoopers as auditors to the Company will be proposed at the Annual General Meeting

GOING CONCERN

After making appropriate enquiries and on the basis of current financial projections and facilities available, the Directors have a reasonable expectation that the Group has adequate resources to continue operations for the foreseeable future and have therefore prepared the financial statements on a going concern basis

By order of the Board

Patrick J Dowling
Company Secretary
29 July 2007

Independent auditors' report to the members of Waterford Wedgwood U.K. plc

We have audited the Group and parent Company financial statements (the ' financial statements) of Waterford Wedgwood U K plc for the year ended 31 March 2007 which comprise the Consolidated Income Statement, the Consolidated and Parent Company Balance Sheets the Consolidated Cash Flow Statement the Consolidated Statement of Recognised Income and Expense 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 annual report and the Group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and for preparing the parent Company 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 whether the financial statements have been properly prepared in accordance with the Companies Act 1985 We also report to you whether in our opinion the information given in the Report of the Directors 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 other information contained in the Annual Report and consider whether it is consistent with the audited financial statements The other information comprises only the Report of the Directors We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements Our responsibilities do not extend to any other information

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 Group's and Companys 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 Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union of the state of the Groups affairs as at 31 March 2007 and of its loss and cash flows for the year then ended
- the Group financial statements have been properly prepared in accordance with the Companies Act 1985
- the parent Company financial statements give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice of the state of the parent Companys affairs as at 31 March 2007
- the parent Company financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Report of the Directors is consistent with the financial statements

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Dublin
29 July 2007

Group accounting policies under IFRS

The significant accounting policies adopted by the Group are set out below These policies have been consistently applied to all the years presented, unless otherwise stated

BASIS OF PREPARATION

The consolidated financial statements of Waterford Wedgwood U K. plc have been prepared in accordance with EU adopted International Financial Reporting Standards (IFRS) and IFRIC interpretations endorsed by the European Union (EU) and with those parts of the Companies Acts applicable to companies reporting under IFRS

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting assumptions It also requires management to exercise its judgment in the process of applying the Group s accounting policies The areas requiring a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the consolidated financial statements, relate primarily to accounting for inventory retirement benefit obligations and indefinite life intangible assets and are documented in the relevant notes

HISTORICAL COST CONVENTION

The consolidated financial statements which are presented in Sterling millions to one decimal place, have been prepared under the historical cost convention except for measurement at fair value of derivative financial instruments

BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its subsidiary undertakings Subsidiary undertakings are included in the consolidated financial statements from the date on which control over the operating and financial policies is obtained and cease to be consolidated from the date on which control is transferred out of the Group Control exists when the Company has the power directly or indirectly to govern the financial and operating policies of an entity so as to obtain economic benefits from its activities The existence and effect of potential voting rights that are currently exercisable or convertible are considered in determining the existence or otherwise of control All intra-group balances and transactions including unrealised profits arising from intra-group transactions are eliminated on consolidation Accounting policies of subsidiaries have been changed where necessary to ensure consistency with policies adopted by the Group

SEGMENT REPORTING

A business segment is a group of assets and operations engaged in providing products that are subject to risks and returns that are different from those of other business segments A geographic segment is engaged in providing products within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments The Group s primary format for segment reporting is business segments and the secondary format is geographic segments This is reflected by the Group's management and organisational structure and the Group s internal financial reporting systems The Group s subsidiaries operate in two business segments Ceramics Group and Other The Group's subsidiaries operate in five geographic segments UK, Europe excluding the UK North America Far East and the rest of the world

REVENUE AND OTHER INCOME

Revenue comprises the fair value of the consideration received or receivable for the sale of goods or services supplied by the Group in the ordinary course of business to external customers for goods and services supplied, exclusive of trade and volume discounts sales rebates and sales taxes Revenue and other income is recognised as follows

(i) Sale of goods – wholesale

Sales of goods are recognised when a Group entity has delivered the products, the significant risks and rewards of ownership have passed to the customer and the collectibility of the related receivable is reasonably assured

(ii) Sale of goods – retail sales through owned stores concessions and outlets

Sales of goods are recognised when a Group entity sells a product to the consumer net of sales taxes discounts and returns

(iii) Retail sales through the internet and mail order catalogue

Sales of goods are recognised upon shipment of the product to the consumer net of sales taxes discounts and returns

(iv) Royalty income

Royalty income is recognised on an accruals basis in accordance with the substance of the relevant agreements

(v) Interest income

Interest income is accrued on a time basis by reference to the principal outstanding and at the effective interest rate over the period of expected maturity

(vi) Property transactions

Revenue from sale of property plant and equipment is recognised where there is an unconditional and irrevocable contract for sale

FOREIGN CURRENCY TRANSLATION

The financial statements of each of the Group s entities are measured using the currency that reflects the primary economic environment in which the entity operates ('the functional currency') The consolidated financial statements are presented in Sterling which is the Company s functional and presentation currency Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange at the balance sheet date

All translation differences are taken to the consolidated income statement with the exception of differences on foreign currency borrowings that provide an effective hedge against a net investment in a foreign entity The effective portions are taken directly to equity together with the exchange difference on the net investment in the foreign entity until the disposal of the net investment, at which time they are recognised in the consolidated income statement. Any ineffectiveness is taken directly to the income statement

On consolidation the results and cash flows of subsidiary undertakings, whose functional currency is not Sterling are translated into Sterling at average exchange rates for the year and the related balance sheets have been translated at the rates of exchange ruling at the balance sheet date Translation differences arising on translation of the results of non-Sterling subsidiary undertakings at average rates, and on the restatement of the opening net assets at closing rates are dealt within a separate foreign currency translation reserve within equity net of differences on related currency borrowings designated as hedges All other translation differences are taken to the income statement

The cumulative currency translation differences arising prior to the IFRS transition date (1 April 2004) have been set to zero for the purposes of ascertaining the gain or loss on disposal of a non-Sterling subsidiary undertaking subsequent to 1 April 2004

INCOME TAX

Current tax

Current tax represents the expected tax payable (or recoverable) on the taxable profit or loss for the year using tax rates enacted or substantively enacted at the balance sheet date and taking into account any adjustments arising from prior years

Taxable profit differs from the net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or deductible Current tax for the current and prior periods is to the extent unpaid recognised as a liability If the amount already paid in respect of current and prior periods exceeds the amount payable the excess is recognised as an asset

Deferred income tax

Deferred income tax assets/liabilities are provided using the liability method on all temporary differences apart from initial recognition exemptions between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases Specifically a deferred tax asset is recognised for the carry-forward of unused tax losses and unused tax credits only to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised Deferred income tax assets and liabilities are not subject to discounting and are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability settled based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised

Deferred tax is not recognised on the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and which at the time of the transaction affects neither accounting profit nor taxable profit

In accordance with IAS 12, Income Taxes deferred income tax assets or liabilities are not recognised for temporary differences associated with investments in subsidiaries to the extent that the timing of the reversal is controlled by the parent Company and it is probable that reversal will not occur in the foreseeable future

Deferred tax income or expense is reported in the income statement if it relates to items that are reported in the income statement. For items that are recognised in equity, the related deferred tax is also recognised in equity

DIVIDENDS

Final dividends are recognised as a liability when the shareholders right to receive the payment is established by approval at the Annual General Meeting

Interim dividends are recognised in the Group's financial statements on a cash-paid basis

SHARE CAPITAL

Ordinary and income shares are classified as equity Costs directly attributable to the issue of new equity shares or options are shown in equity as a deduction

RESEARCH EXPENDITURE

Expenditure on research is charged to the income statement in the year in which it is incurred

BUSINESS COMBINATIONS

The purchase method of accounting is employed by the Group in accounting for the acquisition of subsidiary undertakings The Group has availed of the exemption under IFRS 1 "First-time Adoption of International Financial Reporting Standards" whereby business combinations prior to the transition date of 1 April 2004 are not restated IFRS 3 Business Combinations' has been applied with effect from the transition date of 1 April 2004 and goodwill amortisation ceased from that date

The cost of a business combination is measured as the aggregate of the fair value at the date of exchange of assets given liabilities incurred or assumed and equity instruments issued in exchange for control together with any directly attributable expense In the case of business combinations, the assets and liabilities are measured at their provisional fair values at the date of acquisition Adjustments to provisional values allocated to assets and liabilities are made within twelve months of the acquisition date and reflected as a restatement of the acquisition balance sheet.

GOODWILL

Goodwill arising in respect of acquisitions completed prior to 1 April 2004 (transition date') is included at its carrying value as recorded under U.K. GAAP In line with the provisions applicable to a first-time adopter under IFRS the accounting treatment of business combinations undertaken prior to the transition date has not been reconsidered in preparing the opening IFRS balance sheet as at 1 April 2004 and goodwill amortisation has ceased with effect from the transition date Goodwill written off to reserves under U.K GAAP prior to 1 January 1998 has not been reinstated and is not included in determining any subsequent profit or loss on disposal of a subsidiary undertaking

Goodwill on acquisitions is initially measured at cost being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets liabilities and contingent liabilities

Group accounting policies under IFRS continued

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances, indicate that the carrying value may be impaired

As at the acquisition date any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised

Where goodwill forms part of a cash generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss of the disposal Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash generating unit retained

INTANGIBLE ASSETS OTHER THAN GOODWILL

An intangible asset is recognised to the extent that it is probable that the expected future economic benefits attributable to the asset will flow to the Group and that it can be measured reliably

(a) Trademarks and brands

Trademarks and brands acquired separately are recognised at cost and intangible assets acquired in the course of a business combination are recognised at fair value being their deemed cost at the date of acquisition Following initial recognition trademarks and brands, which have a finite life are carried at cost less any accumulated amortisation and accumulated impairment losses

The useful lives applied are

Trademarks	20 years
Brands	20 years

(b) Computer software

Acquired computer software licences are recognised on the basis of the costs incurred to acquire and bring to use the specific software These costs are amortised over their estimated useful lives of four to six years Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred

The amortisation of intangible assets is calculated to write off the carrying value of intangible assets over their useful lives, on a straight-line basis on the assumption of zero residual value

IMPAIRMENT OF ASSETS

Assets that have an indefinite useful life are not subject to amortisation and they are tested for impairment annually and whenever there is an indication that the asset may be impaired Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable

The impairment loss recognised is the amount by which the asset s carrying amount exceeds its recoverable amount The recoverable amount is the higher of an asset s fair value less costs to sell and value in use

For the purposes of assessing impairment assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units) Where an asset does not generate cash flows that are independent from other assets the Group estimates the recoverable amount of the cash generating unit to which the asset belongs If an impairment loss is recognised for a cash generating unit, it is allocated to reduce the carrying amount of the assets of the unit in the following order

(i) first, to reduce the carrying amount of any goodwill allocated to the cash generating unit, and
(ii) then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit

FINANCIAL ASSETS

Financial assets which comprise primarily deposits and receivables are initially recorded at fair value and subsequently measured at amortised cost using the effective interest rate less provision for impairment Financial assets are reviewed for impairment annually or more frequently if events, or changes in circumstances, indicate that the carrying value may be impaired

PROPERTY, PLANT AND EQUIPMENT

Property plant and equipment are stated at cost or deemed cost, less accumulated depreciation and impairment losses The Group's properties in the United Kingdom were revalued to fair value in 1997 and are measured on the basis of deemed cost being the revalued amount at the date of revaluation less accumulated depreciation up to the date of transition (1 April 2004)

Property plant and equipment excluding free-hold land are depreciated over their estimated useful economic lives on a straight-line basis at the following lives

Freehold buildings	25 to 50 years
Leasehold buildings	Period of the lease
Plant and equipment	4 to 30 years

The residual value and useful economic lives of property plant and equipment are reviewed and adjusted if necessary at each balance sheet date

The carrying values of the Group s property plant and equipment are reviewed at each balance sheet date to determine whether there is any indication of impairment. An impairment loss is recognised through the income statement whenever the carrying value of an asset or its cash generating unit, exceeds its recoverable amount. The recoverable amount of an asset is the higher of its fair value less costs to sell and value in use In assessing value in use the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset

Subsequent expenditure relating to an existing asset is included in an asset s carrying value or recognised as a separate asset as appropriate only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the replaced item can be measured reliably All other repair and maintenance costs are charged to the income statement during the financial period in which they are incurred

The profit or loss on the disposal of an asset is calculated as the difference between the net sale proceeds and the net book value and is included in the income statement in the year the item is sold

NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

Non-current assets are classified as held for sale if their carrying value will be recovered through a sale transaction rather than through continuing use This condition is met if the sale is highly probable, the asset is available for immediate sale in its present condition and management is committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification Non-current assets classified as held for sale are measured at the lower of carrying value and fair value less costs of disposal

DISCONTINUED OPERATIONS

A discontinued operation is a component of an entity that either has been disposed of or that is classified as held for sale and (a) represents a separate major line of business or geographical area of operations (b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or (c) is a subsidiary acquired exclusively with a view to resale

CAPITAL AND REVENUE GRANTS

Capital grants are recognised within the financial statements, only when there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received Capital grants are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate on a systematic basis

Revenue grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no further related costs, shall be recognised as income of the period in which it becomes receivable

INVENTORIES

Inventories are stated at the lower of cost and net realisable value Cost is based on the weighted average cost formula In the case of finished goods and work in progress manufactured by the Group cost comprises the cost of direct materials, direct labour and a proportion of manufacturing overhead based on normal operating capacity In the case of other inventories cost is ascertained by reference to purchase price plus freight and duty where appropriate

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs to completion and estimated costs necessary to make the sale

TRADE AND OTHER RECEIVABLES

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivable The amount of the provision is the difference between the carrying amount and the present value of future cash flows Bad debts are written off when identified

CASH AND CASH EQUIVALENTS

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits Bank overdrafts that are repayable on demand and form part of the Group s cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows

BORROWINGS

All loans and borrowings are initially recorded at fair value of the consideration received net of transaction costs associated with the borrowing After initial recognition interest-bearing loans and borrowings are subsequently measured at amortised cost employing the effective interest rate method Amortised cost is calculated by taking into account any issue costs and any discount or premium on settlement Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the use of the effective interest rate method Costs incurred in relation to makewhole payments are recognised in the income statement in the year in which they are incurred

Termination costs are charged in the income statement in the year in which they are incurred

FINANCING COSTS

Financing costs comprise interest on borrowings interest component of finance leases bank charges and amortised debt issue costs

Interest payable on borrowings and the interest expense component of finance lease payments is calculated using the effective interest rate method Interest receivable on funds invested is calculated on an accruals basis using the effective rate method

LEASES

Where property plant and equipment is financed by leasing arrangements which transfers substantially all the risks and rewards incidental to ownership ("finance leases) they are recognised at the inception of the lease at the fair value of the leased asset or if lower, the present values of the minimum lease payments The corresponding obligations are shown in the balance sheet as finance lease obligations

Where the Group has entered into lease arrangements on land and buildings the lease payments are allocated between land and buildings and each is assessed separately to determine whether it is a finance or operating lease

Depreciation on property plant and equipment is calculated in order to write-off the amounts recognised over the shorter of the estimated useful economic lives of the individual assets or the terms of the lease The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability

Profits or losses realised on sale and leaseback transactions are deferred to the balance sheet and are amortised through the income statement over the life of the related finance lease

When the unavoidable costs of meeting obligations under a leasehold property contract exceed the economic benefits expected to be received under it the lease obligation is defined as onerous and the present obligation under the lease is recognised and measured as a provision Provision is made for management s best estimate of the net outgoings through to the termination of the lease discounted at an appropriate discount rate

Leases where the lessor retains substantially all the risks and benefits of ownership of the assets are classified as operating leases Operating lease payments are recognised as an expense in the income statement on a straight line basis over the lease term

EXCEPTIONAL ITEMS

Exceptional items are those items of income and expense that the Group considers are material and/or of such a nature that the separate reporting of the exceptional item helps to provide a better indication of the Group s underlying business performance Events which may give rise to the classification as exceptional include the restructuring of businesses, gains or losses on disposals of businesses and asset impairments

PROVISIONS

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event it is probable that an outflow of economic benefits would be required to settle the obligation and a reliable estimate can be made of the amount of the obligation Where the effect of the time value of money is material the amount of a provision shall be the present value of the expenditure expected to be required to settle the obligation Where discounting is used the increase in the provision due to the passage of time is recognised as a financing cost

The Group recognises a provision for restructuring when it has a detailed formal plan for the restructuring identifying at least

- the business or part of a business concerned
- the principal locations affected
- the locations function and approximate number of employees who will be compensated for terminating their services
- the expenditures that will be undertaken
- when a plan will be implemented and
- a valid expectation on those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it

PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS

The Group operates a number of defined benefit pension schemes which require contributions to be made to separately administered funds The Group s net obligations in respect of defined benefit pension schemes are calculated separately for each scheme by estimating using the projected unit method in accordance with advice from independent qualified actuaries, the amount of future benefits that employees have earned in return for their service in the current and prior periods That benefit is discounted to determine its present value and the fair value of scheme assets is deducted The discount rate employed in determining the present value of the schemes liabilities is determined by reference to market yields at the balance sheet date on high quality corporate bonds of a term and currency consistent with that of the associated employment benefit obligation

The net surplus or deficit arising in the Group s defined benefit pension schemes are shown within either non-current assets or liabilities on the face of the Group balance sheet.The Group has elected to avail of the option under IAS 19 Employee Benefits to recognise post transition date actuarial gains and losses immediately in the statement of recognised income and expense

The estimated increase in the present value of defined benefit pension schemes liabilities expected to arise from employee service during the period is charged to operating loss The expected return on the schemes assets and the interest cost on the present value of the schemes liabilities arising are included in finance costs

If the benefits of a defined benefit plan are improved the portion of the increased benefit relating to past service by employees is recognised as an expense in the income statement over the remaining average working lives of the employees concerned or to the extent that the benefits vest immediately the expense is recognised immediately in the income statement. In addition to defined benefit pension schemes, the Group also operates a number of defined contribution pension schemes where obligations arising are recognised as an expense in the income statement as incurred

The Group also has post retirement medical aid obligations in respect of certain employees The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that for the defined benefit pension plans and determined by independent qualified actuaries

DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses derivative financial instruments (principally interest rate swaps and forward foreign exchange contracts and options) to hedge its exposure to foreign exchange risks arising from estimated future currency receipts and payments and interest rate risks associated with borrowings

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re measured at their fair value The best evidence of the fair value of a derivative at initial recognition is the transaction price (i e the fair value of the consideration given or received) The gain or loss on re measurement to fair value is recognised immediately in the income statement unless the derivative qualifies for hedge accounting where-upon the accounting treatment and presentation depends on the nature of the item being hedged (see hedging accounting policy below)

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date taking into account current interest and currency exchange rates and the current creditworthiness of the swap counter-parties

The fair value of forward foreign currency exchange contracts is calculated by reference to current forward currency exchange rates at the balance sheet date being the present value of the quoted forward price

HEDGING

For the purposes of hedge accounting hedges are classified either as fair value hedges (which entail hedging the exposure to movements in the fair value of a recognised asset or liability) or cash flow hedges (which hedge exposures to fluctuations in future cash flows derived from a particular risk associated with a recognised asset or liability or a highly probable forecast transaction) or hedges of net investments (which hedge against a net investment in a foreign operation)

In the case of fair value hedges which satisfy the conditions for hedge accounting any gain or loss stemming from the re measurement of the hedging instrument to fair value is reported in the income statement.

In addition any gain or loss on the hedged item which is attributable to the hedged risk, is adjusted against the carrying amount of the hedged item and reflected in the income statement If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of the hedged item is amortised to the income statement with the objective of achieving full amortisation by maturity of the hedged items using the effective interest rate method

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability or a highly probable forecasted transaction, the effective part of any gain or loss on the derivative financial instrument is recognised as a separate component of equity with the ineffective portion being reported in the income statement. When a highly probable forecast transaction results in the recognition of a non-financial asset or liability the cumulative gain or loss is removed from equity and included in the initial measurement of the non-financial asset or liability Otherwise, the associated gains and losses that had previously been recognised in equity are transferred to the income statement as the cash flows of the hedged item effect the income of the hedged transaction

Hedge accounting is discontinued when the hedging instrument expires or is sold terminated or exercised or no longer qualifies for special hedge accounting At that point in time, any cumulative gain or loss on the hedging instrument recognised as a separate component of equity is kept in equity until the forecast transaction occurs If a hedged transaction is no longer anticipated to occur the net cumulative gain or loss recognised in equity is transferred immediately to the income statement. Where a derivative financial instrument is used to economically hedge the foreign exchange exposure of a recognised monetary asset or liability, hedge accounting is not applied and any gain or loss on the hedging instrument is recognised in the income statement

Where foreign currency borrowings provide a hedge against a net investment in a foreign operation foreign exchange differences are taken directly to a foreign currency translation reserve (being a separate component of equity) Cumulative gains and losses remain in equity until disposal of the net investment in the foreign operation at which point the related difference is transferred to the income statement as part of the overall gain or loss on sale

The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items as well as its risk management objectives and strategy for undertaking various hedging transactions The Group also documents its assessment both at hedge inception and on an ongoing basis of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items

Hedging derivatives are classified as a current asset or liability as at the balance sheet date

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS
Preparation of the consolidated financial statements requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities These include but are not limited to the following areas

Impairment of intangible assets and property, plant and equipment The group tests whether intangible assets and property plant and equipment have suffered any impairment, as required by IAS 36 'Impairment of Assets' The recoverable amounts of the net asset value of cash generating units have been determined based on value in use calculations These calculations require the use of estimates

The calculations are inherently judgmental and susceptible to change from period to period because they require the Group to make assumptions about future supply and demand future sales prices the achievement of cost savings applicable exchange rates and an appropriate discount rate

If the Group fails to meet its forecasted sales levels or fails to achieve anticipated cost reductions or if weak economic conditions prevail in its primary markets the value in use of a cash generating unit is likely to be adversely affected

In the annual impairment test if a revised discount rate is applied to the cash flows of 3% higher than management s estimates the Group would need to reduce the carrying value of goodwill by £4 5 million

Pensions The actuarial valuation of defined benefit pensions is based on assumptions regarding inflation discount rates commutations the expected return on plan assets, salary increases pension in payment increases and mortality rates The assumptions may differ from the actual data as a result of changes in economic and market conditions

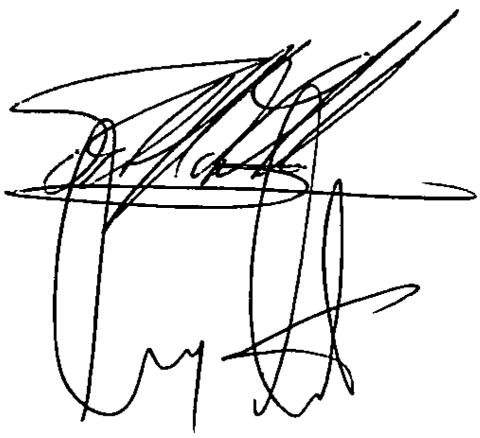
Inventory The Group values its manufactured finished goods and work in progress at the lower of cost or net realisable value If necessary, the Group impairs its inventory for discontinued slow moving and unmarketable products based upon assumptions about future demand market conditions and disposal costs Determining these assumptions requires estimation of the outcome of future certain events If actual events are more or less favourable than those projected by management, adjustments to inventory impairments may be required

Deferred tax Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the unused tax losses and unused tax credits can be utilised The Group estimates the most probable amount of future taxable profits taking into consideration applicable tax legislation in the relevant jurisdiction These calculations require the use of estimates

Consolidated income statement

	Notes	12 months to 31 March 2007 £ Mils	12 months to 31 March 2006 £ Mils
Revenue	4	**437.1**	461 6
Operating loss before exceptional items	4	**(4.3)**	(33 5)
Exceptional items	5	**(0 8)**	(38 8)
Operating loss		**(5 1)**	(72 3)
Finance income and costs			
Interest receivable and similar income		**0.4**	0 5
Interest payable and similar charges before exceptional items	6	**(17.8)**	(15 2)
Exceptional finance costs	6	**-**	(2 1)
Loss before income tax		**(22 5)**	(89 1)
Income tax (expense)/income	9	**(0 2)**	0 4
Loss for the year		**(22 7)**	(88 7)
(Loss)/profit attributable to			
– Equity holders of the company		**(22.8)**	(89 9)
– Minority interests		**0 1**	1 2
		(22.7)	(88 7)

Peter John Goulandris
Chairman



Wayne J Nutbeen
Director

Consolidated balance sheet

	Notes	As at 31 March 2007 £ Mils	As at 31 March 2006 £ Mils
ASSETS			
Non-current assets			
Intangible assets	10	**83.1**	84.9
Property, plant and equipment	11	**79.8**	96.9
Financial assets	12	**1.3**	1.5
Trade and other receivables	14	**0.2**	0.1
Deferred income tax assets	19	**0.5**	0.6
Total non-current assets		**164.9**	184.0
Current assets			
Inventories	13	**144.4**	137.4
Trade and other receivables	14	**105.4**	93.2
Cash and cash equivalents		**11.1**	15.7
Total current assets		**260.9**	246.3
TOTAL ASSETS		**425.8**	430.3
LIABILITIES			
Current liabilities			
Trade and other payables	15	**465.7**	451.1
Finance lease obligations	17	**2.1**	2.1
Current income tax liabilities		**2.9**	3.5
Bank overdraft and short term borrowings		**0.6**	–
Provisions for other liabilities and charges	18	**6.8**	15.7
Total current liabilities		**478.1**	472.4
Non-current liabilities			
Finance lease obligations	17	**16.3**	15.8
Retirement benefit obligations	21	**58.8**	108.7
Deferred income tax liabilities	19	**7.4**	7.9
Provisions for other liabilities and charges	18	**8.0**	9.3
Bank borrowings	20	**112.0**	95.0
Trade and other payables	16	**3.2**	3.6
Total non-current liabilities		**205.7**	240.3
TOTAL LIABILITIES		**683.8**	712.7

Consolidated balance sheet continued

	Notes	As at 31 March 2007 £ Mils	As at 31 March 2006 £ Mils
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Equity share capital	22	**100.0**	89.9
Retained losses	23	**(361.7)**	(373.7)
Translation reserves	23	**1.7**	(0.6)
		(260.0)	(284.4)
Minority interests		**2.0**	2.0
TOTAL EQUITY		**(258.0)**	(282.4)
TOTAL EQUITY AND LIABILITIES		**425.8**	430.3

Peter John Goulandris
Chairman

Wayne J Nutbeen
Director

Consolidated statement of recognised income and expense

	12 months to 31 March 2007 £ Mils	12 months to 31 March 2006 £ Mils
Items of income and expense recognised directly in equity		
Currency translation adjustments	**2.2**	(0 3)
Fair value movement on cash flow hedges	**-**	(0 8)
Actuarial gains on defined benefit pension schemes	**34.8**	11 2
Net income recognised directly in equity	**37.0**	10 1
Loss for the year	**(22.7)**	(88 7)
Total recognised income and expense for the year	**14.3**	(78 6)
Attributable to		
Equity holders of the company	**14.3**	(79 9)
Minority interest	**-**	1 3
Total recognised income and expense for the year	**14.3**	(78 6)

Consolidated cash flow statement

	Notes	12 months to 31 March 2007 £ Mils	12 months to 31 March 2006 £ Mils
Cash flows from operating activities			
Cash used in operations	29	**(10 3)**	(37 0)
Income tax paid		**(1 1)**	(0 8)
Net cash used in operating activities		**(11.4)**	(37 8)
Cash flows from investing activities			
Purchase of property, plant and equipment	11	**(8 0)**	(8 1)
Purchase of intangible assets		**-**	(3 5)
Proceeds from sale of property, plant and equipment		**3.4**	1 7
Net cash used in investing activities		**(4.6)**	(9 9)
Cash flows from financing activities			
Interest paid		**(13.0)**	(9 8)
Interest received		**0.4**	0 5
Debt issue costs and termination fees	6	**-**	(2 1)
Proceeds from borrowings		**35.8**	151 9
Repayment of borrowings		**(12.0)**	(89 8)
Inception of finance leases		**1.5**	1 3
Payment of finance lease liabilities		**(1.1)**	(1 1)
Net cash generated from/(used in) financing activities		**11 6**	50 9
Net (decrease)/increase in cash, cash equivalents and bank overdrafts		**(4 4)**	3 2
Cash cash equivalents and bank overdrafts at beginning of the year		**15.7**	12 0
Exchange gains and losses on cash, cash equivalents and bank overdrafts		**(0.8)**	0 5
Cash, cash equivalents and bank overdrafts at the end of the year		**10.5**	15 7

1 Basis of preparation of Group financial statements

The audited financial statements of the holding Company and its subsidiary undertakings for the year ended 31 March 2007 are incorporated in the Group financial statements

The presentation currency of the Group financial statements is Sterling and the functional currency and presentation currency of the parent Company, Waterford Wedgwood U K plc is Sterling

The Company is a wholly owned subsidiary of Waterford Wedgwood plc On 5 April 2007 Waterford Wedgwood plc announced a fully underwritten offer of cumulative convertible preference shares of €100 million and the potential proposed placing of cumulative convertible preference shares of a further €100 million the proceeds of which will be used to undertake restructuring and for working capital purposes The Directors having regard to Waterford Wedgwood plc s convertible preference share issue the Companys budgets and business plans and the current trading position are satisfied that it is appropriate to adopt the going concern basis in preparing these financial statements

2 Effect of change in accounting estimate

During the year the Group reviewed the basis of provisioning for slow-moving obsolete and excess inventory across the Group with the objective of introducing a common basis of calculation This review resulted in a reduction of provisions against slow moving obsolete and excess inventory of £5 8 million and this is reflected in the operating loss for the 12 months ended 31 March 2007

3 Analysis of operating loss

12 months to 31 March 2007

	Before exceptional items £ Mils	Exceptional items £ Mils	Total £ Mils
Revenue	437 1	–	437 1
Cost of sales	(239 5)	(1 4)	(240 9)
Gross profit/(loss)	197 6	(1 4)	196 2
Selling, marketing and distribution expenses	(170 8)	(2 5)	(173 3)
Administrative expenses	(38 6)	(0 9)	(39 5)
Other operating expenses	(0 4)	(7 9)	(8 3)
Other operating income	7 9	11 9	19 8
Operating loss	**(4.3)**	**(0.8)**	**(5.1)**

3 Analysis of operating loss continued

12 months to 31 March 2006

	Before exceptional items £ Mils	Exceptional items £Mils	Total £ Mils
Revenue	461 6	–	461 6
Cost of sales	(267 2)	(25 0)	(292 2)
Gross profit/(loss)	194 4	(25 0)	169 4
Selling, marketing and distribution expenses	(178 9)	(13 7)	(192 6)
Administrative expenses	(43 7)	(0 8)	(44 5)
Other operating expenses	(6 9)	–	(6 9)
Other operating income	1 6	0 7	2 3
Operating loss	**(33.5)**	**(38 8)**	**(72.3)**

The following items have been included in arriving at operating loss

	Notes	12 months to 31 March 2007 £ Mils	12 months to 31 March 2006 £ Mils
Revenue		**437.1**	461 6
Less pre-exceptional operating costs			
Change in inventories of finished goods		**(5.5)**	(16 3)
Staff costs		**(136.3)**	(150 6)
Intangible asset amortisation	10	**(2 0)**	(3 7)
Depreciation of property plant and equipment	11	**(13 2)**	(16 3)
Operating lease rental – plant and equipment		**(3.3)**	(2 4)
– others		**(13.5)**	(15 8)
Other operating costs		**(267.6)**	(290 0)
Operating loss before exceptional items		**(4 3)**	(33 5)
Exceptional items	5	**(0.8)**	(38 8)
Operating loss		**(5.1)**	(72 3)

	12 months to 31 March 2007 £ Mils	12 months to 31 March 2006 £ Mils
Operating loss for the year is stated after charging		
Auditors remuneration – audit	**0.7**	0 8
– taxation services	**0.4**	0 2
– other assurance services	**0.1**	0 5
	1.2	1 5

Fees paid to PricewaterhouseCoopers by the Company and its U K subsidiaries in respect of non-audit services amounted to £43 940 (2006 £93 000)

4 Segmental Report

The Groups business is divided into two primary segments Ceramics Group includes the manufacture and distribution of ceramics products by Wedgwood Royal Doulton and Rosenthal and the distribution of crystal products in certain markets Other primarily includes the distribution of Waterford Crystal product in the USA

Inter-segment transactions are entered into under normal commercial terms and conditions

Operating profit/loss is the segmental measure reviewed by the chief operating decision maker Unallocated overhead costs such as those incurred by the head office are included under the heading unallocated costs

Segment assets comprise primarily property plant and equipment intangibles assets inventories third party and inter-company receivables and operating cash and exclude investments in subsidiary undertakings

Segment liabilities comprise third party and inter-company payables other payables taxation finance lease obligations retirement benefit obligations and borrowings

BY CLASS OF BUSINESS

12 months to 31 March 2007

	Total segment revenue £ Mils	Inter segment revenue £ Mils	Revenue £ Mils	Operating (loss)/profit before exceptional items £ Mils	Exceptional items £ Mils	Operating (loss)/profit after exceptional items £ Mils
By class of business						
Ceramics Group	343 6	(2 3)	341 3	(13 9)	(0 8)	(14 7)
Other	95 8	–	95 8	1 2	–	1 2
Unallocated income	–	–	–	8 4	–	8 4
	439.4	**(2.3)**	**437.1**	**(4.3)**	**(0.8)**	**(5.1)**
Net finance costs						(17 4)
Loss before taxation						(22 5)
Income tax						(0 2)
Loss for the year						**(22.7)**

12 months to 31 March 2007

	Total assets £ Mils	Total liabilities £ Mils	Net (liabilities)/assets £ Mils
By class of business			
Ceramics Group	358 5	(642 9)	(284 4)
Other	52 5	(6 9)	45 6
Unallocated assets/(liabilities)	278 2	(297 4)	(19 2)
Intra-group eliminations	(263 4)	263 4	–
	425.8	**(683.8)**	**(258.0)**

4 Segmental Report continued

12 months to 31 March 2007

	Property plant and equipment additions £ Mils	Intangible asset additions £ Mils	Depreciation and amortisation £ Mils	Impairment of property plant and equipment £ Mils
By class of business				
Ceramics Group	7 6	0 2	14 4	7 9
Other	0 4	–	0 8	–
	8 0	**0.2**	**15.2**	**7.9**

12 months to 31 March 2006

	Total segment revenue £ Mils	Inter segment revenue £ Mils	Revenue £ Mils	Operating (loss)/profit before exceptional items £ Mils	Exceptional items £ Mils	Operating loss after exceptional items £ Mils
By class of business						
Ceramics Group	364 1	(2 8)	361 3	(28 4)	(38 8)	(67 2)
Other	100 3	–	100 3	4 1	–	4 1
Unallocated costs	–	–	–	(9 2)	–	(9 2)
	464.4	**(2.8)**	**461 6**	**(33.5)**	**(38.8)**	**(72.3)**
Net finance costs						(16 8)
Loss before taxation						(89 1)
Income tax						0 4
Loss for the year						**(88.7)**

12 months to 31 March 2006

	Total assets £ Mils	Total liabilities £ Mils	Net assets/(liabilities) £ Mils
By class of business			
Ceramics Group	373 9	(656 2)	(282 3)
Other	48 7	(4 9)	43 8
Unallocated assets/(liabilities)	257 1	(301 0)	(43 9)
Intra-group eliminations	(249 4)	249 4	–
	430 3	**(712.7)**	**(282.4)**

4 Segmental Report continued

12 months to 31 March 2006

	Property plant and equipment additions £ Mils	Intangible asset additions £ Mils	Depreciation and amortisation £ Mils	Impairment of property, plant and equipment £ Mils
By class of business				
Ceramics Group	76	35	189	119
Other	05	–	11	–
	8.1	**3.5**	**20 0**	**11.9**

BY GEOGRAPHICAL SEGMENT

Revenue is allocated based on the country in which the customer is based and total assets additions to property plant and equipment and intangible asset additions are based on where the assets are located

12 months to 31 March 2007

	Revenue £ Mils	Total assets £ Mils	Property Plant and equipment additions £ Mils	Intangible asset additions £ Mils
By geographical segment				
Europe excluding United Kingdom	1101	897	36	02
United Kingdom	738	2832	17	–
North America	1742	1332	09	–
Far East	496	415	14	–
Rest of the world	294	116	04	–
Intra group eliminations	–	(1334)	–	–
	437.1	**425.8**	**8.0**	**0.2**

12 months to 31 March 2006

	Revenue £ Mils	Total assets £ Mils	Property, Plant and equipment additions £ Mils	Intangible asset additions £ Mils
By geographical segment				
Europe excluding United Kingdom	1249	874	24	35
United Kingdom	782	3122	32	–
North America	1779	967	13	–
Far East	528	396	09	–
Rest of the world	278	100	03	–
Intra-group eliminations	–	(1156)	–	–
	461 6	**430.3**	**8.1**	**3.5**

5 Exceptional items

Exceptional items are those items of income and expense that the Group considers are material and/or of such a nature that their separate disclosure is relevant to a better understanding of the Group s financial performance

The following exceptional items have been (charged)/credited to the income statement

	Notes	12 months to 31 March 2007 £ Mils	12 months to 31 March 2006 £ Mils
Redundancy and integration costs	(i)	**(6.1)**	(18 2)
Impairment of property, plant and equipment	(ii)	**(7.9)**	(11 9)
Gain on sale of property plant and equipment	(iii)	**1.1**	07
Pension curtailment	(iv)	**10.8**	1 6
Release of surplus restructuring provision	(v)	**1.3**	1 1
Provision for onerous contract	(vi)	**-**	(8 1)
Impairment of inventory	(vii)	**-**	(4 0)
		(0.8)	(38 8)
Exceptional finance costs (note 6)	(viii)	**-**	(2 1)
Total exceptional items		**(0.8)**	(40 9)

(i) As part of its continuing initiative to lower operating costs the Group incurred a charge of £6 1 million (2006 £18 2 million) relating to redundancy and integration costs in its key operating divisions
(ii) Impairment charge of £7 9 million (2006 £11 9 million) arising from a review of the carrying value of plant and equipment at the Group s manufacturing facilities in the United Kingdom This item is included in the other operating expense line
(iii) Profits arising from property activities amounting to £1 1 million (2006 £0 7 million)
(iv) With effect from 30 June 2006 the Wedgwood Group Pension Plan was closed to future benefit accrual The closure to future benefit accrual has resulted in an exceptional gain of £10 8 million In the 12 months ended 31 March 2006 exceptional gains of £1 6 million occurred as a result of the curtailment of benefits in certain other Group pension schemes
(v) Release of surplus restructuring provision amounting to £1 3 million (2006 £1 1 million)
(vi) Provision for costs of £nil (2006 £8 1 million) to be incurred under an onerous warehousing and distribution contract
(vii) Impairment of inventory of £nil (2006 £4 0 million) associated with the closure of manufacturing facilities in the United Kingdom
(viii) As a result of negotiation of new finance facilities termination fees of £nil (2006 £2 1 million) were incurred

6 Finance costs

	12 months to 31 March 2007 £ Mils	12 months to 31 March 2006 £ Mils
Interest payable and similar charges	**12 6**	7 9
Interest payable to Waterford Wedgwood Group companies	**1.6**	1 8
Interest on pension scheme obligations in excess of expected return on pension schemes assets	**2 1**	4 4
Interest element of finance leases payments	**1.5**	1 1
Interest payable and similar charges before exceptional finance costs	**17.8**	15 2
Early termination fees	**-**	2 1
Interest payable and similar charges after exceptional finance costs	**17.8**	17 3

7 Employees

	12 months to 31 March 2007 Number	12 months to 31 March 2006 Number
Average number of persons employed		
Production	**3234**	3770
Distribution sales and marketing	**3828**	4025
Administration	**427**	441
	7489	8236

	12 months to 31 March 2007 £ Mils	12 months to 31 March 2006 £ Mils
Payroll costs of those employees		
Wages and salaries	**118.0**	1287
Social welfare costs	**149**	165
Retirement benefit (income)/costs (note 21)	**(5.3)**	82
	127.6	1534

Retirement benefit (income)/costs above include an amount of £2 1 million (2006 £4 4 million) which is recorded in finance costs and £10 8 million (2006 £1 6 million) recorded as exceptional income

8 Directors' remuneration and other contracts

The remuneration in relation to Directors who held office for any part of the year is as follows

	12 months to 31 March 2007		12 months to 31 March 2006	
	Executive Directors £ 000	**Non-executive Directors £ 000**	Executive Directors £ 000	Non-executive Directors £ 000
Fees	–	10	–	8
Other remuneration	646	–	556	–
Benefits in kind	20	–	30	–
Compensation for loss of office	–	–	275	-
Contributions to defined contribution pension schemes	40	–	22	–
Contributions to defined benefit pension schemes	–	–	11	-
Ex-gratia pension paid to a past Director	7		7	–
	713	**10**	901	8

Directors' remuneration in currencies other than Sterling is translated at the average rate of exchange prevailing in each of the years

Lady O Reilly and Peter John Goulandris waived their fees of £5 000 in each year respectively

There are two directors to whom benefits are accruing under defined contribution pension schemes

The highest paid Director received total emoluments of £307 000 (2006 £179 000) and had a contribution of £nil (2006 £11 000) to a defined benefit pension scheme arrangement.

The information with regard to Directors share options is set out on page 2 in the Report of the Directors

9 Income tax

	12 months to 31 March 2007 £ Mils	12 months to 31 March 2006 £ Mils
Current taxation		
Based on loss for the year		
Corporation tax	**0 1**	–
Overseas taxation	**(1 3)**	(0 6)
Over provision in respect of prior periods		
– corporation taxation	**0.6**	0 6
	(0 6)	–
Deferred tax		
On temporary differences	**0 4**	0 4
Income tax (expense)/income	**(0.2)**	0 4

No deferred tax is recognised on the unremitted earnings of overseas subsidiaries to the extent that the Group has control over the timing of these remittances as these are reinvested in the business and thus no taxation is expected to be payable on them in the foreseeable future

The overall taxation charge in future years will also be dependent upon any changes in the underlying assumptions made for the recognition of deferred tax assets representing the future value of current taxation losses

The following table reconciles the income tax (expense)/income for the year reported in the income statement to the theoretical income tax (expense)/income that would result from applying the standard rate of UK corporation tax to the loss before tax

	12 months to 31 March 2007 £ Mils	12 months to 31 March 2006 £ Mils
Loss before tax	**(22.5)**	(89 1)
Notional U K corporation taxation credit at 30%	**6.8**	26 7
Different taxation rates in overseas operations	**0.3**	(1 3)
Impairment of property, plant and equipment	**(2.0)**	(3 5)
Tax losses not utilised	**(9.5)**	(15 1)
Capital allowances	**(1.2)**	(1 8)
Other timing differences	**4.1**	(1 6)
Other permanent differences	**0.7**	(3 6)
Over provision in respect of prior periods	**0 6**	0 6
	(0.2)	0 4

10 Intangible Assets

As at 31 March 2007

	Goodwill £ Mils	Brands and mailing list £ Mils	Software £ Mils	Other £ Mils	Total £ Mils
Cost					
At 1 April 2006	69 8	29 2	3 2	–	102 2
Additions	–	–	0 2	–	0 2
Translation adjustment	–	–	(0 1)	–	(0 1)
At 31 March 2007	**69.8**	**29.2**	**3.3**	**–**	**102.3**
Accumulated amortisation and impairment					
At 1 April 2006	(11 6)	(3 9)	(1 8)	–	(17 3)
Amortisation*	–	(1 4)	(0 6)	–	(2 0)
Translation adjustment	–	–	0 1	–	0 1
At 31 March 2007	**(11.6)**	**(5 3)**	**(2.3)**	**–**	**(19.2)**
Net book value					
At 1 April 2006	58 2	25 3	1 4	–	84 9
At 31 March 2007	**58.2**	**23.9**	**1.0**	**–**	**83 1**

As at 31 March 2006

	Goodwill £ Mils	Brands and mailing list £ Mils	Software £ Mils	Other £ Mils	Total £ Mils
Cost					
At 1 April 2005	70 0	29 2	–	0 2	99 4
Additions	–	–	3 5	–	3 5
Disposals	–	–	(0 4)	(0 2)	(0 6)
Translation adjustment	(0 2)	–	0 1	–	(0 1)
At 31 March 2006	**69 8**	**29 2**	**3.2**	**–**	**102 2**
Accumulated amortisation and impairment					
At 1 April 2005	(11 6)	(2 0)	–	–	(13 6)
Amortisation*	–	(1 9)	(1 8)	–	(3 7)
At 31 March 2006	**(11.6)**	**(3 9)**	**(1.8)**	**–**	**(17.3)**
Net book value					
At 1 April 2005	58 4	27 2	–	0 2	85 8
At 31 March 2006	**58.2**	**25 3**	**1.4**	**–**	**84.9**

*Brands and mailing list amortisation of £1 4 million (2006 £1 9 million) is charged to selling, marketing and distribution overheads Amortisation of software costs of £0 6 million (2006 £1 8 million) is charged to administrative expenses The remaining unamortised life of the brands at 31 March 2007 is 18 years

10 Intangible Assets continued

CASH-GENERATING UNITS

Goodwill at 31 March 2007 relates to the excess of fair value of the consideration paid over the identifiable net assets/liabilities arising on the acquisition of Royal Doulton in January 2005

The goodwill generated through the Royal Doulton acquisition has been allocated to cash-generating units (CGU or "CGUs") for the purposes of impairment testing that are expected to benefit from the business acquisition

The CGUs represent the lowest level within the group at which the associated goodwill is monitored for internal management purposes and are not larger than the primary and secondary segments determined in accordance with IAS 14 "Segment Reporting

A summary of the allocation of the carrying value of goodwill by geographic region and within segment is as follows

	2007 £ Mils	2006 £ Mils
Ceramics Group		
United Kingdom at 31 March	**58.2**	58 2

IMPAIRMENT TESTING METHODOLOGY RESULTS

The Group tests goodwill annually for impairment or more frequently if there is an indication that goodwill might be impaired

The recoverable amount of the CGUs is determined based on a value in use computation Where the value in use exceeds the carrying value of the CGU the asset is not impaired, where the carrying amount exceeds the value in use a provision for impairment is raised Estimates used in this process are key judgmental estimates in the financial statements

The cash flow forecasts employed for the value in use computation are extracted from managements budgets and forecasts for a three year period approved by senior management and the Board of Directors

A growth rate of zero percent has been used in determining value in use beyond the period covered by the budgets and forecasts This assumption is made based on the difficult trading conditions which the Group continues to experience

The recoverable amount stemming from this exercise represents the present value of the future cash flows inclusive of the terminal value discounted at an appropriate discount rate to the CGU being assessed for impairment a discount rate of 13% (2006 11%) was used

Applying the above techniques no impairment arose in 2007

The values applied to each of the key assumptions are derived from a combination of internal and external factors based on historical experience and take into account the stability of cash flows typically associated with these businesses Key assumptions include managements'

- estimates of future profitability
- revenues generated from new product initiatives
- trade working capital investment needs and
- benefits of existing restructuring initiatives

The term of the discounted cash flow model is a significant factor in determining the value in use of the cash-generating units and has been arrived at taking account of the Groups financial position, its established history of earnings and cash flow generation and its ability to pursue and integrate value-enhancing acquisitions

The Directors are satisfied that in spite of the trading losses incurred by Waterford Wedgwood U K. plc, the carrying value of the goodwill in the financial statements at 31 March 2007 is appropriate

11 Property, plant and equipment

As at 31 March 2007

	Land and Buildings				
	Freehold £ Mils	Long leasehold £ Mils	Short leasehold £ Mils	Plant and equipment £ Mils	Total £ Mils
Cost					
At 1 April 2006	66 3	12 6	8 5	223 5	310 9
Additions	0 4	–	0 3	7 3	8 0
Disposals	(0 9)	–	(0 4)	(26 2)	(27 5)
Translation adjustment	(1 8)	–	(0 8)	(7 0)	(9 6)
At 31 March 2007	**64.0**	**12.6**	**7 6**	**197.6**	**281.8**
Accumulated depreciation and impairment					
At 1 April 2006	(32 9)	(1 3)	(6 4)	(173 4)	(214 0)
Depreciation charge	(1 0)	(0 4)	(0 4)	(11 4)	(13 2)
Amounts reclassified	(3 1)	–	–	3 1	–
Disposals	0 7	–	0 4	24 9	26 0
Impairment charge	–	–	–	(7 9)	(7 9)
Translation adjustment	0 8	–	0 6	5 7	7 1
At 31 March 2007	**(35.5)**	**(1.7)**	**(5.8)**	**(159.0)**	**(202.0)**
Net book value					
At 1 April 2006	33 4	11 3	2 1	50 1	96 9
At 31 March 2007	**28.5**	**10 9**	**1.8**	**38.6**	**79 8**

As at 31 March 2006

	Land and Buildings				
	Freehold £ Mils	Long leasehold £ Mils	Short leasehold £ Mils	Plant and equipment £ Mils	Total £ Mils
Cost					
At 1 April 2005	65 7	12 6	7 6	216 3	302 2
Additions	0 3	–	0 3	7 5	8 1
Amounts reclassified	0 1	–	–	(0 1)	–
Disposals	(1 0)	–	–	(6 7)	(7 7)
Translation adjustment	1 2	–	0 6	6 5	8 3
At 31 March 2006	**66.3**	**12.6**	**8.5**	**223 5**	**310.9**
Accumulated depreciation					
At 1 April 2005	(32 3)	(0 9)	(5 6)	(149 0)	(187 8)
Depreciation charge	(1 1)	(0 4)	(0 4)	(14 4)	(16 3)
Disposals	1 0	–	–	6 7	7 7
Impairment charge	–	–	–	(11 9)	(11 9)
Translation adjustment	(0 5)	–	(0 4)	(4 8)	(5 7)
At 31 March 2006	**(32.9)**	**(1.3)**	**(6.4)**	**(173.4)**	**(214.0)**
Net book value					
At 1 April 2005	33 4	11 7	2 0	67 3	114 4
At 31 March 2006	**33 4**	**11 3**	**2.1**	**50 1**	**96.9**

No depreciation is charged on freehold land with a book value of £5 6 million (2006 £5 7 million)

11 Property, plant and equipment continued

Included in property plant and equipment at net book value are amounts in respect of assets held under finance leases by Group companies as follows

	As at 31 March 2007 £ Mils	As at 31 March 2006 £ Mils
Long leasehold property	**10 9**	11 3
Plant and equipment	**6 0**	5 6
	16.9	16 9

Depreciation in respect of assets held under finance leases by Group companies is as follows

	12 months to 31 March 2007 £ Mils	12 months to 31 March 2006 £ Mils
Depreciation in respect of finance leases	**1.5**	1 5

IMPAIRMENT TESTING

The CGUs represent the lowest level within the group at which the associated property plant and equipment is monitored for internal management purposes and are not larger than the primary and secondary segments determined in accordance with IAS 14 'Segment Reporting'

The Group tests impairment if there is an indication that assets might be impaired

The recoverable amount of the CGUs is determined based on a value in use computation Where the value in use exceeds the carrying value of the CGU the asset is not impaired where the carrying amount exceeds the value in use a provision for impairment is raised Estimates used in this process are key judgmental estimates in the financial statements

The cash flow forecasts employed for the value in use computation are extracted from managements budgets and forecasts for a three year period approved by senior management and the Board of Directors

A growth rate of zero percent has been used in determining value in use beyond the period covered by the budgets and forecasts This assumption is made based on the difficult trading conditions which the Group continues to experience

The recoverable amount stemming from this exercise represents the present value of the future cash flows inclusive of the terminal value discounted at an appropriate discount rate to the CGU being assessed for impairment a discount rate of 13% was used

Applying the above techniques an impairment of property plant and equipment of £7 9 million (2006 £nil) has been recognised relating to Ceramics assets held in the United Kingdom

The values applied to each of the key assumptions are derived from a combination of internal and external factors based on historical experience and take into account the stability of cash flows typically associated with these businesses Key assumptions include managements

- estimates of future profitability
- revenues generated from new product initiatives
- trade working capital investment needs and
- benefits of existing restructuring initiatives

The term of the discounted cash flow model is a significant factor in determining the value in use of the cash-generating units and has been arrived at taking account of the Group s financial position its established history of earnings and cash flow generation and its ability to pursue and integrate value-enhancing acquisitions

12 Financial assets

	2007 £ Mils	2006 £ Mils
Balance at 1 April	**1.5**	1 6
Translation adjustment	**(0.2)**	(0 1)
Balance at 31 March	**1.3**	1 5

13 Inventories

	As at 31 March 2007 £ Mils	As at 31 March 2006 £ Mils
Raw materials	**11.5**	11 4
Work in progress	**17.5**	16 1
Finished goods	**115.4**	109 9
	144.4	137 4

The estimated replacement cost of inventories is not materially different from the above amounts

Impairment of inventories recognised as an expense within exceptional items for the 12 months to 31 March 2007 amounts to £nil (2006 £4 0 million)

14 Trade and other receivables

	As at 31 March 2007 £ Mils	As at 31 March 2006 £ Mils
Due within one year		
Trade receivables	**59.9**	58 6
Provision for impairment of trade receivables	**(3 4)**	(5 0)
Amounts owed by Waterford Wedgwood Group companies	**36.2**	21 6
Other receivables	**7.0**	10 3
Prepayments and accrued income	**5 7**	7 7
	105 4	93 2
Due after more than one year		
Other receivables	**0.2**	0 1
	0.2	0 1

15 Trade and other payables – amounts falling due within one year

	As at 31 March 2007 £ Mils	As at 31 March 2006 £ Mils
Trade payables	**53 3**	48 7
Amounts owed to Waterford Wedgwood Group companies	**390 1**	375 3
Payable for taxation and social welfare	**3.8**	5 0
Other payables	**6 6**	7 2
Accrued liabilities	**11.9**	14 9
	465 7	451 1

Payables for taxation and social welfare included above are as follows		
Income tax deducted under PAYE	**1.4**	1 2
Pay related social insurance	**0.6**	0 7
Value added tax payable	**1.5**	2 8
Other taxes	**0.3**	0 3
	3.8	5 0

16 Trade and other payables – amounts falling due after one year

	As at 31 March 2007 £ Mils	As at 31 March 2006 £ Mils
Accruals and deferred income	**3 0**	3 3
Other payables	**0 2**	0 3
	3 2	3 6

17 Finance lease obligations

	Minimum lease payments		Present value of minimum lease payments	
	As at 31 March 2007 £ Mils	As at 31 March 2006 £ Mils	As at 31 March 2007 £ Mils	As at 31 March 2006 £ Mils
Amounts payable under finance leases				
Within one year	**2.3**	2 1	**2 1**	2 1
Two to five years	**9.3**	7 5	**8.4**	7 6
After five years	**28.0**	31 1	**7.9**	8 2
	39.6	40 7	**18.4**	17 9
Less Future finance charges	**(21.2)**	(22 8)	**–**	–
Present value of minimum lease payments	**18.4**	17 9	**18.4**	17 9
Less Amounts due for settlement within 12 months (current liabilities)			**(2.1)**	(2 1)
Amounts due for settlement after 12 months (non-current liabilities)			**16 3**	15 8

Group lease obligations are denominated in the following currencies

	As at 31 March 2007 £ Mils	As at 31 March 2006 £ Mils
Euro	**3.0**	1 1
Sterling	**15.4**	16 8
	18.4	17 9

It is the Group s policy to lease certain assets under finance leases Lease terms vary from ten to thirty years Rentals are typically fixed for the first five years followed by a fixed uplift at the end of the fifth year Subsequent rent reviews are upwards only and are reviewed every five years Rental agreements contain the usual tenant repair, maintenance and insurance obligations For the twelve months to 31 March 2007 the average effective borrowing rate was 8 2% (2006 8 3%) The Group s obligations under finance leases are secured by the lessor s title to the leased assets

18 Provisions for other liabilities and charges

As at 31 March 2007

	Restructuring provision £ Mils	Onerous lease and contract £ Mils	Other provisions £ Mils	Total £ Mils
At 1 April 2006	15 3	8 9	0 8	25 0
Charged to income statement as an exceptional item	6 1	–	–	6 1
Credited to income statement as an exceptional item	(1 3)	–	–	(1 3)
Credited to income statement as an operating income	–	(0 8)	–	(0 8)
Utilised during the year	(13 4)	(0 5)	–	(13 9)
Translation adjustment	(0 3)	–	–	(0 3)
At 31 March 2007	**6 4**	**7.6**	**0.8**	**14 8**
Less Amounts due for settlement within 12 months (current liabilities)	(5 5)	(1 1)	(0 2)	(6 8)
Amounts due for settlement after 12 months (non current liabilities)	0 9	6 5	0 6	8 0

As at 31 March 2006

	Restructuring provision £ Mils	Onerous lease and contract £ Mils	Other provisions £ Mils	Total £ Mils
At 1 April 2005	11 1	0 8	0 5	12 4
Charged to income statement as an exceptional item	18 1	8 1	–	26 2
Credited to income statement as an exceptional item	(1 0)	–	–	(1 0)
Charged to income statement as an operating cost	–	–	0 4	0 4
Utilised during the year	(12 3)	–	(0 1)	(12 4)
Translation adjustment	(0 6)	–	–	(0 6)
At 31 March 2006	**15.3**	**8.9**	**0.8**	**25.0**
Less Amounts due for settlement within 12 months (current liabilities)	(14 3)	(1 2)	(0 2)	(15 7)
Amounts due for settlement after 12 months (non-current liabilities)	1 0	7 7	0 6	9 3

19 Deferred taxation

The amount of deferred tax asset/(liability) recognised in respect of each temporary difference is as follows

	Accelerated capital allowances £ Mils	Retirement obligations £ Mils	Other deductions* £ Mils	Other deferred deductions** £ Mils	Tax losses £ Mils	Provision £ Mils	Total £ Mils
At 1 April 2005	5 6	28 5	(14 8)	27 0	99 9	(154 0)	(7 8)
Credit/(charge) to income statement	4 4	(1 9)	1 3	(11 4)	19 3	(11 3)	0 4
Translation adjustment	–	–	(0 5)	0 6	0 9	(0 9)	0 1
At 31 March 2006	10 0	26 6	(14 0)	16 2	120 1	(166 2)	(7 3)
Credit/(charge) to income statement	9 3	(14 5)	(0 5)	(3 9)	17 5	(7 5)	0 4
Translation adjustment	(0 1)	–	0 7	(1 3)	(1 6)	2 3	–
At 31 March 2007	**19 2**	**12.1**	**(13 8)**	**11 0**	**136.0**	**(171.4)**	**(6 9)**

* Other deductions arise primarily on finite life intangibles and inventory reserves in the USA

** Deferred deductions include amounts relating to restructuring provisions and accounts receivable reserves

The above net deferred tax liability is recorded in the balance sheet as follows

	As at 31 March 2007 £ Mils	As at 31 March 2006 £ Mils
Non-current deferred income tax assets	**0.5**	0 6
Deferred income tax liabilities	**(7.4)**	(7 9)
	(6.9)	(7 3)

As at 31 March 2007 the amount and expiry of unused tax losses reflected in the above analysis is as follows

	Amount of tax losses £ Mils
Expiry 1 April 2008 to 31 March 2009	0 3
Expiry 1 April 2009 to 31 March 2010	0 3
Expiry 1 April 2010 to 31 March 2011	1 6
Expiry 1 April 2011 to 31 March 2012	1 9
Other expiry	18 1
Indefinite	436 3
	458 5

Potential deferred tax assets of £171 4 million (2006 £166 2 million) arising principally from trading losses pension deficits and restructuring charges have not been recognised The Directors believe there is currently insufficient evidence to support the recognition of a deferred tax asset The majority of losses and charges may be carried forward indefinitely under current laws, but these losses can only be offset against taxable profits generated in the same tax entities and tax jurisdictions in which they were incurred

20 Borrowings

	As at 31 March 2007 £ Mils	As at 31 March 2006 £ Mils
Repayable as follows		
Between two and five years	**112.0**	95 0
Split of borrowings between		
– Secured	**106 6**	89 8
– Unsecured	**5.4**	5 2
	112.0	95 0

The following are included in long and medium term borrowings

	As at 31 March 2007 £ Mils	As at 31 March 2006 £ Mils
Multi-currency credit facility	**83.4**	63 9
Mezzanine term loans	**22.9**	25 9
Subordinated debt	**5.4**	5 2
Term loan	**0 3**	–
	112.0	95 0

MULTI-CURRENCY CREDIT FACILITY AND MEZZANINE TERM LOANS

The multi-currency credit facility and the mezzanine term loans provide loan facilities to the Waterford Wedgwood Group of €200 million and US$60 million respectively The loans are at variable rates of interest. The multi-currency credit facility is repayable on 10 June 2010 and the mezzanine term loans are repayable on 31 August 2010 The lenders have a fixed charge over certain freehold property plant and equipment of the Waterford Wedgwood Group in Ireland UK and Germany The lenders also have a floating charge over the majority of the Waterford Wedgwood Groups worldwide inventory trade receivables and certain other assets of the Group An amendment to the facility agreement was agreed with the Groups senior lenders from 18 May 2006 to 31 July 2006, removing this minimum availability requirement

The multi-currency credit facility and the mezzanine term loans are subject to two financial covenants ratio of senior debt to EBITDA and minimum trading cash flow These covenants are tested monthly only when excess availability for the Waterford Wedgwood Group (fundable assets less debt) falls below €15 million

SUBORDINATED DEBT

The subordinated debt from Anglo Irish Bank, provides facilities of £5 4 million (2006 £5 2 million) to Rosenthal AG The loan is at variable rates of interest and is repayable on 18 November 2010 There are no financial covenants applicable to the subordinated debt

21 Retirement benefit obligations

The Group operates pension schemes in a number of its businesses throughout the world These schemes are structured to accord with local conditions and practices in each country that they operate in and can include both defined contribution and defined benefit schemes The assets of the schemes are held where relevant in separate trustee administered funds

(a) Defined contribution schemes
The amount recognised as an expense in the Consolidated Income Statement for defined contribution schemes for the year was £1 9 million (2006 £1 2 million)

(b) Defined benefit schemes
The Group operates defined benefit pension schemes in a number of countries in which it operates primarily in the United Kingdom Germany, Canada and Japan

The values used in this disclosure are based on the most recent actuarial valuations and have been updated by the individual schemes' independent and professionally qualified actuaries to incorporate the requirements of IAS 19 Employee Benefits in order to assess the liabilities of the various schemes as at 31 March 2007 using the projected unit credit method All assets in the schemes have been measured at their fair value at the balance sheet date

Full actuarial valuations are carried out for the Group s pension schemes at least on a triennial basis The actuarial reports are not available for public inspection The most recently completed actuarial valuation of the major schemes were as at 31 December 2004 for the Wedgwood Group Pension Scheme and 1 January 2005 for the Royal Doulton UK Pension Scheme

The amounts recognised in the income statement in relation to defined benefit and defined contribution schemes in the year were as follows

	12 months to 31 March 2007 £ Mils	12 months to 31 March 2006 £ Mils
Current service cost	**1.5**	4 2
Gains on curtailments	**(10.8)**	(1 6)
Expected return on pension schemes assets	**(23.0)**	(20 9)
Interest on retirement benefit obligations	**25.1**	25 3
Defined contribution pension scheme charge	**1.9**	1 2
Net amount (credited)/charged to loss before income tax	**(5.3)**	8 2

The total amount recognised in the consolidated income statement in relation to defined contribution and defined benefit schemes was (credited)/charged as follows

	12 months to 31 March 2007 £ Mils	12 months to 31 March 2006 £ Mils
Cost of sales	**1 0**	2 0
Selling, marketing and distribution expenses	**1 2**	1 4
Administrative expenses	**1 2**	2 0
Finance costs (note 6)	**2.1**	4 4
Exceptional items (note 5)	**(10.8)**	(1 6)
	(5.3)	8 2

We expect to contribute £7 7 million to our defined benefit pension schemes in the 12 months to 31 March 2008

21 Retirement benefit obligations continued

The amounts recognised in the consolidated statement of recognised income and expense were as follows

	12 months to 31 March 2007 £ Mils	12 months to 31 March 2006 £ Mils
Actual return less expected return on pension schemes' assets	**6.1**	47 0
Experience gains and losses arising on the schemes' liabilities	**0.1**	(3 6)
Changes in assumptions underlying the present value of the schemes liabilities	**28 6**	(32 2)
Actuarial gain recognised in the Consolidated Statement of Recognised Income and Expense	**34 8**	11 2
Actual return on scheme assets	**29.1**	67 9

The assets and liabilities in the schemes and the expected rates of return were

	As at 31 March 2007		As at 31 March 2006		As at 31 March 2005	
	Long term rate of return*	Value £ Mils	Long term rate of return*	Value £ Mils	Long term rate of return*	Value £ Mils
Equities	**5 3%–7.0%**	**223.0**	5 3%–6 8%	221 7	5 1%–7 6%	189 3
Gilts	**3 9%–4.0%**	**136.6**	3 8%–3 8%	132 7	4 2%–4 2%	123 8
Bonds	**3 5%–4.8%**	**39 5**	3 5%–4 5%	39 6	3 5%–5 0%	28 9
Property	**5.9%–5.9%**	**22.5**	5 8%–5 8%	19 0	6 2%–6 2%	11 1
Cash/other	**0.8%–4.8%**	**6.0**	0 8%–4 1%	4 5	0 8%–4 4%	4 5
Total value of scheme assets		**427.6**		417 5		357 6
Present value of defined benefit obligations		**(486 4)**		(526 2)		(479 9)
Net defined benefit pension liability		**(58 8)**		(108 7)		(122 3)

* The overall expected rate of return on scheme assets is based on current market long term expectations of each of the categories of assets in the schemes. The long term rate of return on schemes assets are disclosed in a range format reflecting the differing returns in each scheme

The schemes deficit at 31 March has been recognised in full in the consolidated balance sheet in non-current liabilities

The principal financial assumptions used by the Group s actuaries in order to calculate the pension schemes liabilities at 31 March which are disclosed in a range format to reflect the differing assumptions in each scheme, were as follows

	31 March 2007	31 March 2006
Inflation assumptions	**0.0%–3.1%**	0 0%–2 9%
Rate of increase in future pensionable salaries	**1.0%–3.5%**	1 0%–4 4%
Rate of increase for pensions in payment and deferred pensions	**0.0%–3.0%**	0 0%–2 8%
Rate used to discount scheme liabilities	**1 8%–5.3%**	1 5%–5 3%

21 Retirement benefit obligations continued

The average life expectancy in years of a pensioner retiring at age 65 is as follows

	As at 31 March 2007 Years	As at 31 March 2006 Years
Male	**20.2**	20 2
Female	**23.1**	23 1

The movements in the schemes defined benefit obligations during the year were as follows

	12 months to 31 March 2007 £ Mils	12 months to 31 March 2006 £ Mils
Present value of defined benefit obligations at the beginning of the year	**526.2**	479 9
Current service cost	**1.5**	4 2
Gains on curtailments	**(10.8)**	(1 6)
Interest on retirement benefit obligations	**25 1**	25 3
Employee pension contributions	**0 4**	2 0
Actuarial (gain)/loss arising on scheme liabilities	**(28.7)**	35 8
Benefits paid	**(24.4)**	(20 1)
Translation adjustments	**(2.9)**	0 7
Present value of defined benefit obligations at the end of the year	**486.4**	526 2

The present value of defined benefit obligations at the end of the year that relates to

	As at 31 March 2007 £ Mils	As at 31 March 2006 £ Mils
Wholly unfunded plans	**22.8**	23 4
Wholly or partly funded plans	**463.6**	502 8
	486 4	526 2

The movements in the schemes assets during the year were as follows

	12 months to 31 March 2007 £ Mils	12 months to 31 March 2006 £ Mils
Fair value of schemes assets at the beginning of the year	**417.5**	357 6
Expected return on pension schemes assets	**23.0**	20 9
Employer pension contributions	**6.7**	8 2
Employee pension contributions	**0.4**	2 0
Actual return less expected return	**6.1**	47 0
Benefits paid	**(24 4)**	(20 1)
Translation adjustments	**(1.7)**	1 9
Fair value of schemes assets at the end of the year	**427 6**	417 5

21 Retirement benefit obligations continued

As at 31 March

	2007 £ Mils	2006 £ Mils	2005 £ Mils
Present value of defined benefit obligation	**(486.4)**	(526 2)	(479 9)
Fair value of plan assets	**427.6**	417 5	357 6
Net defined benefit pension liability	**(58.8)**	(108 7)	(122 3)
Experience adjustments on plan liabilities	**0 1**	(3 6)	(0 4)
Experience adjustments on plan assets	**6.1**	47 0	0 9

22 Share capital

	As at 31 March 2007 £ Mils	As at 31 March 2006 £ Mils
Authorised		
220 million (2006 220 million) ordinary shares of 25p each	**55.0**	55 0
16 05 billion (2006 6 5 billion) income shares of 1p each	**160.5**	65 0
	215.5	120 0

	Ordinary shares of 25p each £ Mils	Income shares of 1p each £ Mils	Total £ Mils
Issued as fully paid			
At 1 April 2006 – Ordinary shares – 181,601 769			
– Income shares – 4 450 138,481	45 4	44 5	89 9
Bonus issue of 1,003,946,503 income shares	–	10 1	10 1
At 31 March 2007 – Ordinary shares – 181,601,769			
– Income shares – 5,454,084,984	**45.4**	**54.6**	**100.0**
Issued as fully paid			
At 1 April 2005 – Ordinary shares – 181,601,769			
– Income shares – 2 758,281,366	45 4	27 6	73 0
Bonus issue of 1 691 857,115 income shares	–	16 9	16 9
At 31 March 2006 – Ordinary shares – 181,601 769			
– Income shares – 4,450,138,481	**45.4**	**44 5**	**89.9**

In June 2006 the Waterford Wedgwood Group announced an open offer for 1 003 946 503 new stock units (comprising an Ordinary Share of €0 06 in Waterford Wedgwood plc and an Income Share of 1p in Waterford Wedgwood U K plc) of €0 06 per new stock unit to raise €60 2 million before expenses The net proceeds of the issue of €58 4 million have been used to fund restructuring costs and for funding the working capital requirements of the Group

In May 2005 the Waterford Wedgwood Group announced a rights issue of 1 691,857,115 new stock units (comprising an Ordinary Share of €0 06 in Waterford Wedgwood plc and an Income Share of 1p in Waterford Wedgwood U K plc) of €0 06 per new stock unit to raise €101 5 million before expenses As part of this rights issue the Company issued 1,691 857 115 income shares in the form of a bonus issue The net proceeds of the rights issue of €96 7 million have been used to fund restructuring costs and for funding the working capital requirements of the Waterford Wedgwood Group

23 Reconciliation of changes in equity

	Attributable to equity holders of the Company						
	Share capital £ Mils	Retained losses £ Mils	Cash flow hedging reserve £ Mils	Translation reserves £ Mils	Sub total £ Mils	Minority Interests £ Mils	Total equity £ Mils
At 1 April 2006	89 9	(373 7)	–	(0 6)	(284 4)	2 0	(282 4)
Currency translation adjustments	–	–	–	2 3	2 3	(0 1)	2 2
Actuarial gains on defined benefit pension schemes	–	34 8	–	–	34 8	–	34 8
(Loss)/profit for the year	–	(22 8)	–	–	(22 8)	0 1	(22 7)
Bonus issue of income shares	10 1	–	–	–	10 1	–	10 1
At 31 March 2007	**100.0**	**(361.7)**	-	**1 7**	**(260.0)**	**2.0**	**(258.0)**
At 31 March 2005	73 0	(295 0)	–	(0 2)	(222 2)	0 7	(221 5)
Adoption of IAS 32 and IAS 39	–	–	0 8	–	0 8	–	0 8
At 1 April 2005	73 0	(295 0)	0 8	(0 2)	(221 4)	0 7	(220 7)
Currency translation adjustments	–	–	–	(0 4)	(0 4)	0 1	(0 3)
Fair value movement on cash flow hedges	–	–	(0 8)	–	(0 8)	–	(0 8)
Actuarial gains on defined benefit pension schemes	–	11 2	–	–	11 2	–	11 2
(Loss)/profit for the year	–	(89 9)	–	–	(89 9)	1 2	(88 7)
Bonus issue of income shares	16 9	–	–	–	16 9	–	16 9
At 31 March 2006	**89 9**	**(373.7)**	-	**(0.6)**	**(284.4)**	**2 0**	**(282.4)**

24 Derivatives and other financial instruments – objectives, polices and strategies

TREASURY MANAGEMENT AND FINANCIAL INSTRUMENTS

The Group s treasury operations are managed by the Waterford Wedgwood Group Treasury function within parameters formally defined and reviewed by the Treasury Risk Management Group comprising executive and non-executive Directors of the Waterford Wedgwood Group Board supplemented by procedures and bank mandates The Waterford Wedgwood Group Treasury function operates as a centralised service managing interest rate foreign currency and financing risk and its activities are routinely reported to members of the Waterford Wedgwood Group Board

Consistent with Group policy Waterford Wedgwood Group Treasury does not engage in speculative activity Financial instruments including derivatives are used to raise finance and to manage interest rate and foreign currency risk arising from the Group s operations The Directors set out their views on the key financial risks below

FOREIGN CURRENCY RISK MANAGEMENT

The majority of the Group s business operations and its assets and liabilities are transacted and held in four principal currencies Euro, Sterling US Dollar and Yen Taking in to account the Group s view on the four principle currencies hedging in place at 31 March 2007 for the coming 12 months is as follows 75% of the Group s Yen/stg£ exposure

The Group's policy is to use foreign currency borrowings and forward foreign currency contracts to hedge part of the impact on the Group s balance sheet of exchange rate movements on foreign currency denominated assets and liabilities This includes structures whereby there is a guaranteed downside rate and potential to gain from favourable currency movements

LIQUIDITY RISK MANAGEMENT

The Group s liquidity risk management is managed as part of the wider Waterford Wedgwood Group and comprises a combination of cash flow generated from operations short-term bank borrowings long term debt equity funding and leasing and to achieve a balance between certainty of funding and a flexible cost effective borrowing structure As part of this strategy the Waterford Wedgwood Group raised €60 2 million through an open offer in June 2006 To further rationalise and restructure the Waterford Wedgwood Group s operations on 5 April 2007 the Waterford Wedgwood Group announced the issue of €100 million of cumulative, convertible preference shares with an option of placing a further €100 million as noted in note 1 The Waterford Wedgwood Group ensures continuity of funding by maintaining a broad portfolio of debt, diversified by source and maturity and by maintaining facilities sufficient to cover peak anticipated borrowing requirements A breakdown of the maturity profile of the Group s net borrowings is shown later in this note

CREDIT RISK MANAGEMENT

The Group's potential concentrations of credit risk consist principally of short-term cash investments and trade receivables The Group only deposits short-term cash surpluses with high quality banks and institutions Trade receivables comprise a large widespread customer base with no significant concentrations of credit risk

24 Derivatives and other financial instruments – objectives, polices and strategies continued

INTEREST RATE RISK MANAGEMENT

The interest rate exposure of the Group arising from its borrowings and deposits is managed as part of the wider Waterford Wedgwood Group

The effective rate of interest paid during the year to 31 March 2007 was 8 61% (2006 8 22%) A 1% rise in market rates would increase the loss before income tax for the year to 31 March 2007 by £1 5 million (2006 £0 9 million) The Group has no interest rate swaps or collars at 31 March 2007

INTEREST RATE AND CURRENCY OF FINANCIAL LIABILITIES

The currency and interest rate exposure of the financial liabilities of the Group was

	Floating rate financial liabilities £ Mils
Currency	
At 31 March 2007	
Euro	18 0
Sterling	60 7
US$	51 7
	130.4
At 31 March 2006	
Euro	28 2
Sterling	37 0
US$	46 0
Yen	1 7
	112.9

Interest rates on floating rate borrowings are based on national LIBOR equivalents in the relevant currencies

MATURITY PROFILE OF THE GROUP'S FINANCIAL LIABILITIES

The following table analyses the Group s financial liabilities, which are repayable as follows

	Total financial liabilities		Net debt	
	As at 31 March 2007 £ Mils	As at 31 March 2006 £ Mils	**As at 31 March 2007 £ Mils**	As at 31 March 2006 £ Mils
On demand or within 1 year	**(2.1)**	(2 1)	**8.4**	13 6
Within four years	**(120.7)**	–	**(120.7)**	–
Within five years	**–**	(102.6)	**–**	(102 6)
After five years	**(7.6)**	(8 2)	**(7.6)**	(8 2)
	(130 4)	(112 9)	**(119.9)**	(97 2)

Net debt comprises gross borrowings and finance lease obligations less cash at bank and in hand and unamortised debt issue costs

There are no loans repayable by installments where any installment is due after five years

24 Derivatives and other financial instruments – objectives, polices and strategies continued

	As at 31 March 2007 £ Mils	As at 31 March 2006 £ Mils
Split of gross borrowings and finance lease obligations between		
Secured	**(125.0)**	(107 7)
Unsecured	**(5.4)**	(5 2)
Total gross borrowings and finance lease obligations	**(130.4)**	(112 9)

Subordinated debt of £5 4 million was provided by Anglo Irish Bank Corporation plc ("Anglo Irish) to Rosenthal A G (a German company in which the Company has a majority interest) by term loan agreements dated 28 May 2004 and 25 June 2004 respectively By agreement dated 28 May 2004 and 25 June 2004 between Anglo Irish and Lionheart Ventures (Overseas) Limited, a Cyprus incorporated company controlled by Sir Anthony O Reilly ('Lionheart) Anglo Irish has options to put these loans at par plus accrued interest to Lionheart Sir Anthony O Reilly and Mr Peter John Goulandris have entered into undertakings dated 28 May 2004, 25 June 2004 and 12 December 2005 in favour of Anglo Irish pursuant to which they severally undertake as to one half of any amount required (i) to pay to Lionheart sufficient funds to ensure that Lionheart is in position to discharge its obligations under the put options or (ii) to pay to Anglo Irish, in discharge of Lionheart's obligations the amount of the obligations of Lionheart under the put options Effective from 1 January 2006 Fairfield Holdings Limited a company controlled by Sir Anthony O Reilly was substituted for Lionheart in the aforementioned arrangements

By agreement dated 20 December 2005 the repayment date for the £5 4 million loan provided to Rosenthal AG was extended to 18 November 2010

MATURITY ANALYSIS OF UNDRAWN COMMITTED BORROWING FACILITIES

	As at 31 March 2007 £ Mils	As at 31 March 2006 £ Mils
Maturity analysis of undrawn committed borrowing facilities		
After two years	**19 5**	30 9
	19.5	30 9

FAIR VALUES OF FINANCIAL INSTRUMENTS

Set out below is a year end comparison of book and fair values of the financial instruments by category

Fair values of financial assets and financial liabilities are as follows

	As at 31 March 2007		As at March 2006	
	Book value £ Mils	Fair value £ Mils	Book value £ Mils	Fair value £ Mils
Cash cash equivalents and bank overdrafts	**10.5**	**10.5**	15 7	15 7
Borrowings	**(130.4)**	**(130.9)**	(112 9)	(112 3)

The carrying value of trade receivables and trade payables approximate their fair values The book value of derivatives are £nil (2006 £nil) and approximate their fair value

25 Foreign currency

The Group uses forward currency contracts in the normal course of business to hedge exchange risk on anticipated foreign currency transactions and translation

The Group had the following forward sales commitments all maturing within the next 12 months

	As at 31 March 2007	As at 31 March 2006
Japanese Yen	**¥3,000 0m**	–

During the year arising from the Group's cash flow hedging activities the exchange rate on its major overseas trading cash flows was as follows

	12 months to 31 March 2007	12 months to 31 March 2006
¥/Stg£	**236.35**	186 11

CURRENCY EXPOSURE OF THE GROUP'S NET MONETARY ASSETS/(LIABILITIES)

The table below shows the Group's currency exposures, being those that give rise to the net currency gains and losses recognised in the income statement Such exposures comprise the monetary assets and monetary liabilities of the Group that are not denominated in the functional currency of the operating unit involved These exposures were as follows

	US$ £ Mils	Yen £ Mils	Other £ Mils	Total £ Mils
At 31 March 2007				
Functional currency of Group operation				
Euro	5 1	–	0 4	5 5
Stg£	5 7	9 0	(4 3)	10 4
Other	(0 1)	–	1 3	1 2
	10 7	**9.0**	**(2.6)**	**17 1**
At 31 March 2006				
Functional currency of Group operation				
Euro	6 3	–	1 0	7 3
Stg£	(3 4)	10 2	2 2	9 0
Other	(0 1)	–	0 5	0 4
	2.8	**10.2**	**3.7**	**16.7**

26 Contingent assets and liabilities

(i) *Litigation*
The Group from time to time is party to various legal proceedings It is the opinion of the Directors that losses if any, arising in connection with these matters will have no material adverse impact on the financial position of the Group

27 Capital commitments

	As at 31 March 2007 £ Mils	As at 31 March 2006 £ Mils
Contracted for, but not provided	**0.6**	0 5

All of the above relates to property plant and equipment

28 Operating lease commitments

At the balance sheet date the Group had outstanding commitments under non-cancellable operating leases, which fall due as follows

	As at 31 March 2007 £ Mils	As at 31 March 2006 £ Mils
No later than one year	**14.4**	19 7
Between two and five years	**36 8**	45 1
After five years	**26 0**	37 7
	77 2	102 5

The total of future minimum sublease payments to be received under non-cancellable subleases at 31 March 2007 were £18 8 million (2006 £30 9 million)

The majority of the operating lease commitments relate to the rental of property under long-term rental contracts The outstanding term of the operating leases at 31 March 2007 ranges from less than one year to twenty three years Property rentals are typically fixed for a period of five years with other rentals fixed for the term of the contract

29 Reconciliation of operating loss before exceptional items to net cash used in operations

	12 months to 31 March 2007 £ Mils	12 months to 31 March 2006 £ Mils
Operating loss before exceptional items	**(4.3)**	(33 5)
Adjustment for gains on disposal of assets	**(0.9)**	–
Depreciation and amortisation	**15.2**	20 0
Unrealised foreign exchange movements	**2.2**	0 1
Restructuring spend	**(13.4)**	(12 3)
Loss from operations before changes in working capital and provisions	**(1.2)**	(25 7)
Increase in inventories	**(12.7)**	(14 6)
(Increase)/decrease in operating receivables	**(8.0)**	4 7
Increase/(decrease) in operating payables	**11.6**	(1 4)
Cash used in operations	**(10.3)**	(37 0)

30 Analysis of net debt

	As at 1 April 2006 £ Mils	Cash flow £ Mils	Exchange movements £ Mils	As at 31 March 2007 £ Mils
Cash cash equivalents and bank overdrafts	15 7	(4 4)	(0 8)	**10.5**
Finance lease obligations	(17 9)	(0 5)	–	**(18.4)**
Long term loans	(95 0)	(23 8)	6 8	**(112.0)**
	(97 2)	(28 7)	6 0	**(119.9)**

	As at 1 April 2005 £ Mils	Cash flow £ Mils	Exchange movements £ Mils	As at 31 March 2006 £ Mils
Cash cash equivalents and bank overdrafts	12 0	3 2	0 5	**15 7**
Finance lease obligations	(17 7)	(0 2)	–	**(17 9)**
Long term loans	(29 3)	(62 1)	(3 6)	**(95 0)**
	(35 0)	(59 1)	(3 1)	**(97 2)**

31 Principal subsidiary companies

Listed below are the principal subsidiary companies that comprise the Waterford Wedgwood U K Group

Name	Registered office and country of incorporation	Issued capital	Nature of business
MANUFACTURING			
Josiah Wedgwood & Sons Ltd	Barlaston Stoke-on-Trent, England	60,000 Stg £1 Ord shares	Ceramic tableware/ giftware manufacturer
Rosenthal AG	Selb Germany	960 000 shares of no par value	Ceramic tableware/ giftware manufacturer
PT Doulton	Tangerang, Indonesia	8 000 US$1 000 Ord shares	Ceramic tableware/ giftware manufacturer
DISTRIBUTION			
Waterford Wedgwood Australia Ltd	Barlaston Stoke-on-Trent, England	485 240 Stg £1 Ord shares	Distributor
•Waterford Wedgwood Canada Inc	Toronto Canada	110 Class A shares 363 Class B shares	Distributor
Waterford Wedgwood USA Inc	New York, USA	20 US$1 Common shares	Distributor
Waterford Wedgwood Japan Ltd	Tokyo Japan	4 000 ¥50 000 shares	Distributor
Waterford Wedgwood Retail Ltd	Barlaston Stoke-on-Trent England	100 Stg £1 Ord shares	Retailer
Josiah Wedgwood & Sons (Exports) Ltd	Barlaston, Stoke-on-Trent England	499 Stg £1 Ord shares	Exporter
Josiah Wedgwood (Malaysia) Sdn Bhd	Kuala Lumpur Malaysia	2 Rml Ord shares	Retailer
•Waterford Wedgwood Trading Singapore Pte Ltd	Singapore	248 S$50 000 shares	Distributor
Waterford Wedgwood (Taiwan) Ltd	Taipei Taiwan	13,600 000 NT$10 Ord shares	Distributor
Wedgwood GmbH	Selb Germany	1 £25 565 share	Sales office
Spring U S A Corporation	Delaware USA	166 US$0 01 shares	Distributor
Royal Doulton (UK) Limited	Barlaston Stoke-on-Trent, England	32,971 000 Stg £1 Ord shares	Distributor
Royal Doulton Australia Pty Limited	Sydney Australia	1 531 985 A$1 Ord shares	Distributor
Royal Doulton Canada Limited	Toronto Canada	38 500 Common shares of no par value	Distributor
Royal Doulton Hong Kong Limited	Hong Kong	8 000 000 HK$1 Ord shares	Distributor
Royal Doulton Japan KK	Tokyo Japan	2 000 ¥50 000 Common shares	Distributor
Royal Doulton USA Inc	New Jersey USA	400 US$100 Common shares	Distributor
FINANCE			
Statum Limited	Barlaston Stoke-on-Trent, England	50 000 Stg £1 Ord shares	Finance
OTHER			
•Wedgwood Ltd	Barlaston Stoke-on-Trent, England	46 195 052 Stg 25p Ord shares	Subsidiary holding company
•Waterford Wedgwood Inc	Delaware USA	430 shares of no par value	Subsidiary holding company
Waterford Wedgwood GmbH	Selb Germany	1 £5 603 000 share	Subsidiary holding company
•Royal Doulton Ltd	Barlaston, Stoke-on-Trent, England	83 091 092 Stg £0 99 deferred shares 332 364 288 Stg £0 01 Ord shares	Subsidiary holding company

Immediate subsidiaries of Waterford Wedgwood U K plc are marked• With the exception of Rosenthal AG where the Group owns 89 8% Waterford Wedgwood Canada Inc where the Group owns 77%, Spring USA Corporation where the Group owns 60% and PT Doulton where the Group owns 95%, all subsidiary companies are 100 per cent owned All companies operate primarily in their country of incorporation with the exception of Waterford Wedgwood Australia Limited which operates in Australia

32 Waterford Wedgwood U K plc

Waterford Wedgwood U K. plc is a public limited liability company domiciled and incorporated in the United Kingdom The registered office address is

Barlaston
Stoke-on-Trent
Staffordshire
England ST12 9ES

Its principal activity is as a holding company The Company's subsidiaries are engaged in the manufacture marketing and distribution of luxury lifestyle products through four major international brands Waterford Crystal Wedgwood Royal Doulton and Rosenthal

33 Related party transactions

The Group is managed as part of the wider Waterford Wedgwood Group Note 37 of the Waterford Wedgwood plc financial statements describes the related party transactions pertaining to the Waterford Wedgwood Group

34 Standards, interpretations and amendments to published standards that are not yet effective

Certain new Standards, Interpretations and Amendments to Published Standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 April 2007 or later periods but which the Group has not early adopted are as follows

- IFRS 7, Financial Instruments Disclosures and a complementary amendment to IAS 1 Presentation of Financial Statements – Capital disclosures (effective 1 January 2007)
- IFRS 8 Operating Segments (effective 1 January 2009)
- IAS 23 (Revised) Borrowing Costs (effective 1 January 2009)
- IFRIC 8, Scope of IFRS 2 (effective 1 May 2006*)
- IFRIC 9, Reassessment of Embedded Derivatives (effective 1 June 2006*)
- IFRIC 10 Interim Financial Reporting and Impairment (effective 1 November 2006*)
- IFRIC 11 Group and Treasury Share Transactions (effective 1 March 2007)
- IFRIC 12 Service Concession Arrangements (effective 1 January 2008)
- IFRIC 13 Customer Loyalty programmes (effective 1 July 2008)
- IFRIC 14 The limit on a defined Benefit Asset, Minimum Funding Requirements and Interaction (effective 1 January 2008)

* annual reporting periods beginning on or after that date

Having carried out a preliminary review of the relevance of the above new Standards Interpretations and Amendments to Published Standards, the Group believes that they will not have a material impact on the Group except for the following

(i) IFRS 7 Financial Instruments Disclosures and a complementary amendment to IAS 1 Presentation of Financial Statements – Capital Disclosures, which will introduce new disclosure requirements
(ii) IFRS 8, Operating Segments, which will introduce new disclosure requirements

35 Approval of consolidated financial statements

The Directors approved the consolidated financial statements on 29 July 2007

Waterford Wedgwood U.K plc
Company Financial Statements

Company accounting policies under U K GAAP

BASIS OF PREPARATION
The financial statements are prepared under the historical cost convention and in accordance with the accounting policies set out below accounting standards generally accepted in the United Kingdom and U K statute

FINANCIAL ASSETS
Investments in subsidiary undertakings are valued at the lower of amortised cost or net realisable value Net realisable value is deemed to be the underlying net assets of the subsidiary undertaking at the period end and in the currency in which they are denominated translating this amount into Sterling at each successive balance sheet date using the balance sheet exchange rate Exchange gains and losses arising on translation of these investments are taken directly to revenue reserves along with the corresponding exchange gain or loss arising on foreign currency denominated liabilities used to hedge anticipated foreign exchange fluctuations in the value of overseas investments Where the underlying net assets of the subsidiary undertaking are lower than cost the difference is charged to the profit and loss account in the period

DEBTORS AND OTHER RECEIVABLES
Debtors and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment A provision for impairment of debtors and other receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivable The amount of the provision is the difference between the carrying amount and the present value of future cash flows The Companys debtors primarily comprise inter-company amounts which have no fixed maturing dates and are repayable on demand

FOREIGN CURRENCY TRANSLATION
The financial statements of the Company are measured using the currency that reflects the primary economic environment in which the entity operates (the functional currency) The financial statements are presented in sterling which is the Company's functional and presentation currency Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange at the balance sheet date

TRADE AND OTHER PAYABLES
The Companys creditors primarily comprise inter-company payables which have no fixed maturing dates and are repayable on demand Inter-company payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method

FINANCIAL GUARANTEE CONTRACTS
Financial guarantee contracts are issued to banking institutions by the Company as part of cross guarantee arrangements throughout the Waterford Wedgwood plc Group The Company and the subsidiaries engage in ongoing financing arrangements with these banking institutions The Company is a guarantor under certain of the Waterford Wedgwood Group s facilities Under the terms of FRS 26 ' Financial Instruments Measurement financial guarantee contracts are required to be recognised at fair value at inception and subsequently measured as a provision under FRS 12 Provisions, Contingent Liabilities and Contingent Assets ' on the Company balance sheet There was no impact on the result for the year

Company balance sheet

	Notes	As at 31 March 2007 £ Mils	As at 31 March 2006 £ Mils
Fixed assets			
Financial assets	1	**21.7**	17 7
Current assets			
Debtors	2	**30.6**	19 4
Creditors (amounts falling due within one year)	3	**(60.3)**	(63 5)
Net current liabilities		**(29.7)**	(44 1)
Total assets less current liabilities		**(8.0)**	(26 4)
Capital and reserves			
Called up share capital	4	**100.0**	89 9
Profit and loss account	5	**(108.0)**	(116 3)
Shareholders' deficit		**(8.0)**	(26 4)

Peter John Goulandris
Chairman

Wayne J Nutbeen
Director

1 Financial assets

The Company's investments in its subsidiaries were as follows

	£ Mils
As at 31 March 2007	
Cost	
At 1 April 2006	192 6
Translation adjustments	(4 7)
At 31 March 2007	187 9
Provision for impairment	
At 1 April 2006	(174 9)
Write back of impairment charge	8 7
At 31 March 2007	(166 2)
Net book value	
At 1 April 2006	17 7
At 31 March 2007	**21.7**

	£ Mils
As at 31 March 2006	
Cost	
At 1 April 2005	189 2
Translation adjustments	3 4
At 31 March 2006	192 6
Provision for impairment	
At 1 April 2005	(133 3)
Impairment charge	(41 6)
At 31 March 2006	(174 9)
Net book value	
At 1 April 2005	55 9
At 31 March 2006	**17.7**

2 Debtors

	As at 31 March 2007 £ Mils	As at 31 March 2006 £ Mils
Amounts owed by subsidiary undertakings	**30.6**	19 4

3 Creditors (amounts falling due within one year)

	As at 31 March 2007 £ Mils	As at 31 March 2006 £ Mils
Amounts owed to subsidiary undertakings	**60 1**	63 2
Other payables	**0.2**	0 3
	60.3	63 5

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company is managed as part of the Group's financial risk management procedures These objectives and policies are set out on note 24 to the Group financial statements There is no specific foreign currency risk, liquidity risk, credit risk or interest rate risk inherent in the Company that differs from the objectives and policies noted

The Company does not have any cash flow, fair value or hedges of net investments

The Companys creditors comprise inter-company creditors which have no fixed maturity date and are repayable on demand

FAIR VALUE OF FINANCIAL INSTRUMENTS

Set out below is a year end comparison of book and fair values of the financial instruments by category

Fair values of financial assets and financial liabilities are as follows

	As at 31 March 2007		As at March 2006	
	Book value £ Mils	Fair value £ Mils	Book value £ Mils	Fair value £ Mils
Inter-company debtors	**30 6**	**30 6**	19 4	19 4
Inter-company creditors	**60 1**	**60.1**	63 2	63 2

The carrying value of inter-company debtors and inter-company creditors approximates to their fair value

Interest income amounted to £1 3 million (2006 £0 3 million) and interest expense amounted to £1 1 million (2006 £1 1 million)

4 Share capital

	As at 31 March 2007 £ Mils	As at 31 March 2006 £ Mils
Authorised		
220 million (2006 220 million) ordinary shares of 25p each	**55.0**	55 0
16 05 billion (2006 6 5 billion) income shares of 1p each	**160.5**	65 0
	215.5	120 0

4 Share capital continued

	Ordinary shares of 25p each £ Mils	Income shares of 1p each £ Mils	Total £ Mils
Issued as fully paid			
At 1 April 2006 – Ordinary shares – 181 601,769			
– Income shares – 4 450 138 481	45 4	44 5	89 9
Bonus issue of 1 003,946,503 income shares	–	10 1	10 1
At 31 March 2007 – Ordinary shares – 181,601,769			
– Income shares – 5,454,084,984	**45 4**	**54 6**	**100.0**
Issued as fully paid			
At 1 April 2005 – Ordinary shares – 181 601 769			
– Income shares – 2,758,281,366	45 4	27 6	73 0
Bonus issue of 1 691 857 115 income shares	–	16 9	16 9
At 31 March 2006 – Ordinary shares – 181,601,769			
– Income shares – 4,450,138,481	**45.4**	**44.5**	**89.9**

In May 2005, the Waterford Wedgwood Group announced a rights issue of 1,691 857,115 new stock units (comprising an Ordinary Share of €0 06 in Waterford Wedgwood plc and an Income Share of 1p in Waterford Wedgwood U K plc) of €0 06 per new stock unit to raise €101 5 million before expenses As part of this rights issue, the Company issued 1 691 857,115 income shares in the form of a bonus issue The net proceeds of the rights issue of €96 7 million have been used to fund restructuring costs and for funding the working capital requirements of the Waterford Wedgwood Group

5 Profit and loss account

	As at 31 March 2007 £ Mils	As at 31 March 2006 £ Mils
At 1 April	**(116 3)**	(69 1)
Profit/(loss) for the year	**13 0**	(50 6)
Translation of net investments in overseas subsidiaries	**(4.7)**	3 4
At 31 March	**(108.0)**	(116 3)

6 Audit fees

Audit fees paid to PricewaterhouseCoopers by the Company amounted to £nil (2006 £nil) Audit fees are borne by a Group company

7 Approval of company financial statements

The Directors approved the Company financial statements on 29 July 2007