

WATERFORD WEDGWOOD U.K. PLC
ACCOUNTS
31 MARCH 2004



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 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 March 2004.

Results

The financial statements for the year ended 31 March 2004 are set out in detail on pages 8 to 33. 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 March 2004 £m
Operating profit before exceptional items	12.3
Exceptional items	(16.7)
Makewhole payment	(2.6)
Net interest payable	(11.4)
Loss on ordinary activities before taxation	(18.4)
Taxation on loss on ordinary activities	(0.5)
Loss on ordinary activities after taxation	(18.9)
Minority interests	0.3
Loss absorbed for the year	(18.6)

Translation and other adjustments totalling £4.2 million have increased the revenue reserves balance during the year.

No interim dividend was paid in the financial year ended 31 March 2004. The Directors do not propose to pay a final dividend.

Principal activities, acquisitions and divestments

The Company is an intermediate holding company. During the year to 31 March 2004, 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 51.8% of Rosenthal's turnover is generated in the German market. The Group's interest in Rosenthal AG was 89.8% at 31 March 2004. 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 March 2004 are listed on page 33.

Future developments

Future developments and prospects are outlined in the Waterford Wedgwood Group Chairman's statement, Chief Executive's statement and Financial review on pages 1 to 5 of Waterford Wedgwood plc's accounts for the year ended 31 March 2004.

Board of Directors

The Directors of the Company are:

Peter John Goulandris (Chairman)

Richard A Barnes* (Resigned 19 April 2004)

Paul D'Alton* (Appointed 15 June 2004)

Andrew Elsby-Smith*

Timothy W Harper* (Resigned 1 September 2003)

Christopher J McGillivray* (Retired 25 June 2004)

P Redmond O'Donoghue*

Lady O'Reilly

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 and has a service contract which can be terminated by one year's notice.

P D'Alton, having been appointed since the last Annual General Meeting will retire at the Annual General Meeting, in accordance with the Articles of Association and, being eligible, will offer himself for election.

PJ Goulandris and PR O'Donoghue retire by rotation at the Annual General Meeting in accordance with the Articles of Association and, being eligible, will offer themselves for re-election.

Directors' interests

Share capital

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

Director	Description of shares	Number of stock units	
		31.3.03	31.3.04
A Elsby-Smith	stock units	11,892	22,992
*TW Harper	stock units	1,323	1,323

*at date of resignation

Waterford Wedgwood plc stock units each comprise one Waterford Wedgwood plc ordinary share of €0.06 and one non-voting income share of Stg1p in Waterford Wedgwood U.K. plc.

Directors' options

Details of executive share options, granted in accordance with the rules of the WW Group 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:

	31.3.03	Adjusted for Rights Issue	31.3.04	Weighted average exercise price
Director				
A Elsby-Smith	337,500	356,736	356,736	Stg62.8p
*TW Harper	337,500	356,737	356,737	Stg57.1p

*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:

	31.3.03	Adjusted for Rights Issue	Granted during year	Lapsed during year	31.3.04	Weighted average exercise price
Director						
A Elsby-Smith	12,902	13,594	13,464	(752)	26,306	Stg24.6p

Outstanding options are exercisable on dates between 2004 and 2011.

The market price at the year end date was Stg15.75p. The highest share price during the year was Stg21.02p and the lowest Stg13.78p.

Directors' contracts

Other than service contracts, there have been no contracts or arrangements with the Company or any subsidiary during the financial year or between 31 March 2004 and 17 June 2004, 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 March 2004, 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 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 March 2004 the issued share capital of the Company comprised 181,601,769 ordinary shares and 1,096,635,985 income shares.

Research & product development

The Group maintains design and development departments in its main manufacturing divisions. Expenditure on design and development in the year amounted to £3.5 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 a significant number of employees.

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 have been held.

The main objective for Health, Safety and Environment during the year 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 £107,000 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 31 to the accounts.

Auditors

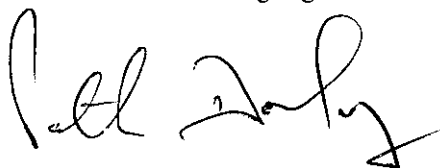
A resolution to re-appoint PricewaterhouseCoopers as auditors to the Company will be proposed at the Annual General Meeting.

Going concern

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

By order of the Board:

Patrick J Dowling
Company Secretary



17 June 2004

Corporate Governance

The WW Group is committed to high standards of Corporate Governance. The WW Group is continually reviewing its Corporate Governance standards in light of current developments in the UK, Ireland, the United States and Europe, in order to ensure that its Corporate Governance systems comply with applicable laws and remain in line with international best practices.

A revised Combined Code on Corporate Governance, replacing the 1998 Code, will apply to the WW Group for the financial year ending 31 March 2005. The Annual Report for that year will comment on compliance with the revised Code. Meanwhile, having reviewed the WW Group's Corporate Governance practices, the Directors consider that the WW Group has, except for the disclosures on service contracts, complied throughout the year ended 31 March 2004 with the provisions of the 1998 Combined Code.

The Board

The Waterford Wedgwood plc Board has a majority of non-executive Directors. The non-executive directors provide independent advice in establishing appropriate strategies for the Group which are in the long-term interest of its shareholders, employees and customers. The Waterford Wedgwood plc 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 Group's expense, if and when required.

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

Board Committees

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.

The Audit Committee

The WW Group has an Internal Audit function, reporting to the Audit Committee, which is appropriately resourced. The Audit Committee met six times during the year to review the effectiveness of the WW 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 WW Group Finance Director and Internal Audit Director attend Audit Committee meetings while external auditors attend as required and have direct access to the Committee Chairman at all times. Minutes of Audit Committee meetings are circulated to the Board.

The members of the Audit Committee are as follows:

KC McGoran, Chairman, is a Chartered Accountant. He has extensive public company experience and is a former Chief Financial Officer of the Jefferson Smurfit Group. He was also Chief Executive of Fitzwilton plc. The Board have designated KC McGoran as the Audit Committee's Financial Expert as required by the Sarbanes-Oxley Act, 2002.

GP Dempsey is a former president of the Institute of Chartered Accountants in Ireland. He was former Deputy Chief Executive of Aer Lingus Airlines and has extensive public company experience.

PJ Molloy is a former Chief Executive Officer of the Bank of Ireland Group. He is Chairman of CRH plc.

LL Glucksman is a former Vice Chairman of investment bank, Salomon Smith Barney.

The Committee has approved a pre-approval policy in respect of audit and non-audit services provided by the external auditors as required by the Sarbanes-Oxley Act, 2002.

Internal control

The Directors acknowledge their overall responsibility for the WW 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 WW Group Board has broadened its internal controls to include not just financial risk management but also operational and compliance risk management. This expanded internal control system addresses the nature and extent of the risks facing the WW Group. 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.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee is responsible for advising on the appointment of Directors and determines 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.

It 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 are determined by the Remuneration and Nomination Committee on the basis of the WW Group's performance during the year, measured in terms of achieving key financial targets, principally operating profits 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 year, together with prior year comparatives, are set out in note 8 to the Financial Statements.

Relations with shareholders

Communications with shareholders are given a high priority. Senior management makes presentations to institutional shareholders, analysts and the press after the release of annual and interim results. The non-executive Directors may attend these presentations to hear shareholders' views. There is also a regular dialogue with institutions and analysts throughout the year other than during closed periods. The WW Group's AGM affords individual shareholders the opportunity to question the Chairman and the Board. In addition, the WW Group responds throughout the year to letters from individual shareholders on a wide range of issues. The WW Group also posts the text of its Annual Report, Interim statement and 20-F on its web site, www.waterfordwedgwood.com

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

We have audited the financial statements which comprise the consolidated profit and loss account, the consolidated balance sheet, the company balance sheet, the statement of total recognised gains and losses and the related notes which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies.

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, and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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

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.

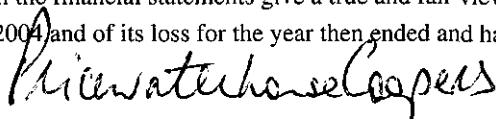
Basis of audit opinion

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 March 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers

Chartered Accountants and Registered Auditors

Dublin

17 June 2004

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, modified by the revaluation of certain properties and in accordance with the accounting standards generally accepted in the United Kingdom and UK statute and with the accounting policies set out below.

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 related 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 receipts and payments and repayment of long-term currency borrowings. Contracts entered into to hedge future currency receipts and payments are either recognised in the profit and loss account on maturity of the underlying hedged transaction and are classified in a manner consistent with the underlying nature of the hedged transaction, or in the case of gains and losses arising on cancellation due to the termination of the underlying exposure, are taken to the profit and loss account immediately. For hedges of long-term foreign currency borrowings, the forward premium or discount inherent in the forward currency contract is amortised to the profit and loss account over the life of the contract.

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.

Costs incurred in relation to makewhole payments are charged to the profit and loss account in the year in which they are incurred.

Tangible assets and depreciation

Tangible assets are stated at cost or valuation less accumulated depreciation. Following the adoption of FRS 15 '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 in the normal course of business (net of trade discounts) less all further costs to completion and less all costs to be incurred in marketing, selling and distribution.

Goodwill and intangible assets

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 as are the value of other acquired intangible assets. 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.

Financial assets

Financial asset investments are stated at cost less provision for permanent diminution in value.

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, at original cost, 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.

Deferred tax

Deferred tax is recognised on all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred at the balance sheet date.

Amounts recognised are not discounted and reflect the tax rates that are expected to apply when each timing difference reverses, based on rates and laws enacted, or substantively enacted at the balance sheet date.

Net deferred tax assets are regarded as recoverable and therefore recognised only when, on the basis of all the available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover the originating timing difference.

Surpluses on the revaluation or properties, gains on disposals of fixed assets that have been rolled over into replacement assets and future remittances of retained earnings of overseas subsidiaries are not treated as giving rise to timing differences until, respectively, a commitment to dispose of the revalued or replacement asset, or pay a dividend from the subsidiary company, has been made.

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

	Notes	Year to 31 March 2004			Year to 31 March 2003
		Pre-exceptional charges £m	Exceptional charges (note 3) £m	Total £m	£m
Turnover	2	430.0	–	430.0	456.1
Cost of sales		(235.4)	(18.7)	(254.1)	(273.7)
Gross profit		194.6	(18.7)	175.9	182.4
Distribution costs		(147.4)	(1.3)	(148.7)	(149.7)
Administrative expenses		(44.4)	–	(44.4)	(42.0)
Other operating income/(expense)	4	9.5	–	9.5	(4.8)
		(182.3)	(1.3)	(183.6)	(196.5)
Operating (loss)/profit	2	12.3	(20.0)	(7.7)	(14.1)
Profit on sale of fixed assets				3.3	–
Makewhole payment	5			(2.6)	–
Net interest payable	5			(11.4)	(9.8)
Loss on ordinary activities before taxation	6			(18.4)	(23.9)
Taxation on loss on ordinary activities	7			(0.5)	1.1
Loss on ordinary activities after taxation				(18.9)	(22.8)
Minority interests				0.3	(0.1)
Loss attributable to members of the parent company				(18.6)	(22.9)
Dividends	9			–	(2.9)
Loss absorbed for the year				(18.6)	(25.8)
Loss per income share	11			(1.98p)	(2.59p)

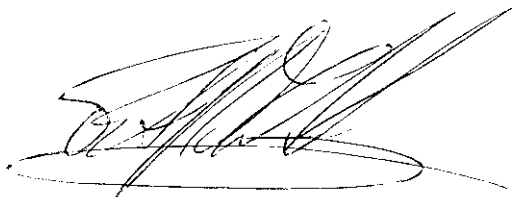
Turnover and operating losses arose solely from continuing activities.



Peter John Goulandris Chairman



Paul D'Alton Director




Consolidated balance sheet

	Notes	As at 31 March 2004 £m	As at 31 March 2003 £m
Fixed assets			
Intangible assets	12	13.0	13.9
Tangible assets	13	91.6	95.6
Financial assets	14	9.3	9.5
		113.9	119.0
Current assets			
Stocks	15	164.6	152.1
Debtors	16	96.4	101.0
Cash at bank and in hand		29.0	50.2
		289.0	303.3
Creditors (amounts falling due within one year)	17	(336.9)	(268.6)
Net current (liabilities)/assets		(47.9)	34.7
Total assets less current liabilities		66.0	153.7
Creditors (amounts falling due after more than one year)	17	(83.2)	(157.0)
Provisions for liabilities and charges	20	(0.8)	(0.8)
		(18.0)	(4.1)
Capital and reserves			
Called up share capital	22	56.4	54.2
Merger reserve	21	2.2	2.2
Revaluation reserve	21	3.5	4.9
Capital redemption reserve	21	8.5	8.5
Profit and loss account	21	(91.2)	(76.8)
Shareholders' funds – equity interests		(20.6)	(7.0)
Minority interests – equity interests		2.6	2.9
		(18.0)	(4.1)

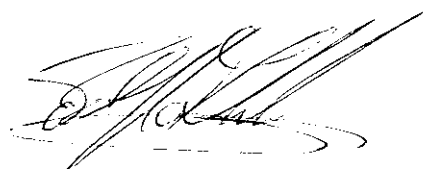
Approved by the Board of Directors on 17 June 2004.



Peter John Goulandris Chairman



Paul D'Alton Director




Company balance sheet

	Notes	As at 31 March 2004 £m	As at 31 March 2003 £m
Fixed assets			
Financial assets	14	149.0	155.8
Current assets			
Debtors	16	85.5	86.6
Creditors (amounts falling due within one year)	17	(96.6)	(101.7)
Net current liabilities		(10.1)	(15.1)
Total assets less current liabilities		138.9	140.7
Capital and reserves			
Called up share capital	22	56.4	54.2
Capital redemption reserve	21	8.5	8.5
Profit and loss account	21	74.0	78.0
Shareholders' funds – equity interests		138.9	140.7

Approved by the Board of Directors on 17 June 2004.



Peter John Goulandris Chairman



Paul D'Alton Director




Statement of total recognised gains and losses

	Year to 31 March 2004 £m	Year to 31 March 2003 £m
Loss for the year	(18.6)	(22.9)
Exchange translation effect on net overseas investments	2.8	(3.9)
Total recognised losses for the year	(15.8)	(26.8)

Note of historical cost profits and losses

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

Reconciliation of movement in shareholders' funds

	Year to 31 March 2004 £m	Year to 31 March 2003 £m
Loss for the year	(18.6)	(22.9)
Dividends	—	(2.9)
New share capital issued	2.2	—
Exchange translation effect on net overseas investments	2.8	(3.9)
Net movement in shareholders' funds	(13.6)	(29.7)
Opening shareholders' funds	(7.0)	22.7
Closing shareholders' funds	(20.6)	(7.0)

Notes to the financial statements

1 Effect of change in accounting estimates

During the year, the Group reviewed the basis of the valuation of stock resulting in an uplift in values by £3.8 million and the reduction of stock provisions by £1.4 million, thereby benefiting the profit and loss account for the 12 months to 31 March 2004 by £5.2 million.

2 Segment information

(a) Classes of business

	Year to 31 March 2004					Year to 31 March 2003				
	Turnover £m	Operating profit/(loss) before exceptional charges £m	Exceptional charges £m	Operating (loss)/ profit £m	Net (liabilities)/ assets £m	Turnover £m	Operating profit before exceptional charges £m	Exceptional charges £m	Operating (loss)/ profit £m	Net (liabilities)/ assets £m
Ceramics	254.1	(1.1)	(20.0)	(21.1)	9.7	266.7	1.2	(20.1)	(18.9)	59.8
Crystal and other products	175.9	13.4	—	13.4	13.7	189.4	5.8	(1.0)	4.8	33.4
Net borrowings	—	—	—	—	(41.4)	—	—	—	—	(97.3)
	430.0	12.3	(20.0)	(7.7)	(18.0)	456.1	7.0	(21.1)	(14.1)	(4.1)
Minority interests	—	—	—	—	(2.6)	—	—	—	—	(2.9)
	430.0	12.3	(20.0)	(7.7)	(20.6)	456.1	7.0	(21.1)	(14.1)	(7.0)

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

(b) Geographical segment by country of operation

	Year to 31 March 2004						Year to 31 March 2003					
	Turnover by destination £m	country of origin £m	Operating profit/(loss) before exceptional charges £m	Exceptional charges £m	Operating (loss)/ profit £m	Net (liabilities)/ assets £m	Turnover by destination £m	country of origin £m	Operating profit/(loss) before exceptional charges £m	Exceptional charges £m	Operating (loss)/ profit £m	Net (liabilities)/ assets £m
Europe	175.4	239.0	8.7	(19.2)	(10.5)	(10.7)	185.9	250.3	(0.1)	(19.8)	(19.9)	11.6
North America	179.5	178.7	3.4	(0.3)	3.1	18.3	200.8	197.2	6.5	(1.0)	5.5	63.2
Asia Pacific	58.8	44.6	(0.3)	(0.4)	(0.7)	10.6	55.6	43.0	0.3	—	0.3	14.1
Rest of World	16.3	12.1	0.5	(0.1)	0.4	5.2	13.8	11.4	0.3	(0.3)	—	4.3
	430.0	474.4	12.3	(20.0)	(7.7)	23.4	456.1	501.9	7.0	(21.1)	(14.1)	93.2
Inter-segment sales	—	(44.4)	—	—	—	—	—	(45.8)	—	—	—	—
Net borrowings	—	—	—	—	—	(41.4)	—	—	—	—	—	(97.3)
Total	430.0	430.0	12.3	(20.0)	(7.7)	(18.0)	456.1	456.1	7.0	(21.1)	(14.1)	(4.1)
Minority interests	—	—	—	—	—	(2.6)	—	—	—	—	—	(2.9)
	430.0	430.0	12.3	(20.0)	(7.7)	(20.6)	456.1	456.1	7.0	(21.1)	(14.1)	(7.0)

All inter-segment sales originate from Europe.

3 Exceptional charges

In the results for the 12 months to 31 March 2004, the following exceptional costs have been charged to operating loss:

	Cost of sales £m	Distribution costs £m	Total £m
Restructuring costs	14.4	1.3	15.7
Stock write-downs	2.3	—	2.3
Earthenware outsourcing set-up costs	2.0	—	2.0
	18.7	1.3	20.0

3 Exceptional charges (continued)

Restructuring costs

In 2003, as a result of the decrease in demand for luxury products due primarily to the continued global economic downturn, the outbreak of the SARS epidemic and the conflict in Iraq, the Directors announced a restructuring programme aimed at further lowering operating costs. In the accounts for the 12 months to 31 March 2003, a charge of £21.1 million was recognised, of which £8.7 million was for fixed asset impairments, £9.7 million for stock write-downs and £2.7 million for integration and rationalisation projects. In the accounts for the 12 months to 31 March 2004, a charge of £15.7 million has been recognised, representing redundancy and related costs associated with the closure of two earthenware manufacturing facilities in the UK, the consolidation of Wedgwood branded earthenware production into the existing manufacturing facility in Barlaston, Stoke-on-Trent, the outsourcing of production of Johnson Brothers branded earthenware to the People's Republic of China and the reorganisation of Wedgwood's European retail and marketing operations.

Stock write-downs

As a result of the initiative to move Johnson Brothers production to the People's Republic of China, the carrying value of certain stock has been reduced to its estimated net realisable value resulting in a charge of £2.3 million in the accounts for the 12 months to 31 March 2004.

Earthenware outsourcing set-up costs

As a result of moving Johnson Brothers production to the People's Republic of China, once-off set up costs amounting to £2.0 million have been incurred and charged to loss in the accounts for the 12 months to 31 March 2004.

	Year to 31 March 2004 £m	Year to 31 March 2003 £m
4 Other operating income/(expense)		
Other operating income	0.4	0.6
Exchange gain/(loss)	9.1	(5.4)
	9.5	(4.8)
	Year to 31 March 2004 £m	Year to 31 March 2003 £m
5 Net interest payable		
Interest payable on borrowings maturing within 5 years	9.6	5.5
Interest payable on borrowings maturing after more than 5 years	–	5.1
Interest payable to Waterford Wedgwood Group companies	2.2	–
	11.8	10.6
Interest receivable from third parties	(0.3)	(0.8)
Interest receivable from Waterford Wedgwood Group companies	(0.1)	–
Net interest payable	11.4	9.8

During the year the Company incurred a makewhole payment of £2.6 million arising from the partial repayment of the 8.75% Secured Senior Notes.

	Year to 31 March 2004 £m	Year to 31 March 2003 £m
6 Loss on ordinary activities before taxation		
Depreciation – owned assets	12.4	15.0
Operating lease rentals – plant and equipment	1.8	2.0
Operating lease rentals – others	12.5	11.7
Research and development	3.5	5.5
Auditors' remuneration (Company: £19,614 (year to 31 March 2003: £17,000))	0.5	0.8

Fees paid to PricewaterhouseCoopers by the Company and its UK subsidiaries in respect of non-audit services amounted to £31,000 (31 March 2003: £52,000).

	Year to 31 March 2004 £m	Year to 31 March 2003 £m
7 Taxation on loss on ordinary activities		
Current taxation (charge)/credit:		
Based on loss on ordinary activities for the year:		
UK corporation taxation at 30% (31 March 2003: 30%)	(0.3)	(0.2)
Adjustment in respect of prior periods – UK	–	2.0
Double taxation relief	0.3	0.2
Overseas taxation payable	(1.1)	(1.1)
Adjustment in respect of prior periods – overseas	–	0.6
	(1.1)	1.5
Deferred tax credit/(charge):		
On originating and reversing timing differences	0.6	(0.4)
	(0.5)	1.1

No deferred tax is recognised on the unremitted earnings of overseas subsidiaries, as these are reinvested in the business and thus no tax is expected to be payable on them in the foreseeable future.

The taxation charge in future years will be significantly affected by the incidence of profits in the Group's various operations, in particular; the US, where the current taxation rate is approximately 39%; and the UK and Germany where no significant taxation should be payable due to available brought forward taxation losses.

The overall taxation charge in future years will also be dependent upon any changes in the underlying assumptions made for the recognition of taxation losses.

The following table reconciles the current taxation charge/(credit) on ordinary activities for the year reported in the profit and loss account to the notional current taxation credit that would result from applying the standard rate of UK corporation taxation to the loss on ordinary activities before taxation:

	Year to 31 March 2004 £m	Year to 31 March 2003 £m
Notional UK corporation taxation credit at 30% (31 March 2003: 30%)	5.5	7.2
Different taxation rates in overseas operations	0.3	0.5
Current year losses not utilised	(6.3)	(5.5)
Other timing differences	(0.3)	(3.2)
Permanent differences	(0.3)	(0.1)
Over provision in respect of prior periods	–	2.6
	(1.1)	1.5

8 Directors' remuneration and other contracts

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

	Year to 31 March 2004		Year to 31 March 2003	
	Executive Directors	Non-executive Directors	Executive Directors	Non-executive Directors
	£000	£000	£000	£000
Fees	–	11	–	10
Other remuneration	926	–	1,009	–
Payment on completion of employment contract	76	–	50	–
Benefits in kind	86	–	109	–
Annual bonus	–	–	232	–
Contributions to defined contribution pension schemes	22	–	17	–
Contribution to defined benefit pension schemes	45	–	46	–
Ex-gratia pensions paid to past Directors	7	–	7	–
	1,162	11	1,470	10

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

Peter John Goulandris, who for the purposes of the table above has been regarded as a non-executive Director compatible with his duties in both the years to 31 March 2004 and 2003, waived his fees of £5,000 and £5,000 respectively.

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

	Year to 31 March 2004 Number	Year to 31 March 2003 Number
Defined contribution pension schemes	2	2
Defined benefit pension schemes	3	4

The highest paid Director received total emoluments of £392,000 (31 March 2003: £587,000) and had a contribution of £12,000 (31 March 2003: £11,000) 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 the year to 31 March 2004 a contribution of £269,000 (31 March 2003: £194,000) was provided for in relation to this entitlement.

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

9 Dividends

	Year to 31 March 2004 £m	Year to 31 March 2003 £m
Paid:		
Interim dividend	–	1.1
Final dividend	–	1.8
	–	2.9

10 Particulars of staff	Year to 31 March 2004 Number	Year to 31 March 2003 Number
Average number of persons employed:		
Production	2,860	3,207
Marketing, selling and distribution	3,012	3,017
Administration	469	506
	6,341	6,730

	£m	£m
Payroll costs of those employees:		
Wages and salaries	116.9	115.5
Social security costs	16.4	17.3
Pension costs	8.4	7.9
	141.7	140.7

11 Loss per income share	Year to 31 March 2004 £m	Year to 31 March 2003 £m
Loss for the year	(18.6)	(22.9)
Loss per share (pence)	(1.98p)	(2.59p)

The calculation of loss per income share is based on 937.3 million income shares being the weighted average number of income shares in issue during the year to 31 March 2004 (31 March 2003: 883 million).

12 Intangible assets	Goodwill £m	Acquired brand £m	Total £m
Group			
Cost			
At 31 March 2003	15.9	1.8	17.7
Translation adjustment	—	(0.1)	(0.1)
At 31 March 2004	15.9	1.7	17.6
Accumulated amortisation			
At 31 March 2003	3.6	0.2	3.8
Charge for the year	0.7	0.1	0.8
At 31 March 2004	4.3	0.3	4.6
Net book amounts			
At 31 March 2004	11.6	1.4	13.0
At 31 March 2003	12.3	1.6	13.9

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

Goodwill and the acquired brand are amortised over their expected useful lives of 20 years.

13 Tangible assets	Land and buildings		Plant and equipment	Total
	Freehold £m	Short leasehold £m		
Group				
At 31 March 2003				
– cost	38.0	6.6	201.7	246.3
– valuation	22.6	–	–	22.6
	60.6	6.6	201.7	268.9
Additions	2.2	0.3	10.4	12.9
Reclassified	–	0.2	(0.2)	–
Disposals	(4.3)	–	(29.6)	(33.9)
Translation adjustment	(0.9)	(0.8)	(5.3)	(7.0)
At 31 March 2004	57.6	6.3	177.0	240.9
– cost	39.4	6.3	177.0	222.7
– valuation	18.2	–	–	18.2
	57.6	6.3	177.0	240.9
Accumulated depreciation				
At 31 March 2003	31.2	4.9	137.2	173.3
Charge for the year	1.0	0.4	11.0	12.4
Reclassified	–	0.1	(0.1)	–
Disposals	(2.3)	–	(28.7)	(31.0)
Translation adjustment	(0.6)	(0.6)	(4.2)	(5.4)
At 31 March 2004	29.3	4.8	115.2	149.3
Net book amounts				
At 31 March 2004	28.3	1.5	61.8	91.6
At 31 March 2003	29.4	1.7	64.5	95.6

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

No depreciation is charged on freehold land with a book value of £3.9 million (31 March 2003: £6.1 million).

The net book value of plant and equipment includes £0.3 million (31 March 2003: £0.3 million) in respect of assets held under finance leases.

The Group has adopted FRS 15 '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.

13 Tangible assets (continued)

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

	As at 31 March 2004 £m	As at 31 March 2003 £m
Cost	65.5	66.0
Accumulated depreciation	(37.7)	(38.4)
	27.8	27.6

14 Financial assets

	Listed investments £m	Other loans and investments £m	Total £m
Group			
At 31 March 2003	6.1	3.4	9.5
Disposals	–	(0.2)	(0.2)
At 31 March 2004	6.1	3.2	9.3

The Group's principal subsidiaries are listed in note 29.

The market value of the listed investments on the London Stock Exchange at 31 March 2004 was £5.8 million.

The Group's 21.16% interest in Royal Doulton plc has not been treated as an associate undertaking as the Group does not participate in the commercial or financial policy decisions of Royal Doulton plc, nor does it have any Board representation. Accordingly, the investment in Royal Doulton plc is included within the Group balance sheet at cost less provisions for permanent diminution in value.

	£m
Company	
Investment in subsidiary companies at cost	
At 31 March 2003	155.8
Exchange	(6.8)
At 31 March 2004	149.0

15 Stocks

	As at 31 March 2004 £m	As at 31 March 2003 £m
Group		
Raw materials and consumables	11.5	11.6
Work-in-progress	19.7	23.4
Finished goods and goods for resale	133.4	117.1
	164.6	152.1

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

	As at 31 March 2004 £m	Group As at 31 March 2003 £m	As at 31 March 2004 £m	Company As at 31 March 2003 £m
16 Debtors				
Amounts falling due within one year:				
Trade debtors	43.3	48.7	—	—
Deferred tax asset (note 20)	—	0.7	—	—
Amounts owed by Waterford Wedgwood Group companies	12.7	13.2	—	—
Amounts owed by subsidiary companies	—	—	85.5	85.8
Other debtors	7.7	4.9	—	0.8
Prepayments and accrued income	6.9	10.8	—	—
	70.6	78.3	85.5	86.6
Amounts falling due after more than one year:				
Deferred tax asset (note 20)	7.9	7.5	—	—
Pension prepayment	14.5	14.5	—	—
Prepayments and accrued income	2.4	0.7	—	—
	95.4	101.0	85.5	86.6

	As at 31 March 2004 £m	Group As at 31 March 2003 £m	As at 31 March 2004 £m	Company As at 31 March 2003 £m
17 Creditors				
Amounts falling due within one year:				
Current instalments due on loans	1.2	3.2	—	—
Bank loans and overdrafts	6.7	7.1	—	—
Trade creditors	29.2	34.0	—	—
Other creditors	12.1	8.8	1.6	—
Restructuring and rationalisation	1.8	2.7	—	—
Accruals and deferred income	13.7	21.9	—	—
Amounts owed to Waterford Wedgwood Group companies	258.1	179.0	—	—
Amounts owed to subsidiary companies	—	—	94.0	99.9
Taxation and social security	14.1	10.1	—	—
Proposed dividend	—	1.8	—	1.8
	336.9	268.6	95.6	101.7
Amounts falling due after more than one year:				
Long term debt (note 18)	62.5	137.2	—	—
Pension accruals	18.9	18.3	—	—
Other creditors and accruals	1.8	1.5	—	—
	83.2	157.0	—	—

Analysis of movement of restructuring and rationalisation:	Group £m
Balance at 31 March 2003	2.7
Utilised during the year	(16.6)
Charged to profit and loss account	15.7
Balance at 31 March 2004	1.8

	As at 31 March 2004 £m	Group As at 31 March 2003 £m	As at 31 March 2004 £m	Company As at 31 March 2003 £m
18 Net borrowings				
Cash and deposits	29.0	50.2	—	—
Bank loans and overdrafts	(7.9)	(10.3)	—	—
Long term debt	(62.5)	(137.2)	—	—
	(41.4)	(97.3)	—	—

19 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 WW Group Board supplemented by procedures and bank mandates. The Waterford Wedgwood Group Treasury function operates as a centralised service managing interest rate, foreign currency and financing risk and its activities are routinely reported to members of the Waterford Wedgwood 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. The Group elected during the year to cancel a portion of its outstanding future years forward cover, resulting in a gain during fiscal 2004, as part of its management of the yield on its hedging activities in respect of overseas trading cash flows. Subsequent to this, and taking into account the Group's view on the four principal currencies, hedging in place at 31 March 2004 for the coming 12 months is 47.2% of the Group's ¥/Stg£ exposure, which includes structures whereby there is a guaranteed downside rate and potential to gain from favourable currency movements.

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 26).

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 borrowing structure. The Group ensures continuity of funding by maintaining a broad portfolio of debt, diversified by source and maturity, and by maintaining facilities sufficient to cover peak anticipated borrowing requirements, 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 March 2004, nil% (31 March 2003: 40.9%) 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 later in this note.

19 Derivatives and other financial instruments – objectives, policies and strategies (continued)

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 March 2004, 51.6% (31 March 2003: 44.4%) of debt was fixed at an average rate of 8.52% (31 March 2003: 7.68%) for a weighted average maturity of 4.5 years (31 March 2003: 5.5 years).

The average rate of interest paid by the Waterford Wedgwood Group during the year to 31 March 2004 was 5.60% (year to 31 March 2003: 5.06%). A 1% rise in market rates would increase losses before taxation of the Group by £0.3 million for the year to 31 March 2004 (31 March 2003: £1.4 million).

For the purposes of the following disclosures and those set out in note 26, short term debtors and creditors that meet the definition of a financial asset or liability under FRS 13 have been excluded as permitted, except for the analysis of net currency exposures.

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 March 2004					
Euro	25.5	3.4	22.1	6.20	2.9
Sterling	5.6	—	5.6	—	—
US\$	36.7	32.9	3.8	8.75	4.6
Yen	2.6	—	2.6	—	—
	70.4	36.3	34.1	8.52	4.5
At 31 March 2003					
Euro	27.0	4.7	22.3	6.14	3.8
Sterling	10.0	—	10.0	—	—
US\$	105.7	60.8	44.9	7.80	5.6
Yen	4.8	—	4.8	—	—
	147.5	65.5	82.0	7.68	5.5

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

Maturity profile of the Group's financial liabilities

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

	Total financial liabilities		As at 31 March 2004 £m	Net debt As at 31 March 2003 £m
	As at 31 March 2004 £m	As at 31 March 2003 £m		
Within one year	(7.9)	(10.3)	21.1	39.9
Between one and two years	(1.2)	(71.6)	(1.2)	(71.6)
Between two and five years	(61.3)	(5.3)	(61.3)	(5.3)
After five years	–	(60.3)	–	(60.3)
	(70.4)	(147.5)	(41.4)	(97.3)

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

19 Derivatives and other financial instruments – objectives, policies and strategies (continued)

There are no loans repayable by instalments, where any instalment is due after five years.

Split of borrowings between	As at 31 March 2004	As at 31 March 2003
	£m	£m
Secured	70.4	4.7
Unsecured	–	142.8
	70.4	147.5

The revolving credit facility, Rosenthal facilities and the 8.75% Secured Senior Notes representing £61.4 million of secured debt (31 March 2003: £nil million) are secured by fixed and floating charges over the assets of Companies representing 90% of the total assets of the Group.

Maturity analysis of undrawn committed borrowing facilities

	As at 31 March 2004	As at 31 March 2003
	£m	£m
Within one year	–	–
Between one and two years	–	0.9
After two years	0.9	–
	0.9	0.9

Fair values of financial instruments

Set out below is a year end comparison of book and fair values of the financial instruments by category. 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 are as follows:

	As at 31 March 2004		As at 31 March 2003	
	Book value £m	Fair value £m	Book value £m	Fair value £m
Non-derivatives				
Assets				
Cash	29.0	29.0	50.2	50.2
Equity investments	6.1	5.8	6.1	2.3
Liabilities				
Short term debt	(7.9)	(7.9)	(10.3)	(10.3)
Long term debt	(62.5)	(64.4)	(137.2)	(140.9)

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

Derivative financial instruments held to manage currency profile

	As at 31 March 2004		As at 31 March 2003	
	Book value £m	Fair value £m	Book value £m	Fair value £m
Transaction risk				
Applied contracts (a)	–	–	0.2	–
Foreign exchange structures (b)	–	(0.2)	–	(0.9)
US private placement (c)	(2.0)	1.0	0.2	0.1

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

(b) Foreign exchange structures to be matched against anticipated future cash flows.

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

20 Provision for liabilities and charges

Group	As at 31 March 2004	As at 31 March 2003
	£m	£m
Provision for onerous lease	0.8	0.8

Deferred tax

The amount of deferred tax assets/(liabilities), none of which are discounted, recognised in respect of each type of timing difference is as follows:

	As at 31 March 2004 £m	As at 31 March 2003 £m
Accelerated capital allowances	(3.2)	(5.6)
Other accelerated deductions	(11.0)	(11.4)
Taxation losses	13.8	13.9
Other deferred deductions	8.3	11.3
	7.9	8.2

These amounts are disclosed in the balance sheet as follows:

	As at 31 March 2004 £m	As at 31 March 2003 £m
Debtors:		
Amounts falling due in less than one year	–	0.7
Amounts falling due after more than one year	7.9	7.5
	7.9	8.2

Deferred tax assets have been recognised in excess of future taxable profits arising from the reversal of deferred tax liabilities, to the extent it is considered more likely than not that suitable profits will be generated in the future.

The movement between the net opening and closing balance of deferred tax is as follows:

	As at 31 March 2004 £m	As at 31 March 2003 £m
Opening deferred tax asset	8.2	8.7
Credit /(charge) to profit and loss account	0.6	(0.4)
Exchange	(0.9)	(0.1)
Closing deferred tax asset	7.9	8.2

Potential deferred tax assets of £35.0 million (31 March 2003: £26.5 million) arising principally from trading losses and restructuring charges have not been recognised. The Directors believe sufficient taxable profits to utilise the losses will arise in the future, but that there is currently insufficient evidence to support the recognition of a deferred tax asset. The majority of these losses and charges may be carried forward indefinitely under current law, but these losses and charges can only be offset against taxable profits generated in the same entities and tax jurisdictions in which they were incurred.

21 Reserves	Merger reserve £m	Revaluation reserve £m	Capital redemption reserve £m	Profit and loss account £m	Total £m
Group					
At 31 March 2003	2.2	4.9	8.5	(76.8)	(61.2)
Realised on sale of property	–	(1.4)	–	1.4	–
Loss for the year	–	–	–	(18.6)	(18.6)
Translation of overseas subsidiaries	–	–	–	2.8	2.8
At 31 March 2004	2.2	3.5	8.5	(91.2)	77.0

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

	Capital redemption reserve £m	Profit and loss account £m	Total £m
Company			
At 31 March 2003	8.5	78.0	86.5
Profit for the year	–	2.8	2.8
Translation of net investment in overseas subsidiaries	–	(6.8)	(6.8)
At 31 March 2004	8.5	74.0	82.5

As permitted by provisions of the Companies Act, 1985, the profit and loss account of the Company is not presented in these financial statements. The amount of the loss for the year dealt with in the accounts of the Company is a profit of £3.0 million (year to 31 March 2003: £0.2 million).

	As at 31 March 2004 £m	As at 31 March 2003 £m	
22 Share capital			
Authorised:			
220 million (31 March 2003: 220 million) ordinary shares of 25p each	55.0	55.0	
1.2 billion (31 March 2003: 1 billion) income shares of 1p each	12.0	10.0	
	67.0	65.0	
	Ordinary share of 25p each £m	Income shares of 1p each £m	Total £m
Issued, allotted and fully paid:			
At 31 March 2003 – ordinary shares – 181,601,769	45.4	8.8	54.2
– income shares – 882,995,866			
At 31 March 2004 – ordinary shares – 181,601,769	45.4	11.0	56.4
– income shares – 1,096,635,985			

23 Obligations under leases

Commitments under operating leases, payable in the year to 31 March 2005 expire as follows:

Group	Property £m	Plant and equipment £m	Total £m
Amounts payable on leases expiring:			
Within one year	0.9	0.5	1.4
Two to five years	4.8	1.1	5.9
After five years	5.4	0.1	5.5
	11.1	1.7	12.8

24 Capital commitments

	As at 31 March 2004 £m	Group As at 31 March 2003 £m	As at 31 March 2004 £m	Company As at 31 March 2003 £m
Contracted for but not provided	1.4	4.0	—	—

25 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 2002

The market value of the assets in the Wedgwood Group Pension Plan at 31 December 2002 was £147.8 million. The market value of the assets was sufficient to cover 85% 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 2.1% per annum and limited price indexation of pensions by 3.1% per annum. For the purpose of calculating pension cost under SSAP 24, it was assumed that the investment return would exceed general salary inflation by 2.6% per annum and limited price indexation of pensions by 3.6% per annum. At 31 March 2004, £14.5 million (31 March 2003: £14.5 million) was included in debtors in respect of prepaid contributions. Company contributions to the plan are at the actuary's recommended rate.

The deficit in the plan is being amortised over the average future service lives of current employees.

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 £18.7 million is included in creditors at 31 March 2004 (31 March 2003: £18.1 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 March 2004.

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

	Year ended 31 March 2004 £m	Year ended 31 March 2003 £m
Regular cost	4.7	5.9
Variation from regular cost	2.6	0.9
Interest	(0.9)	(0.9)
Pension cost	6.4	5.9

For certain Group employees outside the United Kingdom and Germany, the pension entitlements are secured by defined contribution schemes, the cost of which amounted to £2.0 million (31 March 2003: £2.0 million).

25 Pensions (continued)

Transitional arrangements of FRS 17

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 earlier in this note and were updated by the scheme actuaries to 31 March 2004. 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*		
	12 months to 31 March 2004	12 months to 31 March 2003	3 months to 31 March 2002	12 months to 31 March 2004	12 months to 31 March 2003	3 months to 31 March 2002
Rate of increase in pensionable salaries	4.4%	4.0%	4.3%	2.5%	2.8%	3.0%
Rate of increase in pension payments	2.9%	2.5%	2.8%	1.5%	1.8%	1.5%
Discount rate	5.6%	5.5%	6.2%	5.3%	5.5%	6.4%
Inflation rate	2.9%	2.5%	2.8%	1.5%	1.8%	1.5%

*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 £20.2 million, of which £18.7 million is already reflected in the Waterford Wedgwood U.K. plc consolidated balance sheet at 31 March 2004.

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

	As at 31 March 2004 Wedgwood Group Pension Plan		As at 31 March 2003 Wedgwood Group Pension Plan		As at 31 March 2002 Wedgwood Group Pension Plan	
	Long term rate of return	Value £m	Long term rate of return	Value £m	Long term rate of return	Value £m
Equities	7.3%	105.5	7.1%	81.0	8.0%	125.1
Gilts	4.3%	30.6	4.1%	22.8	5.0%	12.6
Bonds	5.2%	24.9	5.1%	31.1	5.9%	32.1
Property	6.3%	4.4	6.1%	4.1	7.0%	4.7
Cash	3.6%	1.3	3.4%	3.2	3.7%	2.6
Total market value of scheme assets		166.7		142.2		177.1
Present value of scheme liabilities		(193.5)		(181.4)		(184.9)
Deficit in the scheme		(26.8)		(39.2)		(7.8)
Deferred tax asset*		8.0		11.7		2.3
Net pension liability		(18.8)		(27.5)		(5.5)

*The Directors believe sufficient taxable profits to utilise the deferred tax asset arising on the pension deficits will arise in the future, but upon full adoption of FRS17 there may be insufficient evidence to support the recognition of a deferred tax asset in the financial statements at that time.

25 Pensions (continued)

If FRS 17 had been adopted in the financial statements, the Group's net (liabilities)/assets and profit and loss account would be as follows:

	As at 31 March 2004 £m	As at 31 March 2003 £m	As at 31 March 2002 £m
Net (liabilities)/assets excluding pension liability	(18.0)	(4.1)	25.4
Prepayment in balance sheet (note 16)	(14.5)	(14.5)	(14.5)
Additional pension liability – Rosenthal	(1.5)	(3.2)	(0.2)
Pension liability – Wedgwood	(18.8)	(27.5)	(5.5)
Net (liabilities)/assets including pension liability	(52.8)	(49.3)	5.2
Profit and loss account excluding pension liability	(91.2)	(76.8)	(47.4)
Prepayment in balance sheet (note 16)	(14.5)	(14.5)	(14.5)
Additional pension liability – Rosenthal	(1.5)	(3.2)	(0.2)
Pension liability – Wedgwood	(18.8)	(27.5)	(5.5)
Profit and loss account including pension liability	(126.0)	(122.0)	(67.6)

If FRS 17 had been adopted in the financial statements, the following amounts would have been recognised in the performance statements for the year to 31 March 2004:

	12 months to 31 March 2004 £m	Wedgwood Group Pension Plan 12 months to 31 March 2003 £m
Profit and loss account		
Amounts charged to operating loss:		
Current service cost	2.9	3.2
Past service cost	0.3	0.6
Total operating charge	3.2	3.8
Amounts charged/(credited) to other finance charges:		
Expected return on pension scheme assets	(8.6)	(12.9)
Interest on pension scheme liabilities	9.9	11.3
Net return	1.3	(1.6)
Total charged to profit and loss account	4.5	2.2
Amounts recognised in Statement of Total Recognised Gains and Losses (STRGL)		
Actual return less expected return on pension scheme assets (£m)	18.8	(46.2)
Percentage of scheme assets (%)	11.3%	(32.5%)
Experience gains arising on the scheme liabilities (£m)	–	7.1
Percentage of the present value of scheme liabilities (%)	–	3.9%
(Loss)/gain due to changes in actuarial assumptions (£m)	(5.8)	6.1
Percentage of the present value of scheme liabilities (%)	(3.0%)	3.4%
Actuarial gain/(loss) recognised in the STRGL (£m)	13.0	(33.0)
Percentage of the present value of scheme liabilities (%)	6.7%	(18.2%)

25 Pensions (continued)

	12 months to 31 March 2004 £m	12 months to 31 March 2003 £m
Movement in pension deficit during the year		
Deficit at the beginning of the year	(39.2)	(7.8)
Current service cost	(2.9)	(3.2)
Past service cost	(0.3)	(0.6)
Net finance cost	(1.3)	1.6
Employer pension contributions	3.9	3.8
Actuarial gain/(loss) recognised in the STRGL	13.0	(33.0)
Deficit at the end of the year	(26.8)	(39.2)

History of experience gains and losses

Actual return less expected return on pension scheme assets (£m)	18.8	(46.2)
Percentage of scheme assets (%)	11.3%	(32.5%)
Experience gains arising on the scheme liabilities (£m)	–	7.1
Percentage of the present value of scheme liabilities (%)	–	3.9%
Total amount recognised in the STRGL (£m)	13.0	(33.0)
Percentage of the present value of scheme liabilities (%)	6.7%	(18.2%)

26 Foreign currency

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

	As at 31 March 2004	As at 31 March 2003
Japanese yen	–	¥2,500m

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

	Year to 31 March 2004	Year to 31 March 2003
¥/Stg£	185.21	151.67

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. These exposures were as follows:

Net foreign currency monetary assets/(liabilities)	Euro £m	US\$ £m	Other £m	Total £m
At 31 March 2004				
Functional currency of Group operation				
Euro	–	(0.6)	0.6	–
Stg£	4.9	7.6	17.6	30.1
Other	–	–	0.6	0.6
	4.9	7.0	18.8	30.7

26 Foreign currency (continued)

	Euro £m	Stg£ £m	US\$ £m	Other £m	Total £m
At 31 March 2003					
Functional currency of Group operation					
Euro	–	0.6	1.4	2.1	4.1
Stg£	9.1	–	5.1	1.8	16.0
Other	(0.2)	(0.1)	–	1.2	0.9
	8.9	0.5	6.5	5.1	21.0

Hedging exposures of the Group

The Group's policy is to hedge, where appropriate, the following exposures: interest rate risk using interest rate swaps and collars; currency exposures using forward and spot foreign currency contracts. The only hedging instruments on which unrecognised gains or losses arose during the year to 31 March 2004 and year to 31 March 2003 were forward contracts to hedge foreign currency exposures.

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

	Gains £m	Losses £m	As at 31 March 2004 Total net gains/ (losses) £m
Unrecognised gains on hedges at 1.4.03	0.1	–	0.1
Gains arising in previous years recognised prior to 31.3.04	(0.1)	–	(0.1)
Gains arising before 1.4.03 that were not recognised prior to 31.3.04	–	–	–
Gains/(losses) arising in the year to 31.3.04 that were not recognised prior to 31.3.04	0.3	(0.6)	(0.3)
Unrecognised gains/(losses) on hedges at 31.3.04	0.3	(0.6)	(0.3)
Gains/(losses) expected to be recognised between 1.4.04 and 31.3.05	0.3	(0.1)	0.2
Losses expected to be recognised after 1.4.05	–	(0.5)	(0.5)

27 Contingent assets and liabilities

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

Group

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

Sale of property – Under an agreement for the sale of property in Stoke-on-Trent, United Kingdom, the Group may become entitled to an additional contingent consideration of up to £1.0 million.

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

28 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.

29 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
Manufacturing			
Josiah Wedgwood & Sons Ltd	Barlston, 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
Distribution			
Waterford Wedgwood Australia Ltd	Barlston, 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	Barlston, Stoke-on-Trent, England	100 Stg.£1 Ord. shares	Retailer
Josiah Wedgwood & Sons (Exports) Ltd	Barlston, 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 share	Distributor
Josiah Wedgwood (Malaysia) Sdn Bhd	Kuala Lumpur, Malaysia	2 Rm1 Ord. shares	Retailer
Waterford Wedgwood (Taiwan) Ltd	Taipei, Taiwan	13,600,000 NT\$10 Ord. shares	Distributor
Finance			
Statum Limited	Barlston, Stoke-on-Trent, England	50,000 Stg.£1 Ord. shares	Finance
Other			
Wedgwood Ltd*	Barlston, 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

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% 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.

30 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.

31 Subsequent events

On 2 June 2004, the Waterford Wedgwood Group announced that it had entered into a contract to dispose of All-Clad, its US-based cookware subsidiary, for \$250 million (£136 million), all cash, to Groupe SEB, the French-based cookware and domestic appliances business. The transaction is expected to close within 60 days, subject to approval by Waterford Wedgwood shareholders and by the Federal Trade Commission. The cash proceeds will be used to reduce indebtedness. Subsequent to the year end the existing credit facilities of the Waterford Wedgwood Group have been supplemented by the procurement of an additional €40 million in subordinated loans.