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# Waterford Wedgwood U.K. plc

# Accounts 2001



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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 annual report and financial statements 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 and 'Rosenthal' refers to Rosenthal AG activities worldwide.

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# Report of the Directors

The Directors submit their report to the shareholders, together with the audited financial statements for the year ended 31 December 2001.

## Results

The financial statements for the year ended 31 December 2001 are set out in detail on pages 7 to 26. A review of the Waterford Wedgwood Group's business is set out in the Waterford Wedgwood plc Accounts for the year. A summary of the results of the Group is as follows:

	Year ended 31 December 2001 £m
Operating loss	(10.7)
Amount written off investment	(10.1)
Net interest payable	(9.4)
Loss on ordinary activities before taxation	(30.2)
Taxation on loss on ordinary activities	1.1
Loss on ordinary activities after taxation	(29.1)
Minority interests	(0.1)
Loss attributable to members of the parent company	(29.2)
Dividends	(4.7)
Loss for the year	(33.9)

Translation adjustments totalling £1.7 million have decreased the revenue reserves balance during the year.

An interim dividend of 0.70c per share was paid on 3 December 2001. The Directors propose the payment of a final dividend of the sterling equivalent of 2.40c per ordinary share by Waterford Wedgwood plc, to be paid on 6 September 2002 to income shareholders on the register of the Company at the close of business on 7 June 2002, who are eligible and elect to receive the same, in accordance with the Articles of Association of the Company.

## Principal activities, acquisitions and divestments

The Company is an intermediate holding company. Through 2001, the Company managed the Wedgwood and Rosenthal brands. Wedgwood comprises the manufacture, distribution and retailing of high quality bone china and earthenware tableware and giftware under the Wedgwood brand together with quality earthenware tableware by Johnson Brothers (including the Franciscan brand), Mason's Ironstone fine tableware and giftware and Coalport bone china giftware. Rosenthal is a premium ceramics manufacturer based in Germany. Rosenthal manufactures, markets and distributes luxury porcelain giftware and tableware. Approximately 50% of Rosenthal's turnover is generated in the German market. In August 2000 Rosenthal acquired the brand name and certain of the assets of Hutschenreuther, a German manufacturer of quality porcelain giftware and tableware. The Group's interest in Rosenthal AG was 89.8% at 31 December 2001. The Group also distributes crystal and other products in certain world markets.

There were no material divestments during the year. The Company's principal subsidiary companies as at 31 December 2001 are listed on page 26.

## Future developments

Future developments and prospects are outlined in the Waterford Wedgwood Group Chairman's Statement and Financial Review on pages 1 to 5 of Waterford Wedgwood plc's Accounts for the year ended 31 December 2001.

## Board of Directors

The Directors of the Company are:

Peter John Goulandris (Chairman)

Richard A Barnes\*

Andrew Elsby-Smith\*

Gavin Haig\* (resigned 30 April 2001)

Timothy W Harper\*

Edward V Jenner\* (resigned 7 April 2001)

Christopher JS Johnson\*

Christopher J McGillivray\*

P Redmond O'Donoghue\*

Leonard JP O'Hagan

Lady O'Reilly

Brian D Patterson\* (resigned 31 May 2001)

George Stonier\* (resigned 14 June 2001)

F Alan Wedgwood

Lord Wedgwood\*

Company Secretary: Patrick J Dowling

\*Executive Directors

## Directors (except for Directors of Waterford Wedgwood plc)

**Andrew Elsby-Smith** was appointed to the Board in 1999. He is Finance Director of Wedgwood Group.

**Timothy W Harper** was appointed to the Board in 1999. He is Sales Director of Wedgwood Group.

**Leonard JP O'Hagan** was appointed to the Board in 1996. He is a Director of a number of other companies including Fitzwilton Limited.

In accordance with the Articles of Association, RA Barnes, A Elsby-Smith, TW Harper and LJP O'Hagan retire from the Board by rotation and, being eligible, will offer themselves for re-election.

Lady O'Reilly, Peter John Goulandris, CJ McGillivray and PR O'Donoghue do not have service contracts with the Company.

CJS Johnson has a service contract which expires on his retirement in March 2002.

A Elsby-Smith, TW Harper and Lord Wedgwood all have service contracts which can be terminated by one year's notice.

## 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		Number of stock units	
		1.1.01	31.12.01
<b>Director</b>			
A Elsby-Smith	stock units	9,216	9,504
G Haig*	stock units	—	—
TW Harper	stock units	1,323	1,323
EV Jenner*	stock units	6,846	6,846
LJP O'Hagan	stock units	—	—
G Stonier*	stock units	101,899	101,899

\*At date of resignation

Waterford Wedgwood plc stock units each comprise one Waterford Wedgwood plc ordinary share of 6c and one non-voting income share of Stg1p in Waterford Wedgwood U.K. plc

### Directors' options

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

	1.1.01	Granted during year	Exercised during year	Lapsed during year	31.12.01	Weighted average exercise price
<b>Director</b>						
A Elsby-Smith	300,000	37,500	-	-	337,500	Stg66.4p
G Haig*	300,000	-	-	300,000	-	
TW Harper	300,000	37,500	-	-	337,500	Stg60.4p
EV Jenner*	750,000	-	-	-	750,000	Stg78.4p
G Stonier*	1,100,000	-	-	-	1,100,000	Stg75.2p

\*At date of resignation

Details of options held by the Directors (other than Directors of Waterford Wedgwood plc) under WW Group Savings Related Share Option Schemes (SAYE) in the share capital of Waterford Wedgwood plc are set out below:

	1.1.01	Granted during year	Exercised during year	Lapsed during year	31.12.01	Weighted average exercise price
<b>Director</b>						
A Elsby-Smith	8,109	5,757	-	-	13,866	Stg48.2p
EV Jenner*	1,648	-	-	-	1,648	Stg47.2p
G Stonier*	8,109	-	-	-	8,109	Stg59.0p

\*At date of resignation

Outstanding options are exercisable on dates between 2002 and 2011.

The market price at the year end date was Stg55.25p. The highest share price during the year was Stg87.50p and the lowest Stg35p. Between 31 December 2001 and 6 March 2002 A Elsby-Smith exercised options over 896 shares at a price of Stg43.5p and a further 3,285 options lapsed during the period.

### Directors' contracts

Other than service contracts, there have been no contracts or arrangements with the Company or any subsidiary during the financial year or between 31 December 2001 and 6 March 2002, 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 31 December 2001, the Company maintained an Insurance of Officers against liabilities to the Company and its subsidiaries.

### Corporate Governance

#### General

As a UK subsidiary of a company whose stock units are listed on the Irish Stock Exchange, the Company has adopted the Compliance Practice of its Irish parent company for the current accounting period.

The WW Group is committed to high standards of Corporate Governance. The statement below describes how the principles of good governance, set out in the Combined Code, are applied by the Group.

The Waterford Wedgwood plc Board includes a majority of non-executive Directors. They provide independent advice in establishing appropriate strategies for the Group which are in the long-term interests of its shareholders, employees and customers. The Board meets regularly throughout the year and all Directors have timely access to the information necessary for them to discharge their duties.

The Directors also have access to independent professional advice, at the WW Group's expense, if and when required.

There is a formal schedule of matters referred to the Board for decision, covering annual budgets, strategy of major capital expenditure, acquisitions, divestments, risk management, banking and finance.

The WW Group has within its Board structures both an Audit Committee and a Remuneration and Nomination Committee. Membership of these committees comprises non-executive Directors only.

Communications with shareholders are given a high priority. There are general presentations by senior management to institutional shareholders after the release of annual and interim results. The Waterford Wedgwood plc AGM affords individual shareholders the opportunity to question the Chairman and the Board. In addition, Waterford Wedgwood plc responds throughout the year to letters from individual shareholders on a wide range of issues. Waterford Wedgwood plc also posts the text of its Annual Report and Interim statement on its web site, [www.waterfordwedgwood.com](http://www.waterfordwedgwood.com).

Having reviewed Waterford Wedgwood plc's Corporate Governance practices, the Directors consider that the Group has, subject to the disclosures on service contracts contained in this report, complied, throughout 2001, with the provisions of the Combined Code.

### **Internal control**

The Directors acknowledge their overall responsibility for the Group's system of internal control. Such a system, however, can provide only reasonable and not absolute assurance against material financial misstatement or loss.

The Group has an Internal Audit function, reporting to the Audit Committee, which is appropriately resourced. The Audit Committee met four times during 2001 to review the effectiveness of the Group's systems of control, the range and findings of external and internal auditors' work, and to review the interim and full year financial statements prior to their submission to the Board. The Finance Director and the Internal Audit Director attend Audit Committee meetings while external auditors attend as required and have direct access to the Committee Chairman at all times.

Following the publication of Turnbull, the Board established a process to comply with Turnbull which involves a broadening of internal controls to include not just financial risk management but also operational and compliance risk management. This expanded internal control system will address the nature and extent of the risks facing the parent company. The Chief Executives of each division report regularly to the Board and/or Committees on the management of key risk areas and on the effectiveness of controls in relation to these risks. A review of the risks identified by each division is included as part of the Group's annual budget process.

### **Remuneration policy**

The Remuneration and Nomination Committee is responsible for advising on the appointment of Directors and determines terms, conditions of employment and remuneration of executive Directors and senior managers. It meets when required throughout the year.

The Remuneration and Nomination Committee is chaired by the Waterford Wedgwood Group Chairman and comprises non-executive Directors only.

The Remuneration and Nomination Committee applies a philosophy of pay for performance in determining executive Directors' remuneration. It is also mindful of the need to ensure that, in a competitive environment, the Group can attract, retain and motivate executives who can perform to the highest levels of expectation.

Annual bonuses and options are determined by the Remuneration and Nomination Committee on the basis of the Group's performance during the year in terms of key financial indicators, principally operating profits, earnings per share and cash.

Executive Directors' pensions are, in the main, Revenue approved occupational pension schemes either based on final basic salary or on defined contributions. The normal pension age is 65 years and pension is payable at a maximum rate of two-thirds of final pensionable salary at normal retirement age, subject to service. Where pensions are capped to comply with legislation, benefits above the cap are provided by Funded Unapproved Retirement Benefit Schemes (FURBS) or an appropriate amount reserved in the accounts to purchase such pension. Alternatively, where individual contractual arrangements require, accelerated accrual rates and earlier normal retirement dates may apply.

Details of Directors' remuneration for the current year, together with prior year comparatives, are set out in Note 8 to the Financial Statements.

### **Going concern**

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

### **Directors' responsibilities in relation to the financial statements**

The Directors are required by UK company law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that financial year.

In preparing those financial statements the Directors are required to:

- select appropriate accounting policies and apply them consistently;
- make reasonable and prudent judgements and estimates; and
- state that all accounting standards which they consider to be applicable have been followed.

The Directors have responsibility for ensuring that the Group keeps accounting records which disclose with reasonable accuracy at any time the financial position of the Group and which enable them to ensure that the financial statements are prepared in accordance with accounting standards generally accepted in the United Kingdom and comply with the UK Companies Act, 1985. The Directors confirm that the financial statements comply with the above requirements. The Directors also have responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

### **Share capital**

All of the Company's ordinary shares of 25p each, which carry the right to vote at general meetings of the Company, are held by Waterford Wedgwood plc. At 31 December 2001 the issued share capital of the Company comprised 181,601,769 ordinary shares and 882,995,866 income shares.

### **Research & product development**

The Group maintains design and development departments in its main manufacturing divisions. Expenditure on design and development in 2001 amounted to £3.5 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 around 3,321 employees, being approximately 61% of the UK workforce.

Wedgwood's continuous improvement initiatives are important features in improving the quality of working life.

With regard to the employment of disabled people, Wedgwood 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 for each factory and employee councils have been held.

The main objective for Health, Safety and Environment during 2001 was to continue with the implementation and auditing of the in-house integrated management system, QUENSH (Quality, Environment, Safety and Health). This objective was achieved and, as a result, compliance with legal obligations was ensured.

### **Charitable and political contributions**

The Group donated approximately £165,000 for charitable purposes during the year.

The Group made no political contributions.

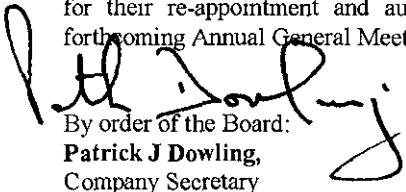
### **Authority to allot shares**

At the forthcoming Annual General Meeting, shareholders will be asked to renew the authority of the Directors to allot and issue the income share capital in the Company and to renew, until the Annual General Meeting in 2003 or 30 June 2003 whichever is earlier, or on such earlier date as the authority and power is renewed in accordance with Article 11 of the Company's Articles of Association, the authority not to apply the strict statutory pre-emption provisions in the event of a rights or other issue.

### **Auditors**

PricewaterhouseCoopers have indicated their willingness to be re-appointed as auditors of the Company. A resolution for their re-appointment and authorisation for the Directors to fix their remuneration will be submitted at the forthcoming Annual General Meeting.

By order of the Board:

  
**Patrick J Dowling,**  
Company Secretary  
6 March 2002

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

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

## **Respective responsibilities of Directors and auditors**

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and accounting standards 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, United Kingdom Auditing Standards issued by the Auditing Practices Board and the Listing Rules of the Financial Services Authority.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Report of the Directors is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding Directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Report of the Directors and the corporate governance statement.

We review whether the corporate governance statement reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

## **Basis of audit opinion**

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

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

## **Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 31 December 2001 and of the loss of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers

Chartered Accountants and Registered Auditors

Birmingham

6 March 2002



# Accounting policies

The significant accounting policies adopted by the Group are as follows:

## **Basis of preparation**

The financial statements are prepared under the historical cost convention, as modified by the revaluation of certain properties, and in accordance with the accounting policies set out below, accounting standards generally accepted in the United Kingdom and UK statute.

## **Turnover**

Turnover represents goods invoiced during the year, excluding sales taxes.

## **Foreign currencies**

Transactions in currencies other than Sterling ('foreign currencies') are translated at the rate of exchange ruling at the date of the transaction or, where forward currency contracts have been arranged, at the contractual rates.

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates ruling at the balance sheet date or at a contractual rate if applicable and any exchange differences are taken to the profit and loss account.

On consolidation of the Group balance sheet, assets and liabilities denominated in foreign currencies are translated into Sterling at the year-end exchange rates unless matched by related forward contracts. Trading results and cash flows of overseas subsidiaries are translated into Sterling at the average rates of exchange for the year. Exchange differences arising from the restatement of opening balance sheets of overseas subsidiaries at year-end exchange rates and from the translation of the results of those subsidiaries at average exchange rates are dealt with through reserves, net of exchange differences on related currency borrowings and forward currency contracts. Other exchange gains and losses are taken to the profit and loss account.

It is the Group's policy to protect income and expenditure from the impact of exchange rate fluctuations, where appropriate, by means of forward currency contracts entered into to fix the exchange rates applicable to estimated future currency payments and receipts and repayment of long-term currency borrowings. The Group also enters into forward currency contracts designed to protect the Group's exposure to the translation, on consolidation, of foreign currency denominated profits. Other than for hedges of long-term currency borrowings and overseas assets, these contracts are recognised in the profit and loss account on maturity of the underlying hedge transaction and are classified in a manner consistent with the underlying nature of the hedged transaction. For hedges of long-term foreign currency borrowings, the forward premium inherent in the forward currency contract is amortised to the profit and loss account over the life of the contract. Gains or losses arising on hedging instruments which are cancelled due to the termination of the underlying exposures are taken to the profit and loss account immediately.

## **Interest rate swaps**

The Group uses interest rate swaps to manage interest rate exposures. Receipts and payments on interest rate swaps are recognised, on an accruals basis, as adjustments to interest expense over the life of the swap.

## **Debt instruments**

Finance costs associated with debt instruments, which is the difference between the net proceeds and the total amount payable under the instrument, are charged to the profit and loss account over the life of the instrument at a constant rate of interest on the outstanding balance. The proceeds of debt instruments, net of issue costs, are shown as liabilities on the balance sheet.

## **Tangible assets and depreciation**

Tangible assets are stated at cost or valuation less accumulated depreciation. Following the adoption of FRS15 "Tangible Fixed Assets", the Group has followed the transitional provisions to retain the book amount of land and buildings, certain of which were last revalued in 1997. Accordingly, the Group no longer adopts a policy of revaluation. Depreciation is calculated to write off the cost or valuation of tangible assets other than freehold land over their estimated useful lives. 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.

## **Stocks**

Stocks are stated at the lower of cost and net realisable value. In the case of finished goods and work-in-progress manufactured by the Group, cost comprises the cost of labour and materials together with appropriate factory and other overheads. In the case of other stocks, cost is ascertained by reference to purchase price plus duty where appropriate. Net realisable value is the actual or estimated selling price (net of trade discounts) less all further costs to completion and less all costs to be incurred in marketing, selling and distribution.

**Goodwill**

Goodwill arising on acquisition of subsidiary undertakings prior to 31 December 1997 is set off against reserves. Goodwill arising on acquisitions after 31 December 1997 is capitalised and amortised over its estimated useful life of 20 years. Goodwill previously set off against reserves will be charged or credited in the profit and loss account on the subsequent disposal of the business to which it relates. Goodwill comprises the excess of the purchase price over the fair value of the net assets acquired.

**Consolidation and equity accounting**

The Group profit and loss account and Group balance sheet represent a consolidation of the financial statements of the parent company and its subsidiaries and the Group's share of results and net assets of its associated companies. Where subsidiary or associated undertakings have been acquired or disposed of, the financial statements include only the proportion of the results arising since the date of acquisition or up to the effective date of disposal.

A merger reserve arises where the fair value of net assets acquired, excluding goodwill, exceeds the purchase consideration which, for this purpose, includes only the nominal value of share capital issued where benefit is taken of merger relief under Section 131 of the Companies Act, 1985.

**Investments in subsidiary undertakings**

The Company records investments in overseas subsidiaries in the currency in which they are denominated, translating this amount into Sterling at each successive balance sheet date using the balance sheet exchange rate. Exchange gains and losses arising on translation of these investments are taken directly to revenue reserves, along with the corresponding exchange gain or loss arising on foreign currency denominated liabilities used to hedge anticipated foreign exchange fluctuations in the value of overseas investments.

**Taxation**

Deferred tax is accounted for to the extent that a liability or an asset is expected to crystallise. Advance corporation taxation not recoverable against the mainstream corporation taxation liability for the current or previous years is written off to the profit and loss account, unless its future recovery is foreseen.

**Research and development**

All expenditure on research and development, including the cost of patents and trademarks, is written off to the profit and loss account in the year in which it is incurred.

**Pensions**

The expected cost of providing pensions to employees is charged to the profit and loss account over the period of employment of pensionable employees. The cost is calculated, with the benefit of advice from independent actuaries, at what is expected to be a reasonably stable proportion of pensionable pay. Any surpluses or deficits in the pension schemes, identified by periodic actuarial valuations, are taken to the profit and loss account over the remainder of the expected service lives of current employees.

**Leasing**

Where tangible assets are financed by leasing arrangements which give rights approximating to ownership ('finance lease'), they are treated as if they have been purchased outright at the present values of the minimum lease payments; the corresponding obligations are shown in the balance sheets as finance leases. Depreciation on the assets is calculated in order to write off the amounts capitalised over the shorter of the estimated useful lives of the individual assets or the terms of the lease. Interest arising on finance leases is charged to the profit and loss account in proportion to the amounts outstanding under the lease.


Operating lease rentals are charged to the profit and loss account in the year in which they arise.

When the economic benefits of a leasehold property are less than the unavoidable costs, then the lease is defined as onerous and all rentals and other property obligations are provided up to the expiry date of the lease. 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.

# Consolidated profit and loss account

Year ended 31 December				
		Pre-exceptional charges	Exceptional charges (note 3)	Total
	Notes	2001 £m	2001 £m	2001 £m
				2000 £m
Turnover	2	506.1	-	506.1
Cost of sales		(298.9)	(10.8)	(309.7)
Gross profit		207.2	(10.8)	196.4
Distribution costs		(157.4)	(5.9)	(163.3)
Administrative expenses		(37.6)	(5.7)	(43.3)
Other operating (expense)/income	4	(0.5)	-	(0.5)
		(195.5)	(11.6)	(207.1)
Operating (loss)/profit		11.7	(22.4)	(10.7)
Amount written off investment	3	-	(10.1)	(10.1)
Net interest payable	5	(9.4)	-	(9.4)
(Loss)/profit on ordinary activities before taxation	6	2.3	(32.5)	(30.2)
Taxation on (loss)/profit on ordinary activities	7			1.1
(Loss)/profit on ordinary activities after taxation				(29.1)
Minority interests				(0.1)
(Loss)/profit attributable to members of the parent company				(29.2)
Dividends	9			(4.7)
(Loss)/profit for the year				(33.9)
(Loss)/earnings per income share	11			(3.31p)

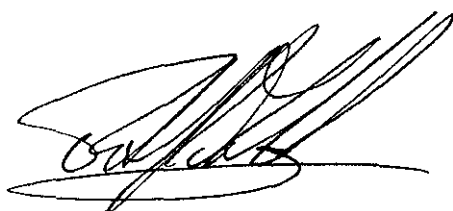
Turnover and operating (loss)/profit arose solely from continuing activities.



Peter John Goulandris Chairman



Richard A Barnes Director





# Consolidated balance sheet

		As at 31 December	
		2001	2000
	Notes	£m	£m
<b>Fixed assets</b>			
Intangible assets	12	14.8	12.8
Tangible assets	14	112.5	120.3
Financial assets	15	4.4	14.4
		<b>131.7</b>	<b>147.5</b>
<b>Current assets</b>			
Stocks	16	153.9	149.5
Debtors	17	100.5	129.4
Cash and deposits		67.5	36.2
		<b>321.9</b>	<b>315.1</b>
Creditors (amounts falling due within one year)	18	(260.5)	(258.0)
<b>Net current assets</b>		<b>61.4</b>	<b>57.1</b>
<b>Total assets less current liabilities</b>		<b>193.1</b>	<b>204.6</b>
Creditors (amounts falling due after more than one year)	18	(166.7)	(141.0)
Provisions for liabilities and charges	21	(2.0)	(3.1)
		<b>24.4</b>	<b>60.5</b>
<b>Capital and reserves</b>			
Called up share capital	23	54.2	54.2
Merger reserve	22	2.2	2.2
Revaluation reserve	22	5.2	5.2
Capital redemption reserve	22	8.5	8.5
Revenue reserve	22	(48.4)	(12.8)
Shareholders' funds – equity interests		<b>21.7</b>	<b>57.3</b>
Minority interests – equity interests		<b>2.7</b>	<b>3.2</b>
		<b>24.4</b>	<b>60.5</b>

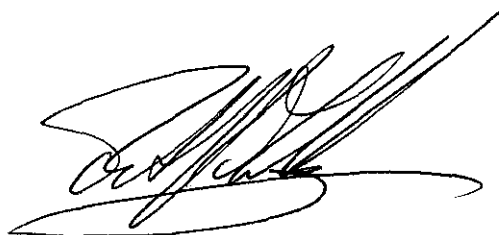
Approved by the Board of Directors on 6 March 2002.



Peter John Goulandris Chairman



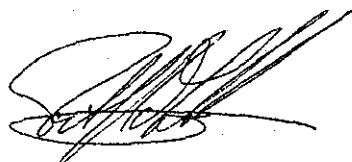
Richard A Barnes Director



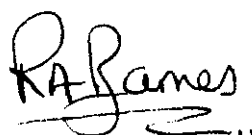

# Company balance sheet

As at 31 December			
	Notes	2001 £m	2000 £m
<b>Fixed assets</b>			
Financial assets	15	159.3	155.3
Debtors	17	92.4	71.9
Cash and deposits		0.1	—
Creditors (amounts falling due within one year)	18	(103.2)	(100.1)
<b>Net current liabilities</b>		<b>(10.7)</b>	<b>(28.2)</b>
<b>Total assets less current liabilities</b>		<b>148.6</b>	<b>127.1</b>
<b>Capital and reserves</b>			
Called up share capital	23	54.2	54.2
Capital redemption reserve	22	8.5	8.5
Revenue reserve	22	85.9	64.4
Shareholders' funds – equity interests		148.6	127.1

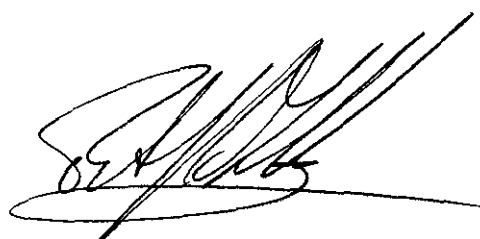
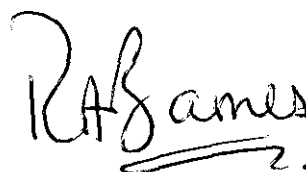
Approved by the Board of Directors on 6 March 2002.



Peter John Goulandris Chairman



Richard A Barnes Director

## Statement of total recognised gains and losses

	Year ended 31 December	
	2001 £m	2000 £m
(Loss)/profit for the financial year	(29.2)	6.5
Exchange translation effect on net overseas investments	(1.7)	(3.3)
Total recognised (losses)/gains for the year	(30.9)	3.2

## Note of historical cost profits and losses

The difference between the reported profits and those calculated on an unmodified historical cost basis is not material.

## Reconciliation of movement in shareholders' funds

	Year ended 31 December	
	2001 £m	2000 £m
(Loss)/profit for the financial year	(29.2)	6.5
Dividends	(4.7)	(5.2)
Capital contribution	-	42.0
Exchange translation effect on net overseas investments	(1.7)	(3.3)
Net (decrease)/increase to shareholders' funds	(35.6)	40.0
Opening shareholders' funds	57.3	17.3
Closing shareholders' funds	21.7	57.3

# Notes to the financial statements

## 1. Effect of change in accounting estimates

The Group has consistently reviewed its accounting policies and estimating techniques. As a consequence of recent acquisition activity and the growth in the number of retail stores, the Group has undertaken a further review of the consistency of application of accounting estimation techniques in the areas of (a) application of overheads to stock in manufacturing and to stock held at retail stores and (b) the useful economic lives attributed to fixed assets. The outcome of this review has resulted in changes to the way in which certain companies in the Group make these estimates and accordingly operating profit for the year has improved by £8.6 million.

## 2. Segment information

### (a) Classes of business

	2001					2000		
	Turnover £m	Operating profit before exceptional charges £m	Exceptional charges £m	Operating (loss)/ profit £m	Net assets £m	Turnover £m	Operating profit £m	Net assets £m
Ceramics	294.2	6.1	(20.5)	(14.4)	77.7	293.4	6.9	117.2
Crystal and other	211.9	5.6	(1.9)	3.7	42.5	245.6	8.4	39.3
Net borrowings	-	-	-	-	(95.8)	-	-	(96.0)
	506.1	11.7	(22.4)	(10.7)	24.4	539.0	15.3	60.5
Minority interests	-	-	-	-	(2.7)	-	-	(3.2)
<b>Total Group</b>	<b>506.1</b>	<b>11.7</b>	<b>(22.4)</b>	<b>(10.7)</b>	<b>21.7</b>	<b>539.0</b>	<b>15.3</b>	<b>57.3</b>

Ceramics includes the manufacture and distribution of the Group's ceramic products. Crystal includes distribution of the Group's crystal products in the major markets of the world with the exception of Ireland.

### (b) Geographical segment by country of operation

	2001							2000		
	Turnover by destination £m	country of operation £m	Operating profit before exceptional charges £m	Exceptional charges £m	Operating (loss)/ profit £m	Net assets £m	Turnover by destination £m	country of operation £m	Operating profit/(loss) £m	Net assets £m
Europe	208.5	265.1	8.8	(18.2)	(9.4)	19.2	194.6	267.5	9.4	70.3
North America	219.6	220.5	0.5	(2.6)	(2.1)	80.3	257.8	254.3	6.8	67.7
Asia Pacific	59.9	46.6	2.0	(1.5)	0.5	16.0	65.0	51.2	(1.4)	13.4
Rest of World	18.1	13.6	0.4	(0.1)	0.3	4.7	21.6	17.0	0.5	5.1
	506.1	545.8	11.7	(22.4)	(10.7)	120.2	539.0	590.0	15.3	156.5
Inter-segment sales	-	(39.7)	-	-	-	-	-	(51.0)	-	-
Net borrowings	-	-	-	-	-	(95.8)	-	-	-	(96.0)
<b>Total</b>	<b>506.1</b>	<b>506.1</b>	<b>11.7</b>	<b>(22.4)</b>	<b>(10.7)</b>	<b>24.4</b>	<b>539.0</b>	<b>539.0</b>	<b>15.3</b>	<b>60.5</b>
Minority interests	-	-	-	-	-	(2.7)	-	-	-	(3.2)
<b>Total Group</b>	<b>506.1</b>	<b>506.1</b>	<b>11.7</b>	<b>(22.4)</b>	<b>(10.7)</b>	<b>21.7</b>	<b>539.0</b>	<b>539.0</b>	<b>15.3</b>	<b>57.3</b>

All inter-segment sales originate from Europe.

## 3. Exceptional charges

### (a) Restructuring charge

In November 2001, the Board of Waterford Wedgwood plc announced restructuring measures worldwide, designed to lower operating costs, reduce capacity, improve factory efficiency, reduce inventories and stimulate sales through increased marketing spend and significantly improved retail presentation. The charge arising from these actions is as follows:

	£m
Write-down of inventory	6.0
Provision for redundancy and related costs	16.4
	<b>22.4</b>

### (b) Amount written off investment

The Board of Waterford Wedgwood U.K. plc has taken the decision to write down to the market value, the Group's investment in Royal Doulton plc, giving rise to a charge of £10.1 million. The carrying value of the investment at 31 December 2001 is £1.2 million.

# Notes to the financial statements continued

## 4. Other operating (expense)/income

	2001 £m	2000 £m
Other operating income	0.7	0.6
Exchange (loss)/gain	(1.2)	2.7
	(0.5)	3.3

## 5. Net interest payable

	2001 £m	2000 £m
Interest payable on borrowings maturing within 5 years	6.7	4.2
Interest payable on borrowings maturing after more than 5 years	4.6	4.5
	11.3	8.7
Interest receivable from third parties	(1.0)	(1.1)
Interest receivable from Waterford Wedgwood Group companies	(0.9)	(0.9)
Net interest payable	9.4	6.7

## 6. (Loss)/profit on ordinary activities before taxation

	2001 £m	2000 £m
Depreciation – owned assets	14.4	12.7
– leased assets	0.1	0.3
Operating lease rentals – plant and equipment	2.0	1.9
– others	11.6	10.7
Research and development	3.5	3.2
Auditors' remuneration (Company: £16,000 (2000: £17,000))	0.5	0.6

Fees paid to PricewaterhouseCoopers by the Company and its UK subsidiaries in respect of non-audit services amounted to £99,000 (2000: £119,000).

## 7. Taxation on (loss)/profit on ordinary activities

	2001 £m	2000 £m
Based on (loss)/profit on ordinary activities for the year		
UK Corporation taxation at 30% (2000: 30%)	-	0.8
Overseas taxation	0.1	2.8
(Over)/under provision in respect of prior years:		
– corporation taxation	(1.3)	0.8
Deferred tax	0.1	(1.7)
	(1.1)	2.7

The Group has taxation losses carried forward at 31 December 2001 of £103.2 million (2000: £80.8 million) which relate mainly to the Group's UK and German operations.

## 8. Directors' remuneration and other contracts

The remuneration payable to directors who held office for any part of the financial year is as follows:

	2001		2000	
	Executive Directors £000	Non-executive Directors £000	Executive Directors £000	Non-executive Directors £000
Fees	-	10	-	15
Other remuneration	1,452	-	1,661	-
Benefits in kind	127	-	157	-
Payment on termination of contract made by subsidiary	100	-	-	-
Payment on completion of contract made by subsidiary	338	-	-	-
Annual bonus	-	-	478	-
Contributions to defined contribution pension schemes	19	-	27	-
Contribution to defined benefit pension schemes	335	-	93	-
Ex-gratia pensions paid to past Directors	7	-	7	-
	2,378	10	2,423	15



## Notes to the financial statements continued

### 8. Directors' remuneration and other contracts continued

Resigned during the year:

Gavin Haig	30 April 2001
Edward V Jenner	7 April 2001
Brian D Patterson	31 May 2001
George Stonier	14 June 2001

Lord Wedgwood also has a contract to provide consulting services to Wedgwood for an annual fee of £44,000 (2000: £39,600), which can be terminated by one year's notice.

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

Peter John Goulondris, who for the purposes of the table above has been regarded as a non-executive Director compatible with his duties in both 2000 and 2001, waived his fees of £5,000 in respect of both these years.

Number of Directors to whom benefits are accruing under each of defined contribution pension schemes and defined benefit pension schemes:

	2001 Number	2000 Number
Defined contribution pension schemes	2	2
Defined benefit pension schemes	9	9

The highest paid Director received total emoluments of £454,000 (2000: £640,000) and had a contribution of £16,000 (2000: £15,000) under a defined contribution pension scheme arrangement. CJ McGillivray will become entitled to a defined benefit pension in lieu of his entitlements under his defined contribution pension arrangement should he not leave the Group, for reasons other than death, disability or change of control of the Group, prior to 1 January 2005. The defined benefit pension plan will provide for a pension benefit equal to 50% of the average of his base salary over the three years prior to his retirement, subject to a maximum amount of US\$390,000 per annum. In 2001 a contribution of £105,000 (2000: £145,000) was made in relation to this entitlement.

The information with regard to Directors' share options is set out on pages 2 and 3 in the Report of the Directors.

### 9. Dividends

	2001 £m	2000 £m
Paid:		
Interim dividend	1.1	1.0
2000 final dividend	-	3.7
Adjustment relating to final dividend*	(0.2)	0.5
Proposed:		
Final dividend in respect of year ended 31 December 2001	3.8	-
	4.7	5.2

\*At each year end an estimate is made of the number of shareholders who would elect to receive dividends from the United Kingdom and the exchange rate prevailing at the date the dividend is paid. The difference between the estimates used and the actual dividend paid was a £0.2 million decrease in relation to the 2000 final dividend and a £0.5 million increase in relation to the 1999 final dividend.

The total amount of the proposed dividend to income shareholders represents the estimated amount payable to income shareholders who will elect to receive a dividend on their income shares in lieu of a dividend on Waterford Wedgwood plc ordinary shares comprised in their stock unit. The proposed dividend represents the estimated Sterling equivalent of the proposed dividend of Waterford Wedgwood plc.

### 10. Particulars of staff

	2001 Number	2000 Number
Average number of persons employed:		
Production	3,625	3,263
Marketing, selling and distribution	3,225	3,231
Administration	542	523
	7,392	7,017
	£m	£m
Staff costs:		
Wages and salaries	126.4	119.9
Social security costs	19.4	17.4
Pension costs	1.9	1.7
	147.7	139.0

# Notes to the financial statements continued

## 11. (Loss)/earnings per income share

	2001 £m	2000 £m
(Loss)/profit for the financial year	(29.2)	6.5
(Loss)/earnings per share (pence)	(3.31p)	0.74p

The calculation of earnings per income share is based on 883 million income shares being the weighted average number of income shares in issue during the year ended 31 December 2001 (2000: 883 million).

## 12. Intangible assets

	Goodwill £m	Brand £m	Total £m
<b>Group</b>			
At 31 December 2000	11.3	1.5	12.8
Arising on acquisition of a further 5.2% of Rosenthal AG	2.8	-	2.8
Amortisation	(0.7)	(0.1)	(0.8)
<b>At 31 December 2001</b>	<b>13.4</b>	<b>1.4</b>	<b>14.8</b>

Goodwill of £55.1 million arising on acquisition of subsidiary undertakings prior to 31 December 1997 is set off against reserves.

## 13. Acquisition of a further 5.2% of Rosenthal AG

On 5 June 2001, Waterford Wedgwood announced a tender offer for the remaining shares in Rosenthal AG that it did not own. At the closing of the tender offer on 10 August 2001, Waterford Wedgwood had received acceptances for 5.2% of the issued share capital of Rosenthal AG. The cost, including acquisition expenses, of acquiring the additional shares amounted to £3.4 million, satisfied by cash, and gave rise to additional goodwill of £2.8 million.

## 14. Tangible assets

	Land and buildings		Plant and equipment £m	Total £m
	Freehold £m	Short leasehold £m		
<b>Group</b>				
At 31 December 2000				
– cost	33.0	6.7	199.5	239.2
– valuation	28.2	-	-	28.2
	61.2	6.7	199.5	267.4
Additions	0.1	0.5	13.2	13.8
Reclassified	4.2	-	(4.2)	-
Disposals	(6.7)	(0.2)	(9.2)	(16.1)
Translation adjustment	(0.4)	0.2	(0.8)	(1.0)
<b>At 31 December 2001</b>	<b>58.4</b>	<b>7.2</b>	<b>198.5</b>	<b>264.1</b>
– cost	36.9	7.2	198.5	242.6
– valuation	21.5	-	-	21.5
	58.4	7.2	198.5	264.1
Accumulated depreciation				
At 31 December 2000	23.0	5.2	118.9	147.1
Charge for the year	0.9	0.3	13.4	14.6
Reclassified	1.6	(0.3)	(1.3)	-
Disposals	(0.3)	(0.2)	(8.7)	(9.2)
Translation adjustment	(0.3)	0.1	(0.7)	(0.9)
<b>At 31 December 2001</b>	<b>24.9</b>	<b>5.1</b>	<b>121.6</b>	<b>151.6</b>
Net book amounts				
<b>At 31 December 2001</b>	<b>33.5</b>	<b>2.1</b>	<b>76.9</b>	<b>112.5</b>
At 31 December 2000	38.2	1.5	80.6	120.3

Type of asset	Basis of depreciation	Useful lives
Freehold buildings	Straight line	25 to 50 years
Short leasehold buildings	Straight line	Period of the lease
Plant and equipment	Straight line	4 to 30 years

## Notes to the financial statements continued

### 14. Tangible assets continued

No depreciation is charged on freehold land with a book value of £6.1 million (2000: £6.7 million).

The net book value of plant and equipment includes £0.4 million (2000: £0.4 million) in respect of assets held under finance leases.

The Group has adopted FRS15 "Tangible Fixed Assets" and has followed the transitional provisions to retain the book amount of land and buildings, certain of which were last revalued in 1997. Accordingly, the Group no longer adopts a policy of revaluation.

The properties were valued as follows in 1997:

Principal manufacturing plant at Barlaston, Stoke-on-Trent, Staffordshire, England: depreciated replacement cost; other properties: open market value for the existing use, for properties not surplus to requirements and open market value for other properties.

Land and buildings included at cost or valuation would have been stated on the historical cost basis at:

	2001 £m	2000 £m
Cost	70.7	70.7
Accumulated depreciation	(35.5)	(34.6)
	35.2	36.1

### 15. Financial assets

	Listed investments £m	Other loans and investments £m	Total £m
<b>Group</b>			
At 31 December 2000	11.3	3.1	14.4
Additions	-	0.4	0.4
Amount written off investment	(10.1)	-	(10.1)
Exchange	-	(0.3)	(0.3)
<b>At 31 December 2001</b>	<b>1.2</b>	<b>3.2</b>	<b>4.4</b>

The Group's principal subsidiaries are listed in Note 30.

The market value of the listed investments on the London Stock Exchange at 31 December 2001 was £2 million.

	£m
<b>Company</b>	
Investment in subsidiary companies at cost	
At 31 December 2000	155.3
Additions	2.8
Exchange	1.2
<b>At 31 December 2001</b>	<b>159.3</b>

### 16. Stocks

	2001 £m	2000 £m
<b>Group</b>		
Raw materials and consumables	10.2	10.2
Work-in-progress	20.5	21.2
Finished goods and goods for resale	123.2	118.1
	153.9	149.5

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

# Notes to the financial statements continued

## 17. Debtors

	2001 £m	Group 2000 £m	2001 £m	Company 2000 £m
<b>Amounts falling due within one year:</b>				
Trade debtors	52.6	69.0	-	-
Amounts owed by Waterford Wedgwood Group companies	17.5	36.7	-	-
Amounts owed by subsidiary companies	-	-	90.3	70.2
Other debtors	7.3	7.1	2.1	1.7
Prepayments and accrued income	9.4	6.1	-	-
	86.8	118.9	92.4	71.9
<b>Amounts falling due after more than one year:</b>				
Pension surplus	13.2	10.3	-	-
Prepayments and accrued income	0.5	0.2	-	-
	100.5	129.4	92.4	71.9

## 18. Creditors

	2001 £m	Group 2000 £m	2001 £m	Company 2000 £m
<b>Amounts falling due within one year:</b>				
Current instalments due on loans	2.0	1.1	-	-
Bank loans and overdrafts	13.9	9.7	-	-
Trade creditors	33.5	35.7	-	-
Other creditors	7.9	10.7	-	-
Restructuring and rationalisation accruals	10.9	1.9	-	-
Accruals and deferred income	16.2	18.3	-	-
Amounts owed to Waterford Wedgwood Group companies	160.1	160.5	42.8	41.5
Amounts owed to subsidiary companies	-	-	56.6	54.9
Finance lease obligations (Note 24)	-	0.2	-	-
Taxation and social security	12.2	16.2	-	-
Proposed dividend	3.8	3.7	3.8	3.7
	260.5	258.0	103.2	100.1
<b>Amounts falling due after more than one year:</b>				
Long term debt (Note 19)	147.4	121.2	-	-
Pension commitments	17.5	18.0	-	-
Other creditors and accruals	1.8	1.8	-	-
	166.7	141.0	-	-

	Group £m
<b>Analysis of movement on restructuring and rationalisation accruals:</b>	
Balance at 1 January 2001	1.9
Utilised during the year	(7.4)
Charged to profit and loss	16.4
<b>Balance at 31 December 2001</b>	<b>10.9</b>

## 19. Net borrowings

	2001 £m	Group 2000 £m	2001 £m	Company 2000 £m
Cash and deposits	67.5	36.2	0.1	-
Bank loans and overdrafts (Note 18)	(15.9)	(10.8)	-	-
Long term debt	(147.4)	(121.2)	-	-
Finance leases	-	(0.2)	-	-
	(95.8)	(96.0)	0.1	-

## Notes to the financial statements continued

### 20. Derivatives and other financial instruments – objectives, policies and strategies

#### Treasury management and financial instruments

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

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

#### Foreign currency risk management

The majority of the Group's business operations and its assets and liabilities are transacted and held in four principal currencies; Euro, Sterling, US Dollar and Yen.

It is the Group's policy to protect income and expenditure, where appropriate, by means of forward currency contracts. Business trading flows are netted by currency and, where considered appropriate, hedged up to three years ahead, with an expectation of achieving a minimum 75% and a maximum 100% cover of anticipated currency transaction exposure on the principal currencies for the subsequent 12 months. At 31 December 2001 the Group had hedged 16.0% of its Stg£/US\$ exposure and 81.9% of Stg£/Yen exposure for the coming 12 months.

The Group's policy is to use foreign currency borrowings and forward foreign currency contracts to hedge part of the impact on the Group's balance sheet of exchange rate movements on foreign currency denominated assets and liabilities (see Note 27).

#### Financing risk management

The Group's policy is to finance its operations by a combination of cash flow generated from operations, short term bank borrowings, long-term debt, equity funding and leasing and to achieve a balance between certainty of funding and a flexible, cost effective borrowings structure. The Group ensures continuity of funding by maintaining a broad portfolio of debt, diversified by source and maturity, and by maintaining committed facilities sufficient to cover peak anticipated borrowing requirements, with a minimum of 20% having a maturity in excess of five years at any point in time and the remainder having a maturity of no less than six months. At 31 December 2001, 40.1% (2000: 48.3%) of total financial liabilities had a maturity of greater than five years. A breakdown of the maturity profile of the Group's net borrowings is shown below.

#### Interest rate risk management

The interest rate exposure of the Group arising from its borrowings and deposits is managed by the use of fixed rate debt, interest rate swaps and interest rate collars. The objectives for the mix between fixed and floating rate borrowings are set to reduce the impact of an upward change in interest rates while enabling some benefits to be enjoyed if interest rates fall. Thus the Group's interest rate risk management policy is to fix between 20% and 60% of the interest cost on outstanding debt. At 31 December 2001, 43.5% (2000: 53.3%) of debt was fixed at an average rate of 6.74% (2000: 6.74%) for a weighted average maturity of 6.7 years (2000: 7.7 years).

The average rate of interest paid during the year was 5.04% (2000: 5.99%). In 2000, interest cost was covered by profit before interest 2.3 times. A loss was incurred in 2001. A 1% rise in market rates would increase losses before tax by £1.4 million (2000: £1.0 million reduction of profit before taxation).

For the purposes of the following disclosures and those set out in Note 27, short term debtors and creditors that meet the definition of a financial asset or liability under FRS13 have been excluded as permitted, except for the analysis of net currency exposures.

# Notes to the financial statements continued

## 20. Derivatives and other financial instruments – objectives, policies and strategies continued

### Interest rate and currency of financial liabilities

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

Currency	Total £m	Fixed rate financial liabilities £m	Floating rate financial liabilities £m	Fixed rate financial liabilities	
				Weighted average interest rate %	Weighted average time for which rate is fixed Years
At 31 December 2001					
Euro	29.3	5.4	23.9	6.14	5.0
Sterling	15.1	-	15.1	7.25	1.0
US\$	114.1	65.6	48.5	6.80	6.9
Yen	4.8	-	4.8	-	-
<b>Total</b>	<b>163.3</b>	<b>71.0</b>	<b>92.3</b>	<b>6.74</b>	<b>6.7</b>
At 31 December 2000					
Euro	30.8	6.7	24.1	6.14	6.0
Sterling	12.4	0.1	12.3	7.25	2.0
US\$	83.7	63.6	20.1	6.80	7.9
Yen	5.3	-	5.3	-	-
<b>Total</b>	<b>132.2</b>	<b>70.4</b>	<b>61.8</b>	<b>6.74</b>	<b>7.7</b>

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

### Maturity profile of the Group's financial liabilities

The following table analyses the Group's financial liabilities at 31 December, which are repayable as follows:

	Total financial liabilities		2001 £m	Net debt 2000 £m
	2001 £m	2000 £m		
Within one year	(15.9)	(10.8)	51.6	25.4
Between one and two years	(2.9)	(1.3)	(2.9)	(1.3)
Between two and five years	(79.1)	(56.2)	(79.1)	(56.2)
After five years	(65.4)	(63.9)	(65.4)	(63.9)
<b>Total</b>	<b>(163.3)</b>	<b>(132.2)</b>	<b>(95.8)</b>	<b>(96.0)</b>

Net debt comprises gross borrowings and finance lease obligations less cash at bank and in hand.

The total amount of loans repayable by instalments, where any instalment is due after five years, is £0.4 million (2000: £1.0 million). £5.4 million (2000: £6.6 million) of Euro loans are secured by fixed charges over certain properties owned by Rosenthal AG.

### Maturity analysis of undrawn committed borrowing facilities

	2001 £m	2000 £m
<b>At 31 December 2001</b>		
Within one year	-	-
Between one and two years	-	-
After two years	6.1	41.8
<b>Total</b>	<b>6.1</b>	<b>41.8</b>

## Notes to the financial statements continued

### 20. Derivatives and other financial instruments – objectives, policies and strategies continued

#### Fair values of financial instruments

Set out below is a year end comparison of book and fair values of the financial instruments by category. Where available, market rates have been used to determine current values. Where market rates are not available, current values have been calculated by discounting cash flows at prevailing interest and exchange rates.

Fair values of financial assets and financial liabilities at 31 December:

	Book value £m	2001 Fair value £m	Book value £m	2000 Fair value £m
<b>Non-derivatives</b>				
<b>Assets</b>				
Cash	67.5	67.5	36.2	36.2
Equity investments	1.2	2.0	11.3	8.5
<b>Liabilities</b>				
Short-term debt	(15.9)	(15.9)	(10.8)	(10.8)
Long-term debt	(147.4)	(144.1)	(121.4)	(119.4)

The difference between book value and fair value of long term debt is primarily due to current interest rates being higher than those prevailing when the borrowings were made.

#### Derivative financial instruments held to manage currency profile

##### Transaction risk

Applied contracts (a)	0.4	-	(0.2)	-
Unapplied contracts (b)	-	4.2	-	0.6
US private placement (c)	1.4	(0.2)	0.9	(0.4)

(a) Applied contracts matched against foreign currency receivables at the year end

(b) Unapplied contracts to be matched against anticipated future cash flows

(c) A US\$ to Sterling fixed forward contract matched against US dollar borrowings drawn down under a US private placement

### 21. Provisions for liabilities and charges

	Deferred tax £m	Provision for onerous lease £m	Total £m
<b>Group</b>			
At 31 December 2000	-	3.1	3.1
Charge/(credit) to profit and loss	0.1	(1.2)	(1.1)
<b>At 31 December 2001</b>	<b>0.1</b>	<b>1.9</b>	<b>2.0</b>

Deferred tax arises as follows:

	Provided in financial statements		Full potential liability	
	2001 £m	2000 £m	2001 £m	2000 £m
<b>Group</b>				
Accelerated capital allowances	-	-	9.4	9.7
Other timing differences	0.1	-	(9.3)	(9.7)
	<b>0.1</b>	<b>-</b>	<b>0.1</b>	<b>-</b>

Deferred tax has not been provided on future remittances of the accumulated reserves of overseas subsidiaries as there is no intention to distribute these reserves. Deferred tax has also not been provided on capital gains which might arise on the disposal of certain revalued properties as there is no intention to dispose of these properties.

# Notes to the financial statements continued

## 22. Reserves

	Merger reserve £m	Revaluation reserve £m	Capital redemption reserve £m	Revenue reserve £m	Total £m
<b>Group</b>					
At 31 December 2000	2.2	5.2	8.5	(12.8)	3.1
Loss for the year	-	-	-	(33.9)	(33.9)
Translation of overseas subsidiaries	-	-	-	(1.7)	(1.7)
<b>At 31 December 2001</b>	<b>2.2</b>	<b>5.2</b>	<b>8.5</b>	<b>(48.4)</b>	<b>(32.5)</b>

The revaluation reserve arises from the revaluation of land and buildings.

	Capital redemption reserve £m	Revenue reserve £m	Total £m
<b>Company</b>			
At 31 December 2000	8.5	64.4	72.9
Profit for the year	-	21.6	21.6
Translation of net investment in overseas subsidiaries	-	(0.1)	(0.1)
<b>At 31 December 2001</b>	<b>8.5</b>	<b>85.9</b>	<b>94.4</b>

As permitted by provision of the Companies Act, 1985, the profit and loss account of the Company is not presented in these financial statements. The amount of the profit for the year dealt with in the accounts of the Company is a profit of £26.3 million (2000: £2.7 million).

## 23. Share capital

	2001 £m	2000 £m
Authorised:		
220 million (2000: 220 million) ordinary shares of 25p each	55.0	55.0
1 billion (2000: 1 billion) income shares of 1p each	10.0	10.0
	<b>65.0</b>	<b>65.0</b>

	Ordinary shares of 25p each £m	Income shares of 1p each £m	Total £m
Issued, allotted and fully paid:			
At 31 December 2000 – ordinary shares – 181,601,769	45.4	8.8	54.2
– income shares – 882,995,866			
<b>At 31 December 2001 – ordinary shares – 181,601,769</b>	<b>45.4</b>	<b>8.8</b>	<b>54.2</b>
– income shares – 882,995,866			



## Notes to the financial statements continued

### 24. Obligations under leases

Net obligations to third parties at 31 December 2001 under leases were as follows:

	Operating leases	
	Property £m	Plant and equipment £m
<b>Group</b>		
Amounts payable:		
Within one year	11.1	1.3
Two to five years	28.1	1.2
After five years	33.7	0.3
	72.9	2.8

Commitments under operating leases, payable in 2002 expire as follows:

	Property £m	Plant and equipment £m	Total £m
Amounts payable:			
Within one year	0.4	0.3	0.7
Two to five years	7.3	0.9	8.2
After five years	3.4	0.1	3.5
	11.1	1.3	12.4

### 25. Capital commitments

	2001 £m	Group 2000 £m	2001 £m	Company 2000 £m
Contracted for but not provided	3.9	1.8	-	-

### 26. Pensions

A significant proportion of the Group's employees participate in funded defined benefit pension plans, which provide benefits based on final pensionable pay. The assets of all such plans are invested separately from those of the Group in trustee administered funds. The contributions to the plans by the companies are charged to the profit and loss account so as to spread the cost of pensions as incurred over employees' working lives with the Group. Contributions are determined by independent qualified actuaries on the basis of periodic valuations using the projected unit method. The most recently completed actuarial valuation of the Wedgwood Group Pension Plan was as at 31 December 1999.

The market value of the assets in the Wedgwood Group Pension Plan at 31 December 1999 was £216.6 million. The actuarial valuation showed that this exceeded the value of the benefits that had accrued to members based on service to, and pensionable pay at, the valuation date. This showed that the market value of the assets was sufficient to cover 113% of the value of benefits that had accrued to members after allowing for expected future pay increases. The principal assumptions in this valuation were that the investment return would exceed general salary inflation by 2.0% per annum and limited price indexation of pensions by 2.25% per annum. For the purpose of calculating pension cost under SSAP24, it was assumed that the investment return would exceed general salary inflation by 2.5% per annum. The surplus is being recognised in the pension cost charge over the average remaining service lives of plan members in accordance with the most recent actuarial valuation. At the year end, £13.2 million (2000: £10.3 million) was included in debtors in respect of pension surplus. Company contributions during the year were at the rate of 2.0% per annum as recommended at the previous valuation.

Rosenthal AG operates defined benefit pension arrangements for certain current and past employees. In common with most German schemes, these arrangements are unfunded, that is, benefit payments are met by the company as they fall due. A provision of £17.0 million is included in creditors at 31 December 2001 (31 December 2000: £18.3 million) being the excess of the accumulated pension liability over the amounts funded. This provision has been calculated, using the projected unit method, in accordance with the advice of an independent professionally qualified actuary as at 31 December 2001.

Pension cost charged to the profit and loss account in respect of defined benefit pension schemes are:

	2001 £m	2000 £m
Regular cost	4.8	4.7
Amortisation of scheme surplus	(5.2)	(5.0)
Pension cost	(0.4)	(0.3)

For certain Group employees outside Ireland, the United Kingdom and Germany, the pension entitlements are secured by defined contribution schemes, the cost of which amounted to £2.3 million (2000: £2.0 million).

## Notes to the financial statements continued

### 26. Pensions continued

#### Transitional arrangements of FRS 17

In November 2000 the Accounting Standards Board issued FRS 17 "Retirement Benefits", which is intended to replace SSAP 24 "Accounting for Pension Costs". FRS 17 is fully effective for periods ending on or after 22 June 2003, though certain disclosures are required in the transition period, for periods ending on or after 22 June 2001. These further disclosures are included below.

The Group operates a number of pension schemes throughout the world. The major schemes, which cover approximately one half of scheme members, are of the defined benefit type. The additional disclosures required by FRS 17 are based on the most recent actuarial valuations disclosed above and were updated by the scheme actuaries to 31 December 2001. The principal assumptions used by the scheme actuaries in relation to the major pension schemes operated by the Group are:

	Wedgwood Group Pension Plan	Rosenthal Pension Plan*
Rate of increase in pensionable salaries	4.00%	3.00%
Rate of increase in pension payments	2.50%	1.50%
Discount rate	6.00%	6.25%
Inflation rate	2.50%	1.50%

\*In common with the majority of companies in Continental Europe, the Rosenthal Pension Plan is a book reserve scheme whereby the provision for the present value of scheme liabilities is reflected in the balance sheet of the Company. Based on the above actuarial assumptions the actuarially assessed present value of scheme liabilities amounts to £17.3 million, of which £17.0 million is already reflected in the Waterford Wedgwood U.K. plc consolidated balance sheet at 31 December 2001.

The assets and liabilities in the Wedgwood scheme and the expected rates of return as at 31 December 2001 were:

	Wedgwood Group Pension Plan Long term rate of return	Value at 31 December 2001 £m
Equities	7.70%	125.1
Gilts	4.70%	17.9
Bonds	5.70%	26.9
Property	6.70%	4.7
Cash	3.70%	1.1
Total market value of scheme assets		175.7
Present value of scheme liabilities		(182.0)
Deficit in the scheme		(6.3)
Deferred tax asset		1.9
Net pension liability		(4.4)

If FRS 17 had been adopted in the financial statements, the Group's net assets and profit and loss reserve at 31 December 2001 would be as follows:

	As at 31 December 2001 £m
Net assets excluding pension liability	24.4
Prepayment in balance sheet written off	(13.2)
Pension liability	(4.7)
Net assets including pension liability	6.5
Profit and loss reserve excluding pension liability	(48.4)
Prepayment in balance sheet written off	(13.2)
Pension liability	(4.7)
Profit and loss reserve	(66.3)

## Notes to the financial statements continued

### 27. Foreign currency

The Group uses forward currency contracts in the normal course of business to hedge exchange risk on anticipated foreign currency transactions. At 31 December the Group had the following forward sales commitments:

	2001	2000
U.S. dollars	\$4.0m	\$18.3m
Canadian dollars	\$0.5m	\$3.6m
Japanese yen	¥4,300m	¥7,450m

The Group has a 10 year US\$/Stg£ fixed forward contract, totalling US\$22.6 million, as part of the US private placement arrangements.

### Currency exposure of the Group's net monetary assets/(liabilities)

The table below shows the Group's currency exposures, being those that give rise to the net currency gains and losses recognised in the profit and loss account. Such exposures comprise the monetary assets and monetary liabilities of the Group that are not denominated in the functional currency of the operating unit involved. As at 31 December, these exposures were as follows:

#### Net foreign currency monetary assets/(liabilities)

	Euro £m	Stg£ £m	US\$ £m	Yen £m	Other £m	Total £m
<b>At 31 December 2001</b>						
Functional currency of Group operation						
Euro	-	1.7	3.4	-	0.4	5.5
Stg£	34.6	-	2.1	-	2.1	38.8
Other	(0.1)	0.6	-	-	(0.4)	0.1
<b>Total</b>	<b>34.5</b>	<b>2.3</b>	<b>5.5</b>	<b>-</b>	<b>2.1</b>	<b>44.4</b>

#### At 31 December 2000

Functional currency of Group operation						
Euro	-	0.7	(1.8)	-	1.2	0.1
Stg£	(0.5)	-	(36.8)	-	3.6	(33.7)
Other	(0.8)	0.3	(0.1)	-	(1.4)	(2.0)
<b>Total</b>	<b>(1.3)</b>	<b>1.0</b>	<b>(38.7)</b>	<b>-</b>	<b>3.4</b>	<b>(35.6)</b>

### Hedging exposures of the Group

The Group's policy is to hedge, where appropriate, the following exposures: interest rate risk using interest rate swaps; currency exposures using forward and spot foreign currency contracts. The only hedging instruments on which unrecognised gains or losses arose during 2000 and 2001 were forward contracts to hedge foreign currency exposures.

Unrecognised gains on instruments used for hedging and the movements therein, were as follows:

	2001 Gains £m
Unrecognised gains on hedges at 1.1.01	2.8
Gains arising in previous years recognised in 2001	(0.1)
Gains arising before 1.1.01 that were not recognised in 2001	2.7
Gains arising in 2001 that were not recognised in 2001	1.7
Unrecognised gains on hedges at 31.12.01	4.4
Gains expected to be recognised in 2002	4.4

### 28. Guarantees

The Company has entered into guarantees with a syndicate of banks in respect of Group borrowings under a financing agreement.

Certain of the Group's subsidiaries have given guarantees in respect of items leased in the normal course of business.

### 29. Cash flow statement

As permitted by paragraph 5(a) of FRS 1 (Revised 1996), no cash flow statement is included within these financial statements as the Group is a wholly owned subsidiary of Waterford Wedgwood plc which publishes consolidated financial statements including a consolidated cash flow statement.

## Notes to the financial statements continued

### 30. Principal subsidiary companies

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

Name	Registered office and country of incorporation	Issued capital	Nature of business
<b>Manufacturing</b>			
Josiah Wedgwood & Sons Ltd	Barlaston, Stoke-on-Trent, England	60,000 Stg.£1 Ord. shares	Ceramic tableware/giftware manufacturer
Rosenthal AG	Selb, Germany	960,000 shares of no par value	Ceramic tableware/giftware manufacturer
<b>Distribution</b>			
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 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
Wedgwood GmbH	Selb, Germany	1 €25,565 shares	Distributor
Josiah Wedgwood (Malaysia) Sdn Bhd	Kuala Lumpur, Malaysia	2 Rml Ord. shares	Retailer
Waterford Wedgwood (Taiwan) Ltd	Taipei, Taiwan	13,600,000 NT\$10 Ord. shares	Distributor
<b>Finance</b>			
Statum Limited	Barlaston, Stoke-on-Trent, England	50,000 Stg.£1 Ord. shares	Finance
<b>Other</b>			
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 €4,601,883 share	Subsidiary holding company

With the exception of Waterford Wedgwood Canada Inc. which is 77% owned and Rosenthal AG where the Group owns 89.8%, all subsidiary companies are 100 per cent owned. Immediate subsidiaries of Waterford Wedgwood U.K. plc are marked \*.

All companies operate primarily in their country of incorporation with the exception of Waterford Wedgwood Australia Limited which operates in Australia.

### 31. Ultimate holding company

The Directors consider Waterford Wedgwood plc, a company incorporated in the Republic of Ireland, to be the ultimate holding company. Waterford Wedgwood plc is the parent company of the smallest and largest group, of which the Company is a member, which prepares consolidated financial statements. Copies of the accounts of Waterford Wedgwood plc can be obtained from The Secretary, Waterford Wedgwood U.K. plc, Barlaston, Stoke-on-Trent, Staffordshire, ST12 9ES, England. As permitted by FRS 8, 'Related Party Disclosures', transactions with other entities within the Waterford Wedgwood Group have not been separately disclosed.

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