WATERFORD
WEDGWOOD

Waterford Wedgwood U.K. plc

Annual Report and Accounts 2008

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COMPANIES HOUSE

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

Etoile Platinum by Monique Lhuillier for Royal Doulton (Front Cover)

Blue Butterfly by Jasper Conran at Wedgwood (Inside Back Cover)
Evolution by Waterford Crystal (Back Cover)

Report of the Directors continued

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 2007	Number of stock units 5 April 2008
Director			
M Gavin	stock units	200	200

Waterford Wedgwood plc stock units each comprise one Waterford Wedgwood plc ordinary share of €0 06 and one non-voting income share of Stg1 p in Waterford Wedgwood U K plc

DIRECTORS' OPTIONS

Details of executive share options, granted in accordance with the rules of the Waterford Wedgwood 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 2007	5 April 2008	Weighted average exercise price
Director			
M Gavin	15,307,984	15 307,984	€0 06

Outstanding options are exercisable on dates between 2008 and 2015

The market price at the year end date was 1 18p The highest share price during the year was 4 40p and the lowest 1 00p

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 5 April 2008 and 1 August 2008, in which a Director of the Company was materially interested and which was significant in relation to the Company's business

INSURANCE OF OFFICERS

During the year to 5 April 2008, 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 Company's 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 Company's 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 5 April 2008 the issued share capital of the Company comprised 181,601,769 ordinary shares and 5,454 084,984 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 £2 4 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 Group's 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 £240,000 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 23 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 Waterford Wedgwood Group The Waterford Wedgwood Group annual report and financial statements describe how the principles set out in the Combined Code have been applied

INTERNATIONAL FINANCIAL REPORTING STANDARDS

The results for 2008 and 2007 have been prepared in accordance with the Group's 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, and as explained in note 1 to the financial statements, 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

Mark Downie

Company Secretary

1 August 2008

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 5 April 2008 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 company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 5 April 2008 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 company's affairs as at 5 April 2008,
- 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.

EMPHASIS OF MATTER – GOING CONCERN

In forming our opinion, which is not qualified, we have considered the adequacy of the disclosures made in note 1 to the financial statements concerning the directors' confidence in the Group's ability to continue as a going concern. The matters explained in note 1 indicate the existence of a material uncertainty which may cast significant doubt about this ability. However, the initiatives being progressed by the directors to address the Group's funding requirements, to implement planned cost reduction measures and to meet working capital requirements give them confidence in the attainment of these goals.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Dublin

1 August 2008

Consolidated income statement
Year ended 5 April 2008

	Notes	2008 £ Millions	2007 £ Millions
Revenue	3	**414 7**	**437 1**
Operating loss before exceptional items	3	**(86 9)**	**(4 3)**
Exceptional items	4	(71 9)	(0 8)
Operating loss		**(158 8)**	**(5 1)**
Finance income		0 6	0 4
Finance costs	5	(19 1)	(17 8)
Loss before income tax		**(177 3)**	**(22 5)**
Income tax income/(expense)	8	5 9	(0 2)
Loss for the year		**(171 4)**	**(22 7)**
(Loss)/profit attributable to			
– Equity holders of the Company		(170 4)	(22 8)
– Minority interests		(1 0)	0 1
		(171 4)	**(22 7)**

Peter John Goulandris
Chairman

Moira Gavin
Director

Consolidated balance sheet continued
As at 5 April 2008

	Notes	2008 £ Millions	2007 £ Millions
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Equity share capital	21	100 0	100 0
Retained losses	22	(532 3)	(361 7)
Translation reserves	22	(3 1)	1 7
		(435 4)	**(260 0)**
Minority interests		1 6	2 0
Total equity		**(433 8)**	**(258 0)**
TOTAL EQUITY AND LIABILITIES		**372 5**	**425 8**

Peter John Goulandris
Chairman

Moira Gavin
Director

Consolidated balance sheet
As at 5 April 2008

	Notes	2008 £ Millions	2007 £ Millions
ASSETS			
Non-current assets			
Intangible assets	9	23 8	83 1
Property, plant and equipment	10	74 2	79 8
Financial assets	11	1 7	1 3
Trade and other receivables	13	0 1	0 2
Deferred income tax assets	18	–	0 5
Total non-current assets		**99 8**	**164 9**
Current assets			
Inventories	12	163 3	144 4
Trade and other receivables	13	98 4	105 4
Cash and cash equivalents		10 6	11 1
		272 3	**260 9**
Non current assets – classified as held for sale		0 4	–
Total current assets		**272 7**	**260 9**
TOTAL ASSETS		372 5	425 8
LIABILITIES			
Current liabilities			
Trade and other payables	14	578 8	465 7
Finance lease obligations	16	2 4	2 1
Current income tax liabilities		3 0	2 9
Bank overdraft and short term borrowings		–	0 6
Provisions for other liabilities and charges	17	10 0	6 8
Total current liabilities		**594 2**	**478 1**
Non-current liabilities			
Finance lease obligations	16	15 9	16 3
Retirement benefit obligations	20	58 6	58 8
Deferred income tax liabilities	18	–	7 4
Provisions for other liabilities and charges	17	6 5	8 0
Borrowings	19	125 5	112 0
Trade and other payables	15	5 6	3 2
Total non current liabilities		**212 1**	**205 7**
TOTAL LIABILITIES		806 3	683 8

Consolidated statement of recognised income and expense
Year ended 5 April 2008

	2008 £ Millions	2007 £ Millions
Items of income and expense recognised directly in equity		
Currency translation adjustments	(4.8)	2.2
Actuarial gains on defined benefit pension schemes	0.4	34.8
Net (expense)/income recognised directly in equity	(4.4)	37.0
Loss for the year	(171.4)	(22.7)
Total recognised income and expense for the year	(175.8)	14.3
Attributable to		
Equity holders of the Company	(174.8)	14.3
Minority interest	(1.0)	–
Total recognised income and expense for the year	(175.8)	14.3

Consolidated cash flow statement
Year ended 5 April 2008

	Notes	2008 £ Millions	2007 £ Millions
Cash flows from operating activities			
Cash generated by/(used in) operations	28	11 7	(10 3)
Income tax paid		(0 8)	(1 1)
Net cash generated by/(used in) operating activities		**10 9**	**(11 4)**
Cash flows from investing activities			
Purchase of property, plant and equipment		(6 8)	(6 5)
Purchase of intangible assets		(0 2)	–
Purchase of financial assets		(0 2)	–
Proceeds from sale of property plant and equipment		2 2	3 4
Net cash used in investing activities		**(5 0)**	**(3 1)**
Cash flows from financing activities			
Interest paid		(15 7)	(13 0)
Interest received		0 6	0 4
Proceeds from borrowings		32 9	35 8
Repayment of borrowings		(23 3)	(12 0)
Payment of finance lease liabilities		(1 2)	(1 1)
Net cash (used in)/generated from financing activities		**(6 7)**	**10 1**
Net decrease in cash, cash equivalents and bank overdrafts		(0 8)	(4 4)
Cash, cash equivalents and bank overdrafts at beginning of the year		10 5	15 7
Exchange gains and losses on cash cash equivalents and bank overdrafts		0 9	(0 8)
Cash, cash equivalents and bank overdrafts at the end of the year		**10 6**	**10 5**

Group accounting policies under IFRS

STATEMENT OF COMPLIANCE
The consolidated financial statements of Waterford Wedgwood U K plc have been prepared in accordance with EU adopted International Financial Reporting Standards (IFRS), International Financial Reporting Interpretations Committee (IFRIC) interpretations and with those parts of the Companies Acts applicable to companies reporting under IFRS

IFRS, as adopted by the EU, differ in certain respects from IFRS as issued by the IASB However, the consolidated financial statements for the financial years presented would be no different had IFRS as issued by the IASB been applied References to IFRS hereafter should be construed as references to IFRS as adopted by the EU

BASIS OF PREPARATION
The consolidated financial statements, which are presented in sterling millions to one decimal place, have been prepared under the historical cost convention, except for the measurement, at fair value, of share options and derivative financial instruments

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, property, plant and equipment, deferred tax, indefinite life intangible assets and going concern assessment and are documented in the relevant notes

The financial information is prepared for a 53 week period ending on 5 April 2008 Comparatives are for the 52 week period ended on 31 March 2007 The balance sheets for 2008 and 2007 have been drawn up as at 5 April 2008 and 31 March 2007 respectively

ADOPTION OF IFRS AND IFRIC INTERPRETATIONS
Certain new standards, interpretations and amendments to published standards have been issued that are mandatory for the Group's accounting periods beginning on, or after, 6 April 2008, or later periods, but which the Group has not early adopted are as follows,

(a) *Standards, amendments and interpretations that are effective and have been adopted during the financial year*
- IFRS 7, 'Financial instruments Disclosures', and the complementary amendment to IAS 1, 'Presentation of financial statements – Capital disclosures', introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the Group's financial instruments
- IFRIC 11, 'IFRS 2 – Group and treasury share transactions' IFRIC 11 provides guidance on whether share-based transactions involving treasury shares, or involving Group entities (for example, options over a parent's shares), should be accounted for as equity-settled, or cash settled, share-based payment transactions in the stand-alone accounts of the parent and Group companies This interpretation does not have any impact on the Group financial statements

(b) *Standards and interpretations that are effective but not relevant to the Group financial statements*
- IFRS 4, 'Insurance contracts',
- IFRIC 7, 'Applying the restatement approach under IAS 29, Financial reporting in hyper inflationary economies',
- IFRIC 8, 'Scope of IFRS 2',
- IFRIC 9, 'Re-assessment of embedded derivatives', and
- IFRIC 10, 'Interim financial reporting and impairment'

(c) *Standards, amendments and interpretations that are not yet effective and have not been early adopted by the Group*
The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 6 April 2008 or later periods, but the Group has not early adopted them
- IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective from 1 January 2008) IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement The Group is currently assessing the impact of this interpretation
- IAS 1 (Amendment), 'Presentation of financial statements', (effective for annual periods beginning on or after 1 January 2009) The main aim of the amended version of IAS 1 is to aggregate information in the financial statements on the basis of shared characteristics Consequently changes in equity (net assets) of an entity arising from transactions with owners in their capacity as owners, will be disclosed separately from other changes in equity The Group will apply this revised standard from 1 April 2009 The Group is currently assessing the impact of this standard
- IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009) The amendment to the standard is still subject to endorsement by the European Union It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset The option of immediately expensing those borrowing costs will be removed The Group will apply IAS 23 (Amended) from1 April 2009 but is currently not applicable to the Group as there are no qualifying assets
- IAS 27 (Revised), 'Consolidated and separate financial statements', (effective for annual periods beginning on or after 1 July 2009) IAS 27 (Revised) requires the effect of all transactions, with non-controlling interest, to be recorded in equity if there is no change in control They will no longer result in goodwill or gains and losses The standard also specifies the

accounting when control is lost Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in profit or loss The Group will apply this revised standard from the effective date The Group is currently assessing the impact of this standard

- IFRS 2 'Vesting conditions and cancellation – Amendment to IFRS 2 Share-based Payment', (effective for annual periods beginning on or after 1 January 2009) The amendment addresses two matters It clarifies that vesting conditions are service conditions and performance conditions only Other features of a share-based payment are not vesting conditions It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment The Group will apply this revised standard from the effective date and is currently assessing the impact on the Group financial statements
- IFRS 3 (Revised), 'Business combination', (effective for annual periods beginning on or after 1 July 2009) The standard continues to apply the acquisition method to business combinations, with some significant changes These changes include a requirement that all payments to purchase a business are to be recorded at fair value at the acquisition date, with some contingent payments subsequently re-measured through income Goodwill may be calculated based on the parent's share of net assets or it may include goodwill related to minority interest All transactions costs will be expensed The Group will apply this revised standard from the effective date and is currently assessing the impact on the Group financial statements
- IFRS 8, Operating segments (effective from annual periods beginning on or after 1 January 2009) IFRS 8 replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information' The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes The Group will apply IFRS 8 from 5 April 2009, and is currently assessing the impact on the Group financial statements
- IAS 32 and IAS 1 (Amendment), 'Puttable financial instruments and obligations arising on liquidation' (effective for annual periods beginning on or after 1 January 2009) The amendments require some puttable financial instruments and some financial instruments that impose on the entity an obligation to deliver, to another party, a pro-rata share of net assets of the entity only on liquidation, to be classified as equity The Group will apply the amendments from the effective date and currently does not anticipate that the amend ments will have any impacts on the Group financial statements
- Amendments to IFRS 1 'First-time adoption of IFRS' and IAS 27 'Consolidated and separate financial statements – cost of an investment in a subsidiary, jointly controlled entity or associate', (effective for annual periods beginning on or after 1 January 2009) First-time adopters are permitted to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements The amendment also removed the definition of the cost method from IAS 27 and replaced it with a requirement to present dividends as income in the separate financial statements of the investor The Group will apply this revised standard from the effective date and is currently assessing the impact on the Group's financial statements
- Improvement to IFRS, (most of the amendments are effective for annual periods beginning on or after 1 January 2009) The Improvements to IFRS represent a number of 'non-urgent' amendments to IFRSs that involve accounting changes for presentation, recognition and measurement, and terminology or editorial changes with minimal accounting effect The Group will apply these improvements from their relative effective dates and is currently assessing the impact on the Group's financial statements
- IFRIC 15, 'Agreements for the construction of real estate' (effective 1 January 2009) IFRIC 15 was issued to address diversity in accounting for real estate sales Some entities recognise revenue in accordance with IAS 18, 'Revenue' (when the risks and rewards in the real estate are transferred) and others recognise revenue as the real estate is developed in accordance with IAS 11, 'Construction Contracts' The Group is currently assessing IFRIC 15 but it is not expected to impact the Group financial statements
- IFRIC 16, 'Hedges of a Net Investment in a Foreign Operation' (effective 1 October 2008) IAS 39 and IAS 21 provide limited guidance on the application of their requirements for hedges of net investments in foreign operations With this interpretation the IFRIC has provided practical guidance to help entities apply those standards consistently The Group will apply this interpretation from the effective date and is currently assessing the impact on the Group financial statements

d) *Interpretations and amendments to existing standards that are not yet effective and not relevant for the Group's operations*

The following interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 6 April 2008 or later periods but are not relevant for the Group's operations

- IFRIC 12, 'Service concession arrangements' (effective from 1 January 2008) IFRIC 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector

Group accounting policies under IFRS continued

services IFRIC 12 is not relevant to the Group's operations because none of the Group's companies provide public sector services
- IFRIC 13, 'Customer loyalty programmes' (effective from 1 July 2008) IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values IFRIC 13 is not relevant to the Group's operations because none of the Group's companies operate loyalty programmes

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, generally accompanying a shareholding of more than one half of the voting rights 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 All subsidiaries' year ends correspond with the Group's with the exception of Rosenthal AG's whose year end was 31 March 2008

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 RECOGNITION
Revenue comprises the fair value of the consideration received, or receivable, for the sale of goods 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 Accruals for estimated rebates and volume discounts are recorded in the same period that the related sales are recorded and are recognised as a reduction of gross sales Rebate and volume discount accruals are based on estimates of the amounts earned, or to be claimed, on the related sales These estimates take into consideration contractual requirements, known market trends and historical data 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 collectability 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, plant and equipment transactions*
Revenue from the 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 reduction of share premium

SHARE-BASED PAYMENT TRANSACTIONS

For equity settled share-based payment transactions (i e the granting of share options), the Group measures the services received and the corresponding increase in equity at fair value, at the measurement date (which is the grant date), using a recognised valuation methodology for the pricing of financial instruments (binomial model) Given that the share options granted do not vest until the completion of a specified period of service and are subject to the realisation of certain performance conditions, the fair value is determined on the basis that the services to be rendered by employees as consideration for the granting of share options will be received over the vesting period, which is assessed as at the date of grant

The share options granted by the Company are subject to certain market based vesting conditions as defined in IFRS 2 Non-market vesting conditions are not taken into account when estimating the fair value of share options as at the date of grant, such conditions are taken into account through adjusting the number of equity instruments included in the measurement of the transaction so that, ultimately, the amount recognised equates to the number of equity instruments that actually vest The expense in the income statement in relation to share options represents the product of the total number of options expected to vest and the fair value of those options The resulting amount is allocated to accounting periods over the vesting period Given that the performance conditions underlying the Group's share options are non-market in nature, the cumulative charge to the income statement is reversed only when the performance condition is not met or where an employee in receipt of share options relinquishes service prior to completion of the expected vesting period

The proceeds received by the Company on the exercise of share options are credited to share capital and share premium

In line with the transitional arrangements set out in IFRS 2, "Share-based Payment", the recognition and measurement principles of this standard have been applied only in respect of share entitlements granted after 7 November 2002 and that had not vested at 1 January 2005

The Group does not operate any cash-settled share-based payment schemes, or share based payment transactions with cash alternatives, as defined in IFRS 2

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

Group accounting policies under IFRS continued

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 com binations, 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

MINORITY INTEREST

Transactions with minorities, where the Group already has control over the entity, are accounted for using the economic entity method Any surplus or deficit arising from such transactions compared to the carrying amount of the minorities is adjusted against reserves

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 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) *Trademark 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 NON-FINANCIAL ASSETS OTHER THAN PROPERTY, PLANT AND EQUIPMENT

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 indepen dent from other assets, the Group estimates the recoverable amount of the cash gener ating 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

If an asset's fair value less costs to sell exceeds its carrying amount before the impairment test of a cash generating unit, then none of the impairment loss arising on the impairment test is allocated to that asset

FINANCIAL ASSETS
The Group classifies its financial assets in the following categories

(a) at fair value through the income statement,
(b) loans and receivables, and
(c) available-for-sale

The classification depends on the purpose for which the financial assets were acquired Management determines the classification of its financial assets at initial recognition

(a) *Financial assets at fair value through the income statement*
Financial assets at fair value through the income statement are financial assets held for trading A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term Derivatives are also categorised as held for trading unless they are designated as hedges Assets in this category are classified as current assets The Group currently has no financial assets determined at fair value through the income statement

(b) *Loans and receivables*
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market They are included in current assets, except for maturities greater than 12 months after the balance sheet date These are classified as non-current assets The Group s loans and receivables comprise primarily the following balance sheet captions, 'trade and other receivables', 'financial assets' and 'cash and cash equivalents' The balance sheet caption 'financial assets' comprise primarily deposits

(c) *Available-for-sale financial assets*
Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories They are included in non-current assets unless management intends to dispose of the investment within 12 months after the balance sheet date The Group currently has no available-for sale financial assets

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through the income statement Financial assets carried at fair value through the income statement are initially recognised at fair value and transaction costs are expensed in the income statement Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership Available-for sale financial assets and financial assets at fair value through the income statement are subsequently carried at fair value Loans and receivables are carried at amortised cost using the effective interest method

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is 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 freehold land, are depreciated over their estimated useful economic lives, on a straight-line basis, as follows

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

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

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

IMPAIRMENT OF PROPERTY PLANT AND EQUIPMENT
In accordance with IAS 36 "Impairment of Assets", the carrying value of items of property, plant and equipment are reviewed for impairment at each reporting date and are subject to impairment testing when events, or changes in circumstances, indicate that the carrying values may not be recoverable Where the carrying values exceed the estimated recoverable amount (being the greater of fair value less costs to sell and value in use), the assets or cash generating units are written down to their recoverable amount Fair value less costs to sell is defined as the amount obtainable from the sale of an asset, or cash generating unit, in an arms length transaction between knowledgeable and willing parties, less the costs which would be incurred on disposal Value in use is defined as the present value of the future cash flows expected to be derived through the continued use of an asset, or cash generating unit, including those anticipated to be realised on its eventual disposal In assessing value in , the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and any asset specific risks The estimates for future cash flows exclude cash inflows or outflows attributable to financing activities and income tax For an asset that does not generate largely independent cash flows, the recoverable amount is determined by reference to the cash generating unit to which the asset belongs

Group accounting policies under IFRS continued

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 PAYABLES

Trade payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method

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 The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within selling and marketing expenses When a trade receivable is deemed uncollectable, it is written off against the allowance account for trade receivables Subsequent recoveries of amounts written off are credited against selling and marketing expenses in the income statement

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 Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date

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 and bank charges

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 disposal of property, plant and equipment and impairment of intangible assets and property, plant and equipment

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 the plan will be implemented and there is 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 post-employment benefit obligation Mortality estimates are based on standard national mortality tables adjusted where appropriate to reflect the Group's own experience

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-employment 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 defined benefit pension plans and determined by independent qualified actuaries

DERIVATIVE FINANCIAL INSTRUMENTS
The Group uses derivative financial instruments (principally forward foreign currency exchange contracts and options) to manage its exposure to foreign currency exchange risks arising from estimated future currency receipts and payments (cash flow hedge) In accordance with the Waterford Wedgwood Group treasury policy, the Group does not hold or issue derivative financial instruments for trading or speculative purposes

At the inception of a transaction entailing the usage of derivatives, the Group documents the relationship between the hedged item and the hedging instrument as well as its risk management objectives and strategy for undertaking various hedging transactions The Group also documents its assessment, both at the inception of the hedging relationship and subsequently on an ongoing basis, of the effectiveness of the hedge in mitigating foreign currency exchange risk arising from estimated future foreign currency receipts and payments

Forward foreign currency exchange contracts are initially recognised at fair value

Group accounting policies under IFRS continued

on the date the contract is entered into and are subsequently re-measured at their fair value The best evidence of the fair value of a forward foreign currency exchange contract at initial recognition is the transaction price (ie the fair value of the consideration given or received) The subsequent fair value of forward foreign currency exchange contracts is calculated by reference to current forward currency exchange rates for contracts with similar maturity profiles and equates to the quoted market price at the balance sheet date, being the present value of the quoted forward price

HEDGING

Cash flow hedges The Group uses 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 future transaction)

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 The associated gains and losses previously recognised in equity are transferred to the income statement contemporaneously with the recording, in the income statement, of the hedged transaction

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for 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 as a separate component of equity is transferred immediately to the income statement

Net investment hedges 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) Gains or losses arising on ineffective hedges are recognised immediately in the income statement 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

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 The Group tests whether intangible assets 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 Further detail on the assumptions used in the calculations is provided in note 9

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 discount rate applied to the cash flows is reduced by 1% this would have reduced the impairment charge by £10 0 million

Impairment of property, plant and equipment In accordance with IAS 36 "Impairment of Assets", the carrying value of items of property, plant and equipment are reviewed for impairment at each reporting date and are subject to impairment testing when events or changes in circumstances indicate that the carrying values may not be recoverable Impairment is determined by reference to the higher of fair value less costs to sell and value in use, measured by assessing future cash flows discounted using appropriate interest rates These future cash flows are based on business forecasts and are therefore inherently judgmental Future events could cause the assumptions used in these impairment reviews to change with a consequent adverse effect on the future results of the Group

Pensions and other post-employment benefit obligations Where the Group provides pension plans for employees in the form of defined benefit schemes an actuarial valuation of the schemes' obligations and the fair valuation of each of the schemes' assets are performed annually in accordance with the requirements of IAS 19

The actuarial valuation is dependent upon a series of assumptions, the key ones being future pensionable salary increases, pension increases, discount rates, expected long term rates of return on assets and mortality estimates Mortality estimates are based on standard national mortality tables, adjusted where appropriate to reflect the Group's own experience The discount rates employed in determining the present value of the schemes' liabilities are 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 post employment benefit obligation The returns on equities are set by adding an equity risk premium to the expected long-term rates of return on the portfolio mix of government gilts

The selection of different assumptions could affect the future results of the Group Sensitivity analysis is provided in note 20 "Retirement benefit obligations"

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

Going concern The Group has prepared its accounts on a going concern basis Further details are described in note 1 supporting this basis Details of Group financing arrangements are noted in the "borrowings" and "related party" note

Notes to the consolidated financial statements

1 Basis of preparation of Group financial statements and going concern

The audited financial statements of the holding Company and its subsidiary undertakings for the year ended 5 April 2008 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 Group has reported trading losses in recent years The Company is a wholly owned subsidiary of Waterford Wedgwood plc The directors of Waterford Wedgwood plc are committed to returning the Waterford Wedgwood Group to profitability and have made a number of key changes in senior management to lead the operational and financial turnaround of the Waterford Wedgwood Group It is acknowledged that additional funding is required to complete the turnaround and the directors of Waterford Wedgwood plc are therefore considering a number of initiatives of which an as yet undetermined combination is expected to be proceeded with

- placement of the remaining €33 4 million of the €100 million private placement of convertible preference shares announced in July 2007 (completed in July 2008, prior to the approval of these financial statements)
- the potential issue of in the region of €120 million of additional equity in connection with which the Waterford Wedgwood plc directors have reason to believe that the Waterford Wedgwood Group's major shareholders will subscribe for an amount broadly equal to their pro-rata entitlements with subscription commitments to be sought in respect of any entitlements not taken up by existing shareholders,
- the accelerated disposal of certain non-core assets
- completion of the strategic review of Rosenthal AG and its subsidiary companies (Rosenthal) currently being conducted by JP Morgan Cazenove including the potential sale of the Group s shareholding in Rosenthal and/or the sale of all or a part of its assets and
- ongoing discussions with the Waterford Wedgwood Group's banking syndicate regarding access to currently restricted availability under the €200 million multi-currency credit facility (note 19) and agreement on the use of proceeds from the disposal of certain non-core assets

In addition, the Waterford Wedgwood Group, under its new senior management, is committed to tight management of working capital and control of capital expenditures In particular, the Waterford Wedgwood Group is actively pursuing opportunities to realise working capital benefits through a managed programme of inventory reduction undertaken in parallel with key process improvement projects

The directors of Waterford Wedgwood plc are satisfied that a requisite combination of the above initiatives can be successfully concluded to provide the Waterford Wedgwood Group and the Waterford Wedgwood U K plc Group with adequate financial resources to fund the planned cost reduction measures and to meet working capital requirements for the foreseeable future However, failure to conclude on the requisite combination of these initiatives could compromise the Group's ability to continue as a going concern

Accordingly, the directors believe that it continues to be appropriate to prepare these financial statements on a going concern basis

2 Analysis of operating loss

2008	Before exceptional items £ Millions	Exceptional items £ Millions	Total £ Millions
Revenue	414 7	–	414 7
Cost of sales	(219 9)	(9 8)	(229 7)
Gross profit/(loss)	194 8	(9 8)	185 0
Selling marketing and distribution expenses	(184 1)	(0 1)	(184 2)
Administrative expenses	(42 4)	–	(42 4)
Other operating expenses	(56 6)	(62 7)	(119 3)
Other operating income	1 4	0 7	2 1
Operating loss	(86 9)	(71 9)	(158 8)

2 Analysis of operating loss continued

2007	Before exceptional items £ Millions Reclassified	Exceptional items £ Millions	Total £ Millions Reclassified
Revenue	437 1	–	437 1
Cost of sales	(223 6)	(1 4)	(225 0)
Gross profit/(loss)	**213 5**	**(1 4)**	**212 1**
Selling marketing and distribution expenses	(186 7)	(2 5)	(189 2)
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)**

The 2007 income statement captions have been reclassified to accord with the current year classifications

The following items have been included in arriving at operating loss

	Notes	2008 £ Millions	2007 £ Millions
Revenue		414 7	437 1
Less pre-exceptional operating costs			
Change in inventories of finished goods		(13 6)	(5 5)
Staff costs		(133 3)	(136 3)
Intangible asset amortisation	9	(1 8)	(2 0)
Depreciation of property, plant and equipment	10	(10 6)	(13 2)
Operating lease rental – plant and equipment		(3 4)	(3 3)
– others		(13 1)	(13 5)
Other operating costs		(325 8)	(267 6)
Operating loss before exceptional items		(86 9)	(4 3)
Exceptional items	4	(71 9)	(0 8)
Operating loss		(158 8)	(5 1)

	2008 £ Millions	2007 £ Millions
Operating loss for the year is stated after charging		
Auditors remuneration – audit	0 7	0 7
– taxation services	0 2	0 4
– other assurance services	0 2	0 1
	1 1	1 2

Fees paid to PricewaterhouseCoopers by the Company and its U K subsidiaries in respect of non-audit services amounted to £86 500 (2007 £43 940)

Notes to the consolidated financial statements

3 Segmental report

The Group's 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 total current and non-current assets and for each class of business or geographic segment it incudes inter-company receivables and excludes investments in subsidiary undertakings

Segment liabilities comprise total current liabilities and non-current liabilities and, for each class of business, it includes inter-company payables

By class of business

	Ceramics Group		Other		Unallocated costs		Total Group	
	2008 £ Millions	2007 £ Millions	2008 £ Millions	2007 £ Millions	2008 £ Millions	2007 £ Millions	2008 £ Millions	2007 £ Millions
Total segment revenue	330 6	343 6	85 8	95 8	–	–	416 4	439 4
Inter segment revenue	(1 7)	(2 3)		–	–	–	(1 7)	(2 3)
Revenue	**328 9**	**341 3**	**85 8**	**95 8**	–	–	**414 7**	**437 1**
Operating (loss)/profit before exceptional items	**(84 8)**	**(13 9)**	**(0.2)**	**1.2**	**(1 9)**	**8 4**	**(86 9)**	**(4 3)**
Less exceptional items	(70 3)	(0 8)	(1 6)	–	–	–	(71 9)	(0 8)
Operating (loss)/profit after exceptional items	**(155 1)**	**(14 7)**	**(1 8)**	**1.2**	**(1 9)**	**8 4**	**(158 8)**	**(5 1)**
Net finance costs							(18 5)	(17 4)
Income tax income/(expense)							5 9	(0 2)
Loss for the year							**(171 4)**	**(22 7)**
Property plant and equipment additions	6 8	7 6	0 8	0 4	–	–	7 6	8 0
Depreciation and amortisation	11 8	14 4	0 6	0 8	–	–	12 4	15 2
Intangible asset additions	0 2	0 2	–	–	–	–	0 2	0 2
Impairment of property plant and equipment	3 4	7 9	1 4	–	–	–	4 8	7 9
Impairment of intangibles	57 9	–	–	–	–	–	57 9	–

	Total assets		Total liabilities		Net (liabilities)/assets	
	2008 £ Millions	2007 £ Millions	2008 £ Millions	2007 £ Millions	2008 £ Millions	2007 £ Millions
Ceramics Group	322 7	358 5	(717 9)	(642 9)	(395 2)	(284 4)
Other	38 1	52 5	(8 4)	(6 9)	29 7	45 6
Unallocated assets/(liabilities)	325 4	278 2	(393 7)	(297 4)	(68 3)	(19 2)
Intra-group eliminations	(313 7)	(263 4)	313 7	263 4	–	–
	372 5	425 8	(806 3)	(683 8)	(433 8)	(258 0)

3 Segmental report continued

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

	Revenue		Total assets		Property, plant and equipment additions		Intangible asset additions	
	2008 £ Millions	2007 £ Millions	2008 £ Millions	2007 £ Millions	2008 £ Millions	2007 £ Millions	2008 £ Millions	2007 £ Millions
Europe excluding United Kingdom	108 9	110 1	104 8	89 7	2.6	3 6	0 2	0 2
United Kingdom	65 6	73 8	216 5	283 2	1 0	1 7	–	–
North America	158 8	174 2	90 3	133 2	1 4	0 9	–	–
Far East	46 8	49 6	41 4	41 5	2 5	1 4	–	–
Rest of the world	34 6	29 4	15 8	11 6	0 1	0 4	–	–
Intra-group eliminations	–	–	(96 3)	(133 4)	–	–	–	–
	414 7	437 1	372 5	425 8	7 6	8 0	0.2	0 2

4 Exceptional items

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

	Notes	2008 £ Millions	2007 £ Millions
Redundancy and integration costs	(i)	(9 9)	(6 1)
Impairment of property plant and equipment	(ii)	(4 8)	(7 9)
Gain on sale of property, plant and equipment	(iii)	0 7	1 1
Impairment of intangible assets	(iv)	(57 9)	–
Pension curtailment	(v)	–	10 8
Release of surplus restructuring provision	(vi)	–	1 3
Exceptional items charged to operating loss		(71 9)	(0 8)
Exceptional tax income	(vii)	6 9	–
Total exceptional items		(65 0)	(0 8)

(i) As part of its continuing initiative to lower operating costs the Group incurred a charge of £9 9 million (2007 £6 1 million) relating to redundancy and integration costs

(ii) Impairment charge of £4 8 million (2007 £7 9 million) arising from a review of the carrying value of plant and equipment at the Groups manufacturing and distribution facilities in the United Kingdom Germany and the United States This item is included within other operating expenses The impairment charges have been calculated in accordance with IAS 36, which does not allow the inclusion in cash flow projections, of benefits arising from future restructuring activities to which an entity is not commited

(iii) Profits arising from property activities amounting to £0 7 million (2007 £1 1 million)

(iv) Impairment charge of £57 9 million (2007 £nil million) arising from a review of the carrying value of intangible assets associated with the Groups Ceramics business This item is included within other operating expenses The impairment charges have been calculated in accordance with IAS 36, which does not allow the inclusion in cash flow projections of benefits arising from future restructuring activities to which an entity is not commited

(v) Gain arising from the curtailment of pension benefits of the Wedgwood Group Pension Plan amounting to £nil million (2007 £10 8 million)

(vi) Release of surplus restructuring provision amounting to £nil million (2007 £1 3 million)

(vii) Release of a deferred tax of £6 9 million (2007 £nil million) associated with the impairment of assets

Notes to the consolidated financial statements

5 Finance costs

	2008 £ Millions	2007 £ Millions
Interest payable and similar charges	(14 1)	(12 6)
Interest payable to Waterford Wedgwood Group companies	(1 6)	(1 6)
Interest on pension scheme obligations in excess of expected return on pension schemes' assets	(2 1)	(2 1)
Interest element of finance leases payments	(1 3)	(1 5)
	(19 1)	**(17 8)**

6 Employees

	2008 Number	2007 Number Reclassified
Average number of persons employed		
Production	2 906	3,197
Distribution sales and marketing	3 527	3 773
Administration	496	519
	6,929	**7,489**

The 2007 headcount numbers have been reclassified to accord with the current year classifications

	2008 £ Millions	2007 £ Millions
Payroll costs of those employees		
Wages and salaries	115 9	118 0
Social welfare costs	14 1	14 9
Retirement benefit costs/(income) (note 20)	5 4	(5 3)
	135 4	**127 6**

Retirement benefit cost/(income) above includes an amount of £2 1 million (2007 £2 1 million) which is recorded in finance costs and £nil million (2007 £10 8 million) recorded as exceptional income

7 Directors' remuneration and other contracts

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

	2008		2007	
	Executive Directors £ 000	Non-executive Directors £ 000	Executive Directors £ 000	Non-executive Directors £ 000
Fees	–	5	–	10
Other remuneration	705	–	646	–
Benefits in kind	20	–	20	–
Contributions to defined contribution pension schemes	61	–	40	–
Ex-gratia pension paid to a past Director	7	–	7	–
	793	5	713	10

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 £328,000 (2007 £307 000) and had a contribution of £nil (2007 £nil) to a defined benefit pension scheme arrangement.

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

Notes to the consolidated financial statements

8 Income tax

	2008 £ Millions	2007 £ Millions
Current taxation		
Based on loss for the year		
Corporation tax	–	0.1
Overseas taxation	(0.7)	(1.3)
Over provision in respect of prior periods		
Corporation taxation	–	0.6
	(0.7)	**(0.6)**
Deferred tax		
Release of deferred tax associated with impaired assets	6.9	–
On temporary differences	(0.3)	0.4
Income tax income/(expense)	**5.9**	**(0.2)**

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

	2008 £ Millions	2007 £ Millions
Loss before income tax	**(177.3)**	**(22.5)**
Notional UK corporation taxation credit at 30% (2007: 30%)	53.2	6.8
Different taxation rates in overseas operations	2.2	0.3
Impairment of intangible assets, property, plant and equipment	(11.4)	(2.0)
Tax losses not utilised	(36.4)	(9.5)
Other timing differences	0.1	2.9
Other permanent differences	(1.8)	0.7
Over provision in respect of prior periods	–	0.6
	5.9	(0.2)

9 Intangible Assets

	Goodwill £ Millions	Brands £ Millions	Software £ Millions	Total £ Millions
2008				
Cost				
At 1 April 2007	69 8	29 2	3 3	102 3
Additions	–	–	0 2	0 2
Translation adjustment	–	0 3	0 6	0 9
At 5 April 2008	**69 8**	**29 5**	**4 1**	**103 4**
Accumulated amortisation and impairment				
At 1 April 2007	(11 6)	(5 3)	(2 3)	(19 2)
Amortisation*	–	(1 4)	(0 4)	(1 8)
Impairment (note 4)	(57 9)	–	–	(57 9)
Translation adjustment	–	(0 3)	(0 4)	(0 7)
At 5 April 2008	**(69 5)**	**(7 0)**	**(3 1)**	**(79 6)**
Net book value				
At 1 April 2007	58 2	23 9	1 0	83 1
At 5 April 2008	**0 3**	**22 5**	**1 0**	**23 8**

	Goodwill £ Millions	Brands £ Millions	Software £ Millions	Total £ Millions
2007				
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**

*Brands amortisation of £1 4 million (2007 £1 4 million) and amortisation of software costs of £0 4 million (2007 £0 6 million) has been charged to administrative expenses

The remaining unamortised life of the brands at 5 April 2008 is 17 years

Notes to the consolidated financial statements

9 Intangible Assets continued

Cash-generating units
Goodwill at 31 March 2007 related to the excess of the consideration paid over the fair value of 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 This CGU was "Wedgwood/Royal Doulton" In the prior year the CGU was "Royal Doulton", however given the integration of the Wedgwood/Royal Doulton operations the "Wedgwood/Royal Doulton" CGU is considered more appropriate at 5 April 2008

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

	2008 £ Millions	2007 £ Millions
Ceramics Group		
United Kingdom	–	58 0
USA	0 3	0 2
	0 3	58.2

The impairment charges have been calculated in accordance with IAS 36 which does not allow the inclusion in cash flow projections of benefits arising from future restructuring activities to which an entity is not commited

Impairment testing methodology results
The Group tests goodwill and other intangible assets annually for impairment if there is an indication that they may be impaired

The recoverable amount of the CGU's 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 management's budgets and forecasts for a three year period approved by senior management and the Board of Directors

A growth rate of four percent has been used in determining value in use beyond the period covered by the budgets and forecasts

The recoverable amount stemming from this exercise represents the present value of the future cash flows discounted at an appropriate discount rate to the CGU being assessed for impairment. a discount rate of 14% (2007 13%) was used The Group considers it appropriate to use the same discount rate for each cash generating unit as the cost of capital and associate risks of the business are inter-linked For the purpose of impairment testing unallocated Group overheads have been allocated to CGUs based on revenue

Applying the above techniques has resulted in an impairment charge against intangible assets of £57 9 million which has been included as part of exceptional items

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 management's

9 Intangible Assets continued

- estimates of future profitability
- estimates of future exchange rates
- revenues generated from new product initiatives
- trade working capital investment needs and
- benefits of existing restructuring initiatives (No benefits from future planned restructuring for which no provision has been made of 5 April 2008, have been considered)

The 5 year 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

10 Property, plant and equipment

	Land and Buildings				
	Freehold £ Millions	Long leasehold £ Millions	Short leasehold £ Millions	Plant and equipment £ Millions	Total £ Millions
2008					
Cost					
At 1 April 2007	64 0	12 6	7 6	197 6	281 8
Additions	0 7	–	0 1	6 8	7 6
Assets held for sale	(1 5)	–	–	–	(1 5)
Disposals	(0 6)	–	–	(17 9)	(18.5)
Translation adjustment	5 6	–	0 2	13 5	19 3
At 5 April 2008	**68.2**	**12 6**	**7 9**	**200 0**	**288 7**
Accumulated depreciation and impairment					
At 1 April 2007	(35 5)	(1 7)	(5 8)	(159 0)	(202 0)
Depreciation charge	(1 0)	(0 4)	(0 4)	(8 8)	(10 6)
Assets held for sale	1 1	–	–	–	1 1
Disposals	0 5	–	–	17 6	18 1
Impairment (note 4)	(0 6)	–	(0 7)	(3 5)	(4 8)
Amounts reclassified	(0 3)	–	–	0 3	–
Translation adjustment	(4 7)	–	(0 2)	(11 4)	(16 3)
At 5 April 2008	*(40 5)*	(2 1)	(7 1)	(164 8)	(214 5)
Net book value					
At 1 April 2007	28 5	10 9	1 8	38 6	79 8
At 5 April 2008	27 7	10 5	0 8	35 2	74.2

Notes to the consolidated financial statements

10 Property, plant and equipment continued

2007	Land and Buildings Freehold £ Millions	Long leasehold £ Millions	Short leasehold £ Millions	Plant and equipment £ Millions	Total £ Millions
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**

No depreciation is charged on freehold land with a book value of £5 7 million (2007 £5 6 million)

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

	2008 £ Millions	2007 £ Millions
Long leasehold property	10 5	10 9
Plant and equipment	5 6	6 0
	16 1	**16 9**

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

	2008 £ Millions	2007 £ Millions
Depreciation in respect of finance leases	1 6	1 5
Impairment in respect of finance leases	0 1	–
	1 7	1 5

10 Property, plant and equipment continued

Impairment testing

The Group tests impairment if there is an indication that assets might be impaired Testing is performed at a CGU level 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 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 Group does not impair property plant and equipment to below their open market value

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

A growth rate of four percent has been used in determining value in use beyond the period covered by the budgets and forecasts

The recoverable amount stemming from this exercise represents the present value of the future cash flows discounted at an appropriate discount rate to the CGU being assessed for impairment a discount rate of 14% (2007 13%) was used The Group considers it appropriate to use the same discount rate for each cash generating unit as the cost of capital and associate risks of the business are inter-linked For the purposes of impairment testing unallocated Group overheads have been allocated to CGUs based on revenue

Applying the above techniques, the following impairment has been recognised

	2008 £ Millions	2007 £ Millions
Ceramics division – United Kingdom	2 0	7 9
Ceramics division – Germany	1 4	–
Other – USA	1 4	–
	4 8	7 9

The impairment charges have been calculated in accordance with IAS 36 which does not allow the inclusion, in cash flow projections of benefits arising from future restructuring activities to which an entity is not committed

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 management s

- estimates of future profitability
- revenues generated from new product initiatives
- trade working capital investment needs and
- benefits of existing restructuring initiatives (No benefits from future planned restructuring for which no provision has been made at 5 April 2008 have been considered)

The 5 year 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

Notes to the consolidated financial statements

11 Financial assets

	2008 £ Millions	2007 £ Millions
Balance at 1 April	1.3	1.5
Additions	0.2	–
Translation adjustment	0.2	(0.2)
Balance at 5 April 2008 and 31 March 2007	1.7	1.3

12 Inventories

	2008 £ Millions	2007 £ Millions
Raw materials	15.3	11.5
Work in progress	19.0	17.5
Finished goods	129.0	115.4
	163.3	**144.4**

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

13 Trade and other receivables

	2008 £ Millions	2007 £ Millions
Due within one year		
Gross receivables	63.1	59.9
Provision for impairment of trade receivables	(3.0)	(3.4)
Amounts owed by Waterford Wedgwood Group companies	24.8	36.2
Other receivables	6.3	7.0
Prepayments and accrued income	7.2	5.7
	98.4	105.4
Due after more than one year		
Trade receivables	0.1	–
Other receivables	–	0.2
	0.1	0.2

The following table sets forth the ageing of trade receivables by reference to the payment terms specified in the term and condition established between the Waterford Wedgwood business operations and its customers together with related provisions for impairment of trade receivables

13 Trade and other receivables continued

	2008 £ Millions	2007 £ Millions
Gross trade receivables	63 2	59 9
Provisions for impairment of trade receivables	(3 0)	(3 4)
Total trade receivables net of impairment provisions	60.2	56 5
of which		
Neither past due nor impaired	43 9	39 8
Past due but not impaired		
Past due not more than one month	9 8	6 2
Past due more than one month and not more than two months	2 7	4 9
Past due more than two months and not more than three months	1 4	1 8
Past due more than three months and not more than six months	1 1	1 9
Past due more than six months	1 3	1 9
Total trade receivables net of impairment provisions	60.2	56 5

The following summarises the movement in provisions for impairment of trade receivables

	2008 £ Millions	2007 £ Millions
At 1 April	(3 4)	(5 0)
Charge to the income statement	(0 5)	(0 1)
Receivables written off during the year as uncollectable	1 0	1 4
Translation adjustment	(0 1)	0 3
At 5 April 2008 and 31 March 2007	(3 0)	(3 4)

Provisions for impairment of trade receivables are established based upon the difference between the receivable value and the estimated net collectable amount arrived at by reference to historical loss experiences Debtors who are displaying signs of significant financial difficulties such as probability that the debtor will default, delinquency in payments or the need for financial reorganisation are considered indicators that a provision for impairment may be required

Trade receivables include amounts denominated in the following major currencies

	2008 £ Millions	2007 £ Millions
Euro	23 9	19 9
Sterling	8 0	10 9
US Dollar	17 0	17 0
Canadian Dollar	3 7	2 9
Australian Dollar	2 0	1 6
Yen	6 8	6 0
Other currencies	1 8	1 6
	63 2	59 9

Notes to the consolidated financial statements

13 Trade and other receivables continued

Trade receivables comprise a large widespread customer base Wholesale customers are firstly assessed for credit quality via independent ratings If such ratings are not available the risk is assessed taking into account its financial position past experience and other factors Customer credit limits are regularly monitored

The standard credit terms offered to customers are 30 days but under certain circumstances this may change i e poor credit quality may require cash on delivery or where goods take a lengthy time to deliver additional credit may be given

Sales to retail customers are settled in cash or by major credit cards The cash collected in the concession shops the Group operate is retained by the store operators and remitted on average 30 days after month end

At 5 April 2008 the largest receivable balance due from a single customer was £5 2 million (2007 £4 5 million)

The carrying value of trade and other receivables approximate their fair value

14 Trade and other payables – current liabilities

	2008 £ Millions	2007 £ Millions
Trade payables – within terms	25 2	29 3
Trade payables – outside terms	16 1	24 0
Total trade payables	**41 3**	**53 3**
Amounts owed to Waterford Wedgwood Group companies	513 6	390 1
Payable for taxation and social welfare	4 1	3 8
Other payables	7 0	6 6
Accrued liabilities	12 8	11 9
	578 8	465 7

Payables for taxation and social welfare included above are as follows		
Income tax deducted under PAYE	1 5	1 4
Pay related social insurance	0 6	0 6
Value added tax payable	1 7	1 5
Other taxes	0 3	0 3
	4 1	3 8

The carrying value of trade and other payables approximate their fair value

15 Trade and other payables – non-current liabilities

	2008 £ Millions	2007 £ Millions
Accruals and deferred income	5 6	3 0
Other payables	–	0 2
	5 6	3.2

16 Finance lease obligations

	Minimum lease payments		Present value of minimum lease payments	
	2008 £ Millions	2007 £ Millions	2008 £ Millions	2007 £ Millions
Amounts payable under finance leases				
Within one year	2 6	2 3	2 4	2 1
Two to five years	9 4	9 3	8 9	8 4
After five years	26 4	28 0	7 0	7 9
	38 4	39 6	18 3	18 4
Less Future finance charges	(20 1)	(21 2)	–	–
Present value of minimum lease payments	18 3	18 4	18 3	18 4
Less Amounts due for settlement within 12 months (current liabilities)			(2 4)	(2 1)
Amounts due for settlement after 12 months (non-current liabilities)			15 9	16 3

Group lease obligations are denominated in the following currencies

	2008 £ Millions	2007 £ Millions
Euro	2 5	3 0
Sterling	15 7	15 4
US Dollar	0 1	–
	18 3	18 4

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 5 April 2008 the average effective borrowing rate was 8 2% (2007 8 2%) The Group's obligations under finance leases are secured by the lessor's title to the leased assets

Notes to the consolidated financial statements

17 Provisions for other liabilities and charges

2008	Restructuring provision £ Millions	Onerous contract £ Millions	Other provisions £ Millions	Total £ Millions
At 1 April 2007	6 4	7 6	0 8	14 8
Charged to income statement as an exceptional item	9 9	–	–	9 9
Utilised during the year	(8 3)	(0 6)	–	(8 9)
Translation adjustment	0 6	–	0 1	0 7
At 5 April 2008	**8 6**	**7 0**	**0 9**	**16 5**
Less Amounts due for settlement within 12 months (current liabilities)	(8 6)	(1 1)	(0 3)	(10 0)
Amounts due for settlement after 12 months (non-current liabilities)	**–**	**5 9**	**0 6**	**6 5**

2007	Restructuring provision £ Millions	Onerous contract £ Millions	Other provisions £ Millions	Total £ Millions
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**

Restructuring provision

The provisions relate to irrevocable commitments under various restructuring programmes throughout the Group The majority of the provision at 5 April 2008 relates to a restructuring programme at Rosenthal which involves the redistribution of production between two factories in Germany, increased automation and further outsourcing of certain labour intensive products The Group expects the provision to be fully utilised within 12 months of the balance sheet date

Onerous contract

This provision is to cover costs associated with an onerous warehouse and distribution contract associated with the Group s warehouse facility in Stone, Staffordshire England and is made on a net present cost basis The onerous contract expires in 2015

Other provisions

These provisions principally comprise obligations relating to long service awards Provisions have been established for the anticipated cost of honouring such obligations based using past experience as a guide Although the expected timing of any payments is uncertain estimates have been made of the likely cash profile

18 Deferred taxation

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

	Accelerated capital allowances £ Millions	Retirement obligations £ Millions	Other deductions* £ Millions	Other deferred deductions** £ Millions	Tax losses £ Millions	Provision £ Millions	Total £ Millions
At 1 April 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)**
Credit/(charge) to income statement	1 2	(0 4)	7 0	1 6	38 4	(41 2)	6 6
Translation adjustment	(0 1)	0 2	–	0 5	3 9	(4 2)	0 3
At 5 April 2008	**20 3**	**11 9**	**(6 8)**	**13 1**	**178 3**	**(216 8)**	**–**

*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

	2008 £ Millions	2007 £ Millions
Non-current deferred income tax assets	–	0 5
Deferred income tax liabilities	–	(7 4)
	–	(6 9)

As at 5 April 2008 the amount and expiry of unused tax losses reflected in the above analysis is as follows

	Amount of tax losses £ Millions
Within 1 year	0 3
Between 1 and 2 years	0 3
Between 2 and 3 years	1 6
Between 3 and 4 years	1 9
Other expiry	23 8
Indefinite	577 5
	605 4

As disclosed above potential deferred tax assets of £216 8 million (2007 £171 4 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 groups and tax jurisdictions in which they were incurred

Notes to the consolidated financial statements

19 Borrowings

	2008 £ Millions	2007 £ Millions
Repayable as follows		
Between one and two years	2 8	–
Between two and five years	122 7	112 0
	125 5	**112 0**
Split of borrowings between		
– Secured	119 4	106 6
– Unsecured	6 1	5 4
	125 5	**112 0**

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

The following are included in long and medium term borrowings

	2008 £ Millions	2007 £ Millions
Multi-currency credit facility	93 2	83 4
Mezzanine term loans	22 6	22 9
Subordinated debt	6 1	5 4
Term loan	3 6	0 3
	125 5	**112 0**

Multi-currency credit facility and mezzanine term loans

The multi-currency credit facility and the mezzanine term loans provide maximum potential 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 Group s worldwide inventory trade receivables and certain other assets of the Waterford Wedgwood Group

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 £6 1 million (2007 £5 4 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

Term loan

United Overseas Bank provides a facility of US$10 million (2007 US$10 million) of which US$4 0 million (2007 US$4 0 million) is for working capital purposes and US$6 0 million (2007 US$6 0 million) is to fund the expansion of the Group s Indonesian manufacturing facility US$7 0 million of the facility matures on 16 March 2010 and US$3 0 million matures on 2 August 2010 and the loans are at variable rates of interest The loans are secured against the assets of PT Doulton There are no financial covenants applicable to this facility

19 Borrowings continued

Maturity analysis of undrawn committed borrowing facilities

	2008 £ Millions	2007 £ Millions
Between one and two years	07	–
After two years	26 1	19 5
	26 8	19 5

Fair value of borrowings

	2008		2007	
	Book value £ Millions	Fair value £ Millions	Book value £ Millions	Fair value £ Millions
Bank borrowings	125 5	126 0	112.0	112 6

The fair value of non listed debt is measured by discounting cash flows at the prevailing interest and exchange rates

20 Retirement benefit obligations

The Group operates pension schemes in a number of its businesses throughout the world The 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 defined benefit 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 £2 0 million (2007 £1 9 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 5 April 2008 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 Plan and 1 January 2005 for the Royal Doulton UK Pension Scheme

Notes to the consolidated financial statements

20 Retirement benefit obligations continued

The amounts recognised in the income statement in relation to pensions and other post employment obligations in the year were as follows

	2008 £ Millions	2007 £ Millions
Current service cost	1 3	1 5
Gains on curtailments	–	(10 8)
Expected return on pension schemes assets	(23 0)	(23 0)
Interest on retirement benefit obligations	25 1	25 1
Defined contribution pension scheme charge	2 0	1 9
Net amount charged/(credited) to loss before income tax	5 4	(5 3)

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

	2008 £ Millions	2007 £ Millions
Cost of sales	0 7	1 0
Selling marketing and distribution expenses	1 1	1 2
Administrative expenses	1 5	1 2
Finance costs (note 5)	2 1	2 1
Exceptional items (note 4)	–	(10 8)
	5 4	(5 3)

We expect to contribute £6 5 million to our defined benefit pension schemes in the 12 months to 4 April 2009

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

	2008 £ Millions	2007 £ Millions
Actual return less expected return on scheme assets	(18 1)	6 1
Experience gains and losses arising on the schemes' liabilities	3 0	0 1
Changes in assumptions underlying the present value of the schemes liabilities	15 5	28 6
Actuarial gain recognised in the consolidated statement of recognised income and expense	**0 4**	34 8
Actual return on scheme assets	4 9	29 1
Cumulative actuarial gains recognised in consolidated statement of recognised income and expense	24 3	23 9

20 Retirement benefit obligations continued

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

	2008		2007		2006	
	Long term rate of return*	Value £ Millions	Long term rate of return*	Value £ Millions	Long term rate of return*	Value £ Millions
Equities	5 3%–7 4%	189 6	5 3%–7 0%	223 0	5 3%–6 8%	221 7
Gilts	4 4%–4 4%	150 5	3 9%–4 0%	136 6	3 8%–3 8%	132 7
Bonds	1 7%–6 0%	52 6	3 5%–4 8%	39 5	3 5%–4 5%	39 6
Property	6 4%–6 4%	20 8	5 9%–5 9%	22 5	5 8%–5 8%	19 0
Cash/other	0 2%–5 2%	3 9	0 8%–4 8%	6 0	0 8%–4 1%	4 5
Fair value of schemes' assets		417 4		427 6		417 5
Present value of schemes obligations		(476 0)		(486 4)		(526 2)
Net pension and other post employment benefit liability		(58 6)		(58 8)		(108 7)

* The overall expected rate of return on schemes 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 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 are disclosed in a range format to reflect the differing assumptions in each scheme were as follows

	2008	2007
Inflation assumptions	0 0%–3 6%	0 0%–3 1%
Rate of increase in future pensionable salaries	1 0%–3 0%	1 0%–3 5%
Rate of increase for pensions in payment and deferred pensions	0 0%–3 5%	0 0%–3 0%
Rate used to discount scheme liabilities	1 5%–6 2%	1 8%–5 3%

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

	2008 Years	2007 Years
Male	21 5	20 2
Female	24 4	23 1

Notes to the consolidated financial statements

20 Retirement benefit obligations continued

Detailed below is an analysis of the impact of changes in certain key assumptions on the post employment benefit obligations as at 5 April 2008

	Increase in obligations £ Millions
0.5% percentage point increase in future salaries	1 7
0 5% percentage point increase in inflation	12 8
0 1% percentage point decrease in discount rate	7 4
Increase in life expectancy of 1 year	11 3

The movements in the schemes' obligations during the year were as follows

	2008 £ Millions	2007 £ Millions
Present value of schemes obligations at the beginning of the year	486 4	526 2
Current service cost	1 3	1 5
Gains on curtailments	–	(10 8)
Interest on benefit obligations	25 1	25 1
Employee contributions	–	0 4
Actuarial gain arising on scheme liabilities	(18 5)	(28 7)
Benefits paid	(22 8)	(24 4)
Translation adjustments	4.5	(2.9)
Present value of schemes' obligations at the end of the year	**476 0**	**486 4**

The present value of schemes' obligations at the end of the year that relates to

	2008 £ Millions	2007 £ Millions
Wholly unfunded plans	22 8	22 8
Wholly or partly funded plans	453 2	463 6
	476 0	486 4

20 Retirement benefit obligations continued

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

	2008 £ Millions	2007 £ Millions
Fair value of schemes assets at the beginning of the year	427 6	417 5
Expected return on schemes' assets	23 0	23 0
Employer contributions	6 6	6 7
Employee contributions	–	0 4
Actual return less expected return	(18 1)	6 1
Benefits paid	(22 8)	(24 4)
Translation adjustments	1 1	(1 7)
Fair value of schemes' assets at the end of the year	**417 4**	**427 6**

	2008 £ Millions	2007 £ Millions	2006 £ Millions	2005 £ Millions
Present value of schemes' obligations	(476 0)	(486 4)	(526 2)	(479 9)
Fair value of schemes' assets	417 4	427 6	417 5	357 6
Net pension and other post employment benefit liability	(58 6)	(58 8)	(108 7)	(122 3)
Experience adjustments on schemes' liabilities	3 0	0 1	(3 6)	(0 4)
Experience adjustments on schemes' assets	(18 1)	6 1	47 0	0 9

21 Share capital

	2008 £ Millions	2007 £ Millions
Authorised		
220 million ordinary shares of 25p each	55 0	55 0
16 05 billion income shares of 1p each	160 5	160 5
	215 5	215 5

Notes to the consolidated financial statements

21 Share capital continued

	Ordinary shares of 25p each £ Millions	Income shares of 1p each £ Millions	Total £ Millions
Issued as fully paid			
At 5 April 2008 – Ordinary shares – 181,601,769			
– Income shares – 5,454,084,984	45 4	54 6	**100 0**
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**

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 UK plc) at €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 Waterford Wedgwood Group

22 Reconciliation of changes in equity

	Attributable to equity holders of the Company					
	Share capital £ Millions	Retained losses £ Millions	Translation reserves £ Millions	Sub total £ Millions	Minority interests £ Millions	Total equity £ Millions
At 1 April 2007	100 0	(361 7)	1 7	(260 0)	2 0	(258 0)
Currency translation adjustments	–	–	(4 8)	(4 8)	–	(4 8)
Actuarial gains on defined benefit pension schemes	–	0 4	–	0 4	–	0 4
Loss for the year	–	(170 4)	–	(170 4)	(1 0)	(171 4)
Acquisition of minority interests	–	(0 6)	–	(0 6)	0 6	–
At 5 April 2008	**100 0**	(532 3)	(3 1)	(435 4)	1 6	(433 8)
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)

23 Financial risk management

Financial risk factors

The Group's activities expose it to a variety of financial risks market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.

The Group's overall risk management seeks to minimise adverse effects on the Group's financial performance

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 Committee comprising executive and non executive directors of the Waterford Wedgwood Group Board and Waterford Wedgwood Group management, supplemented by procedures and bank mandates The Waterford Wedgwood Group treasury function manages interest rate foreign currency and financing risk and its activities are routinely reported to members of the Waterford Wedgwood Group Board

(a) Market risk

(i) Foreign exchange rate risk

The Group operates internationally and is exposed to the five main currencies Euro, Sterling US dollar Swiss franc and Japanese yen Foreign exchange risk arises from future commercial transactions, borrowing in foreign currency and net investments in foreign operations

It is the Groups policy to protect income and expenditure where appropriate by currency contracts

The Group's treasury policy is to hedge up to 80% of anticipated cash flows of Yen for the subsequent 12 months The Group does not engage in speculative activity

Foreign currency third party receipts in the overseas operations are applied to cover local costs such as purchase of product (both intercompany and third party) payroll advertising selling expenses etc In the manufacturing units foreign currency receipts both from third party and intercompany are first applied to settling any corresponding foreign currency costs, with the net exposure converted via spot or forward contract

The Group has certain investments and intercompany balances in foreign operations which are exposed to foreign currency translation risk. The Group manages these through actively managing its intercompany and foreign currency bank funding in appropriate operational currencies

Through fixed forward contracts and cap and collar arrangements at 5 April 2008 the group has hedged 99% of it fiscal 2009 yen/sterling exposure at an average rate of 215 50

In fiscal 2008 if the sterling rate achieved against the yen had been 1% weaker/stronger with all other variables holding constant the post tax loss and equity for the year would have been £0 2 million (2007 £0 2 million) higher/lower as a result of the trading flow transactions during the year

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 liabilities of the Group that are not denominated in the functional currency of the operating unit involved These exposures were as follows

Notes to the consolidated financial statements

23 Financial risk management continued

	US$ £ Millions	Yen £ Millions	Other £ Millions	Total £ Millions
2008				
Functional currency of Group operations				
Euro	1 1	1 2	0 6	2 9
Sterling	(28 6)	5 6	(3 7)	(26 7)
Other	(0 1)	–	0 5	0 4
Total	(27 6)	6 8	(2 6)	(23 4)
2007				
Functional currency of Group operations				
Euro	5 1	–	0 4	5 5
Sterling	5 7	9 0	(4 3)	10 4
Other	(0 1)	–	1 3	1 2
Total	10 7	9 0	(2 6)	17 1

(ii) Interest rate risk

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

The average cost of bank borrowings for the Group in fiscal 2008 was 9 20% versus 8 61% in fiscal 2007

The Group has calculated that a 1% change in the fiscal 2008 interest rate would have resulted in a £2 0 million (2007 £1 6 million) change in the interest charge on bank borrowings

The Group has not entered into any interest rates swaps during fiscal 2008

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

	Floating rate financial liabilities £ Millions
2008	
Currency	
Euro	29 4
Sterling	44 8
US Dollar	60 4
Yen	9 2
	143 8

	Floating rate financial liabilities £ Millions
2007	
Currency	
Euro	18 0
Sterling	60 7
US Dollar	51 7
	130 4

23 Financial risk management continued

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

(iii) Price risk
The Group has a minimal exposure to commodity price risk

(b) Credit risk
Credit risk consists principally of short term cash deposits and trade receivables and is managed at a divisional level but monitored centrally

Short term cash deposits
For banks and financial institutions only independently rated parties with a minimum rating of A are accepted The credit ratings for the institutions where short term cash deposits were held are

Credit rating	2008 £ Millions	2007 £ Millions
AAA	0 1	0 1
AA+	–	1 8
AA	5 4	4 5
AA-	0 3	0 8
A+	1 2	0 3
A	3 6	3 6
Total	**10 6**	**11 1**

(c) Liquidity risk
The Group s liquidity risk management is managed as part of the wider Waterford Wedgwood Group and requires maintaining sufficient cash and adequate committed credit facilities

Waterford Wedgwood Group management monitor divisional generated monthly rolling forecasts of the Groups weekly cash requirements based on forecast receipts and payments and the availability of credit lines under the Waterford Wedgwood Group's asset based lending facility Waterford Wedgwood Group management allocate funds to each of the divisions based on their monthly submissions and the credit facilities available

The Group is financed through equity and secured and unsecured bank loans The Group's trading has been negatively affected in recent years by adverse foreign currency exchange rates and a reduction in core sales, which has resulted in trading losses Ongoing trading difficulties have compromised the ability of the Group to use funds raised to implement, on a timely basis restructuring actions necessary to reduce the Group s cost base

During the year the Waterford Wedgwood Group raised €166 6 million (before expenses) from the issue of cumulative convertible preference shares A portion of the €166 6 million proceeds from the issue of preference shares has been applied to reducing the level of trade payables During fiscal 2008 the total level of trade payables was reduced from £53 3 million to £41 3 while the level of trade payables outside credit terms has been substantially reduced by £7 9 million from £24 0 million at 31 March 2007 to £16 1 million at 5 April 2008 In addition £8 3 million has been spent on restructuring activities

Since the year end the Waterford Wedgwood Group has placed the remaining €33 4 million of the €100 million private placement of convertible preference shares announced in July 2007 Additional information on the Waterford Wedgwood Groups current liquidity plans is given in note 1

The following table analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to contractual maturity date The amounts disclosed in the table are the contractual undiscounted cash flows

Notes to the consolidated financial statements

23 Financial risk management continued

	Up to 1 year £ Millions	2–5 years £ Millions	After 5 years £ Millions
2008			
Bank borrowings	(9 8)	(137 7)	–
Trade and other payables	(65 1)	(3 4)	–
Finance lease obligations	(2 6)	(9 4)	(26 4)
2007			
Bank borrowings	(10 7)	(136 1)	–
Trade and other payables	(75 6)	(0 9)	–
Finance lease obligations	(2 3)	(9 3)	(28 0)

The table below analyses the Group's derivative financial instruments settled on a gross basis, into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date The amounts disclosed in the table are the contractual undiscounted cash flows Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Up to 1 year £ Millions
2008	
Forward foreign currency exchange contracts – cash flow hedges	
Outflow	(13 4)
Inflow	12 5
2007	
Forward foreign currency exchange contracts – cash flow hedges	
Outflow	(12 8)
Inflow	13 1

Capital risk management

The capital structure of the Group is managed as part of the wider Waterford Wedgwood Group

The capital structure of the Group which comprises net debt and equity may be summarised as follows

	2008 £ Millions	2007 £ Millions
Capital and reserves attributable to the Company's equity holders	(435 4)	(260 0)
Net debt (note 29)	133 2	119 9
Capital and net debt	**(302 2)**	**(140 1)**

The Waterford Wedgwood Group monitors capital with specific emphasis on net debt. Net debt is calculated as total borrowings finance lease obligations less cash and cash equivalents Total capital is calculated as equity' ' as shown in the consolidated balance sheet plus net debt

Fair value estimation

The fair value of financial instruments that are not traded in an active market (for example over-the-counter derivatives) is determined by using valuation techniques The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques such as estimated discounted cash flows are used to determine fair value for the remaining financial instruments The fair value of forward foreign currency exchange contracts is determined using quoted forward exchange rates at the balance sheet date

23 Financial risk management continued

Estimates and judgments are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances

The carrying value of trade and other payables and trade and other receivables less impairment provisions are assumed to approximate their fair values The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

24 Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below

2008	Loans and receivables £ Millions	Assets at fair value through the income statement £ Millions	Derivatives used for hedging £ Millions	Total £ Millions
Asset per the balance sheet				
Trade and other receivables	98 5	–	–	98 5
Other financial assets	1 7	–	–	1 7
Cash and cash equivalents	10 6	–	–	10 6
Total	**110 8**	–	–	**110 8**

2008	Other financial liabilities £ Millions	Liabilities at fair value through the income statement £ Millions	Derivatives used for hedging £ Millions	Total £ Millions
Liabilities per the balance sheet				
Trade and other payables	584 4	–	–	584 4
Finance leases	18 3	–	–	18 3
Borrowings	125 5	–	–	125 5
Total	728 2	–	–	728.2

2007	Loans and receivables £ Millions	Assets at fair value through the income statement £ Millions	Derivatives used for hedging £ Millions	Total £ Millions
Asset per the balance sheet				
Trade and other receivables	105 6	–	–	105 6
Other financial assets	1 3	–	–	1 3
Cash and cash equivalents	11 1	–	–	11 1
Total	**118 0**	–	–	**118 0**

Notes to the consolidated financial statements

24 Financial instruments by category continued

2007	Other financial liabilities £ Millions	Liabilities at fair value through the income statement £ Millions	Derivatives used for hedging £ Millions	Total £ Millions
Liabilities per the balance sheet				
Trade and other payables	468 9	–	–	468 9
Finance leases	18 4	–	–	18 4
Borrowings	112 0	–	–	112 0
Total	599 3	–	–	599 3

25 Derivative financial instruments

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

The notional principal amounts of the outstanding forward foreign currency exchange contracts at 5 April 2008 all maturing within the next 12 months are

	2008 Millions	2007 Millions
Japanese Yen	Yen2,700 0	Yen3,000 0

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

	2008	2007
Yen/Sterling	228 87	236 35

26 Capital commitments

	2008 £ Millions	2007 £ Millions
Contracted for but not provided	1 1	0 6

Of the above £0 9 million (2007 £0 6 million) relates to property plant and equipment and £0 2 million (2007 £nil million) relates to intangible assets

27 Operating lease commitments

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

	2008 £ Millions	2007 £ Millions
No later than one year	14 1	14 4
Between two and five years	33 7	36 8
After five years	23 5	26 0
	71.3	77 2

The total of future minimum sublease payments to be received under non-cancellable subleases at 5 April 2008 were £18 0 million (2007 £18 8 million)

The majority of the operating lease commitments relate to the rental of property under long-term rental contracts The outstanding term of operating leases at 5 April 2008 ranges from less than one year to twenty four years Property rentals are typically fixed for a period of five years with other rentals fixed for the term of the contract

28 Reconciliation of loss before income tax to net cash used in operating activities

	2008 £ Millions	2007 £ Millions
Loss before income tax	(177 3)	(22 5)
Adjustments for		
Finance cost	19 1	17 8
Finance income	(0 6)	(0 4)
Exceptional items	71 9	0 8
Depreciation and amortisation	12 4	15 2
Adjustment for gains on disposal of assets	(1 1)	(0 9)
Unrealised foreign currency exchange movements	(4 9)	2 2
Restructuring spend	(8 3)	(13 4)
Loss from operations before changes in working capital and provisions	(88 8)	(1.2)
Increase in inventories	(11 6)	(12 7)
Decrease/(increase) in operating receivables	10 3	(8 0)
Increase in operating payables	101 8	11 6
Cash generated by/(used in) operations	11 7	(10 3)

Notes to the consolidated financial statements

29 Analysis of net debt

	As at 1 April 2007 £ Millions	Inception of new finance leases £ Millions	Cash flow £ Millions	Exchange movements £ Millions	As at 5 April 2008 £ Millions
Cash, cash equivalents and bank overdrafts	10.5	–	(0.8)	0.9	10.6
Finance lease obligations	(18.4)	(0.8)	1.2	(0.3)	(18.3)
Long term loans	(112.0)	–	(9.6)	(3.9)	(125.5)
	(119.9)	(0.8)	(9.2)	(3.3)	(133.2)

	As at 1 April 2006 £ Millions	Inception of new finance leases £ Millions	Cash flow £ Millions	Exchange movements £ Millions	As at 31 March 2007 £ Millions
Cash, cash equivalents and bank overdrafts	15.7	–	(4.4)	(0.8)	10.5
Finance lease obligations	(17.9)	(1.5)	1.0	–	(18.4)
Long term loans	(95.0)	–	(23.8)	6.8	(112.0)
	(97.2)	(1.5)	(27.2)	6.0	(119.9)

30 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	1 055 999 shares of no par value	Ceramic tableware/giftware manufacturer and distributor
PT Doulton	Tangerang Indonesia	15 852 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
*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	32 970,683 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	600 US$100 Common shares	Distributor

30 Principal subsidiary companies continued

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	83,091 072 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 90 7% (and has a call option in respect of a further 5 7%) 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.

31 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

32 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

33 Subsequent events

Details of the Group's future funding initiatives are set out in note 1 to these financial statements

34 Approval of consolidated financial statements

The Directors approved the consolidated financial statements on 1 August 2008

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

The financial information is prepared for a 53 week period ending on 5 April 2008 Comparatives are for the 52 week period ended on 31 March 2007 The balance sheets for 2008 and 2007 have been drawn up as at 5 April 2008 and 31 March 2007 respectively

FINANCIAL ASSETS

Investments in subsidiary undertakings are valued at the lower of amortised cost less provision for impairment or net realisable value 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

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 Company's 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 Company's 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
As at 5 April 2008

	Notes	2008 £ Millions	2007 £ Millions
Fixed assets			
Financial assets	**1**	**2.6**	**21.7**
Current assets			
Debtors	2	–	30.6
Creditors (amounts falling due within one year)	3	(48.6)	(60.3)
Net current liabilities		**(48.6)**	**(29.7)**
Total assets less current liabilities		**(46.0)**	**(8.0)**
Capital and reserves			
Called up share capital	4	100.0	100.0
Profit and loss account	5	(146.0)	(108.0)
Shareholders' deficit		**(46.0)**	**(8.0)**

Peter John Goulandris
Chairman

Moira Gavin
Director

Notes to the company balance sheet

1 Financial assets

The Companys investments in its subsidiaries were as follows

	£ Millions
2008	
Cost	
At 1 April 2007	187 9
Translation adjustments	(0 1)
At 5 April 2008	**187 8**
Provision for impairment	
At 1 April 2007	(166 2)
Impairment charge	(19 0)
At 5 April 2008	**(185.2)**
Net book value	
At 1 April 2007	21 7
At 5 April 2008	**2 6**

	£ Millions
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**

Notes to the company balance sheet

2 Debtors

	2008 £ Millions	2007 £ Millions
Amounts owed by subsidiary undertaking	17 8	30 6
Provision for impairment of amounts owed by subsidiary undertakings	(17 8)	–
	–	30 6

3 Creditors (amounts falling due within one year)

	2008 £ Millions	2007 £ Millions
Amounts owed to subsidiary undertakings	48 6	60 1
Other payables	–	0 2
	48 6	60 3

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 23 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 hedges or hedges of net investments The Company's 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 5 April 2008		As at 31 March 2007	
	Book value £ Millions	Fair value £ Millions	Book value £ Millions	Fair value £ Millions
Inter-company debtors	–	–	30 6	30 6
Inter-company creditors	48 6	48 6	60 1	60 1

The carrying value of inter-company debtors and inter-company creditors approximates to their fair value
Interest income amounted to £1 4 million (2007 £1 3 million) and interest expense amounted to £3 8 million (2007 £4 5 million)

4 Share capital

	2008 £ Millions	2007 £ Millions
Authorised		
220 million ordinary shares of 25p each	55 0	55 0
16 05 billion income shares of 1p each	160 5	160 5
	215 5	**215 5**

	Ordinary shares of 25p each £ Millions	Income shares of 1p each £ Millions	Total £ Millions
Issued as fully paid			
At 5 April 2008 – Ordinary shares – 181,601,769			
– Income shares – 5,454,084,984	45 4	54 6	**100 0**
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**

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) at €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 requirement of the Waterford Wedgwood Group

5 Profit and loss account

	2008 £ Millions	2007 £ Millions
Opening balance	(108 0)	(116 3)
(Loss)/profit for the year	(37 9)	13 0
Translation of net investments in overseas subsidiaries	(0 1)	(4 7)
Closing balance	**(146 0)**	**(108 0)**

Notes to the company balance sheet

6 Audit fees

Audit fees paid to PricewaterhouseCoopers by the Company amounted to £nil (2007 £nil) Audit fees are borne by a Group company

7 Approval of company financial statements

The Directors approved the Company financial statements on 1 August 2008

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

London Stock Exchange (WTFU L)