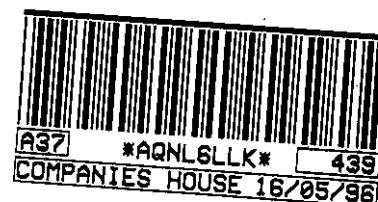


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Waterford Wedgwood U.K. plc is an intermediate holding company, registered in England (Number 2058427), the Ordinary Share Capital of which is wholly owned by Waterford Wedgwood plc. These financial statements have been prepared to comply with the requirements of the United Kingdom Companies Act, 1985. For a fuller understanding of the activities and financial position of the Waterford Wedgwood Group, readers are referred to the Annual Report and Accounts of Waterford Wedgwood plc.

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 31 December 1995.

Results

The financial statements for the year ended 31 December 1995 are set out in detail on pages 8 to 23. A full review of the Group's business is set out in the Operations Review contained in the Waterford Wedgwood plc Annual Report and Accounts for the year. A summary of the results is as follows:

	Year ended 31 December 1995
	£m
Operating profit	21.5
Net interest payable	(4.4)
Profit on ordinary activities before taxation	17.1
Taxation on profit on ordinary activities	(3.8)
Profit for the financial year	13.3
Dividend	(7.2)
Profit retained in year and transfer to reserves	6.1

The Directors recommend the payment of a final dividend being the sterling equivalent of the final dividend of IR0.95p per share declared by Waterford Wedgwood plc as determined in accordance with the Articles of Association of the Company to be paid on 31 May 1996 to those Income Shareholders on the Register of the Company as at the close of business on 17 April 1996 who are eligible to receive the same in accordance with the Articles of Association of the Company. Subject to Waterford Wedgwood plc shareholder approval, a scrip dividend alternative will be available from Waterford Wedgwood plc in lieu of the cash dividend.

Principal Activities

The Company is a holding company and the Group's principal activities are the manufacture, distribution and retailing of high quality bone china and earthenware tableware and giftware by Wedgwood and the Home Collection porcelain range, launched during the year, together with quality earthenware tableware by Johnson Brothers (including the Franciscan brand), Mason's Ironstone fine tableware and giftware, Coalport bone china giftware and the distribution of crystal products in world markets other than Ireland and the U.S. The Company's principal subsidiary companies as at 31 December 1995 are listed on page 23.

Events Since the Year End

There have been no significant events affecting the Group since the year end.

Future Developments

The Group's objectives for future growth will include the development of a comprehensive range of new giftware including jewellery and the continued development, commenced in 1995, of contemporary patterns in the mid-price Home Collection range and increased but carefully controlled licensing activity to improve overall margins in the Group's business.

Board of Directors

The Directors of the Company are:

*Robert H. Niehaus (Chairman)

Richard A. Barnes

Edward V. Jenner

Christopher J.S. Johnson

Roger F. Little

*Chryssanthie J. O'Reilly

Brian D. Patterson (Appointed 6 June 1995)

Robin J. Ritchie

George Stonier (Secretary)

*F. Alan Wedgwood

Kneale H. Ashwell (Resigned 31 May 1995)

*Anthony J.F. O'Reilly (Resigned 30 June 1995)

(*non-executive Directors)

Non-executive Directors

Robert H. Niehaus was appointed to the Board of Waterford Wedgwood U.K. plc on 14 December 1993 and was appointed Chairman on 1 January 1994. He joined the Board of Waterford Wedgwood plc on 25 April 1990 and the Board of Waterford Crystal Limited on 19 March 1991. He is a managing director of Morgan Stanley & Co. Incorporated, vice chairman of Morgan Stanley Capital Partners III, Inc. and a director of Morgan Stanley Leveraged Equity Fund II, Inc., and Shuttleway. He is also a director of American Italian Pasta Company, Fort Howard Corporation, P.S.F. Finance Holdings Inc., Randall's Food Market, Inc., Silgan Corporation and Silgan Holdings Inc.

Chryssanthie J. O'Reilly was appointed to the Board of Waterford Wedgwood U.K. plc on 15 June 1994. She joined the Board of Waterford Wedgwood plc on 15 December 1995. She is also a director of Wedgwood Museum Trust Limited, the Irish Stud Company Ltd., IMG Developments, (Portmarnock) Ltd., and the Barretstown Gang Camp Fund Ltd.

F. Alan Wedgwood was appointed to the Board of Waterford Wedgwood U.K. plc on 19 June 1991. He has been a director of Waterford Wedgwood plc since 28 November 1986. He is head of National N.D.T. Centre of A.E.A. Technology plc and has been a director of Wedgwood since 1966.

In accordance with the Articles of Association, Brian D. Patterson, appointed a Director during the year, retires and, being eligible, will offer himself for election.

Christopher J.S. Johnson, George Stonier and Robert H. Niehaus retire from the Board by rotation and, being eligible, will offer themselves for re-election. Brian D. Patterson, Richard A. Barnes, Robin J. Ritchie, Christopher J.S. Johnson and George Stonier all have service contracts which can be terminated by three years' notice.

Roger F. Little and Edward V. Jenner have service contracts which can be terminated by one year's notice.

Directors' Options

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

Director	1 January 1995	Granted during year	Exercised during year	Lapsed during year	31 December 1995	Option price	Exercisable date
R.J. Ritchie	222,000	-	-	-	222,000	Stg63p	before 2/1/98
G. Stonier	80,700	-	-	-	80,700	Stg£1.19	before 6/1/97
	39,200	-	-	-	39,200	Stg74p	before 21/4/98
	44,000	-	-	-	44,000	Stg79p	before 11/4/99

In addition, R.J. Ritchie and G. Stonier hold options under the Wedgwood Savings Related Share Option Scheme.

R.J. Ritchie holds options over 9,903 Ordinary Shares under the Wedgwood Savings Related Share Option Scheme at 31 December 1995. These options have been granted at prices ranging from Stg12.5p to Stg29p and are exercisable at various dates between January 1999 and May 2000.

G. Stonier holds options over 13,427 Ordinary Shares under the Wedgwood Savings Related Share Option Scheme at 31 December 1995. These options have been granted at prices ranging from Stg12.5p to Stg49p and are exercisable at various dates between November 1996 and October 2001. In December 1995, G. Stonier exercised options over 23,275 Ordinary Shares under this scheme at an option price of Stg14.5p (market price Stg59.75p).

There have been no changes in any of the above interests between 31 December 1995 and 2 April 1996.

Directors' Contracts

There have been no contracts or arrangements with the Company or any subsidiary 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 1995 the Company maintained an insurance of Officers against liabilities in relation to the Company and its subsidiaries.

Corporate Governance

(i) General

The Directors support the Code of Best Practice, published in December 1992 by the Cadbury Committee on the Financial Aspects of Corporate Governance.

The Group has had within its board structures both an Audit Committee and a Remuneration Committee since 1987.

The Audit Committee meets not less than twice a year to review the adequacy of the Group's systems of control, the range and findings of external and internal auditors' work, the interim and full year financial statements prior to their submission to the Board, the application of accounting policies and any changes to financial reporting requirements.

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, including performance bonus and Long Term Incentive Plan participation as appropriate. The Committee is also responsible for overseeing the granting of options under Group Share Option Schemes. It meets when required throughout the year.

The Group complies with all of the provisions of the Code of Best Practice other than aspects of the disclosure of Directors' remuneration. The disclosure of Directors' remuneration fully complies with the requirements imposed on its parent Waterford Wedgwood plc, under the Listing Rules of The Irish Stock Exchange.

(ii) Internal Financial Control

The Directors are responsible for ensuring that the Group maintains a system of internal financial controls. Internal financial controls are designed to give reasonable assurance with respect to:

- the reliability of financial information used in the business or for publication;
- the maintenance of proper accounting records; and
- the safeguarding of assets against unauthorised use or disposition.

The Group's internal financial control and monitoring procedures include:

- a clearly defined organisation structure and the delegation of responsibility to appropriate levels within operating management;
- separation of incompatible functions;
- prescribed authorisation limits;
- required evaluation procedures for proposed capital expenditure and investment;
- the preparation of regular management accounts and the use of detailed operating budgets for each of the Group's business units against which performance is monitored on a monthly basis;
- Board committees for audit and remuneration; and
- a management committee to deal with corporate affairs matters including taxation and treasury.

The Group has an independent Internal Audit function, reporting to the Audit Committee, which is appropriately resourced, having regard to the Group's operations and circumstances. The Internal Audit function's ambit covers all of the Group's operations and business units. Its plan is drawn up having regard to the materiality and risk of the individual units involved. The Audit Committee has reviewed the operation and effectiveness of the Group's internal control framework during 1995.

(iii) Going Concern

After making appropriate enquiries and on the basis of current financial projections and facilities available, the Directors have concluded 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.

(iv) Auditors' Review of Corporate Governance Disclosures

Price Waterhouse have reported to the Board that in their opinion the above statements on internal financial controls and going concern have provided the disclosures required by paragraphs 4.5 and 4.6 of the Code (as supplemented by the related guidance for directors) and are consistent with the information which came to their attention as a result of their audit work on the financial statements; and that the Directors' other statement above about compliance with the Code appropriately reflects the Group's compliance with other paragraphs of the Code specified for their review.

Directors' Remuneration

Emoluments of Executive Directors and senior management are determined by the Remuneration Committee which is chaired by the Group Chairman and comprises non-executive Directors only. At the beginning of each financial year the Remuneration Committee determines basic salaries as well as the parameters for bonus payments.

The Remuneration Committee applies the same philosophy in determining Executive Directors' remuneration as is applied in respect of all employees. The underlying objective is to ensure that individuals are appropriately rewarded relative to their responsibility, experience and value to the Group. The Remuneration Committee is 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 Committee on the basis of objective assessments based on the Group's performance during the year in terms of key financial indicators, as well as a qualitative assessment of the individual's performance.

The Group also operates a Long Term Incentive Plan. The Plan is approved by the Board on the recommendation of the Remuneration Committee, and operated by the Remuneration Committee. Participation in this Plan is at the discretion of the Remuneration Committee and available to Executive Directors and senior management. Amounts payable under the Plan are dependent on the continuation of specific levels of profitability over a five or six year period, as appropriate. Below the predetermined level there is no reward. Entitlements under the Plan do not vest until the end of the set period and will fall to be included in the Directors' remuneration disclosures on vesting. The current Plan is in respect of the six year period ending on 31 December 1997. Amounts payable under the Plan will be paid partly in shares and partly in cash.

Executive Directors' pensions are provided on the same basis as senior management. The relevant Plans are Revenue approved occupational pension schemes either based on final 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 date, subject to service.

In framing Remuneration Policy the Remuneration Committee has had regard to Section B of the Best Practice provisions annexed to the Listing Rules.

Details of Directors' remuneration for the current year, together with prior year comparatives are set out in note 6 to the financial statements.

CREST

A new voluntary settlement system for shares, known as CREST, has been developed by the Bank of England. The system will enable shareholders, if they wish, to hold and transfer their shareholding in electronic form rather than in paper. This development is due to become operational during 1996.

It is planned that the system will be utilised by both The Irish Stock Exchange and The London Stock Exchange.

It is the Directors' current intention to avail of the use of CREST for settlement of the Company's securities.

Directors' Responsibilities in Relation to the Financial Statements

The Directors are required by 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

- (i) select appropriate accounting policies and apply them consistently;
- (ii) make reasonable and prudent judgements and estimates;
- (iii) state that all accounting standards which they consider to be applicable have been followed;
- (iv) prepare the financial statements on the going concern basis unless it is inappropriate to do so.

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 comply with the U.K.

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 1995 the issued share capital of the Company comprised 760,868,866 Income Shares and 215,776,913 Ordinary Shares.

Authority to Allot Shares

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 1997 or on 30 June 1997, whichever is earlier, the authority not to apply the strict statutory pre-emption provisions in the event of a Rights or other Issue.

Tangible Assets

Expenditure during the year on tangible assets amounted to £15.2 million and assets with a net book value of £1.2 million were sold.

Research and Development

The Group maintains research and development departments in its main manufacturing divisions. Expenditure on research and development in 1995 amounted to £2.2 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

REPORT OF THE DIRECTORS

development opportunities and profit sharing and employee share schemes. Two employee share schemes operate within the Group and involve 2,020 employees - approximately 42 per cent of the U.K. workforce.

Quality Circles and the Group's quality management initiatives continue to be important features in improving the quality of working life. Additionally, regular meetings of the Group's health and safety committees for each factory and employee councils have been held.

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

Health and Safety

The Group pursues an active policy of providing safe systems of work and on the job safety training. The Group's Health and Safety Policy Committee meets on a quarterly basis to monitor developments in Health and Safety legislation and sets and monitors compliance with Health and Safety objectives for the year.

During the year, a continuous improvement team produced improved working procedures which will help to reduce accidents and exposure to health risks at work. These have been implemented and will be audited annually.

The Group will continue its health and safety assessments within the workplace and implement measures to control risks, to ensure a safe and healthy environment for its employees and visitors.

Environmental Policy

The main objectives for 1995 have been achieved, including:

- Implementation of various cost saving initiatives including earthenware pitcher recycling, reducing packaging waste, paper recycling, glaze reclamation and in-house effluent sludge dewatering. The total savings made are in the order of £100,000 year on year. Estimated savings have been in excess of £1.5 million over the last five years.
- In-house training of Production and Engineering based managers and development of an improved induction training programme.
- The integration of environmental issues on to the agendas of all divisional Health and Safety committees.
- Environmental audits at the jewellery and Coalport factories.
- 95% compliance with trade effluent discharge consent conditions.

The Group remains committed to improving its environmental performance in all areas of its operations. Objectives to be achieved during 1996 include setting targets and measuring achievements more accurately, the pursuance of environmental management systems (i.e. BS 7750/ISO 14001) on one manufacturing site and the implementation of environmental accounting systems throughout the Group.

Political and Charitable Donations

The Group made no political contributions during the year, and donated approximately £74,000 for charitable purposes.

Close Company

So far as the Directors are aware, the close company provisions of the Income and Corporation Taxes Act, 1988 do not apply to the Company. There has been no change in this respect since the end of the financial year.

Auditors

The auditors, Price Waterhouse, have expressed their willingness to continue in office and a resolution for their re-appointment and authorising the Directors to fix their remuneration will be submitted at the forthcoming Annual General Meeting.

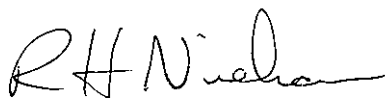
By order of the Board

George Stonier

Secretary



2 April 1996



AUDITORS' REPORT TO THE SHAREHOLDERS OF WATERFORD WEDGWOOD U.K. PLC

We have audited the financial statements on pages 8 to 23 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on page 8.

Respective responsibilities of Directors and auditors

As described on page 5, the Company's Directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of 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 Group'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 as at 31 December 1995 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act, 1985.



Price Waterhouse
Chartered Accountants
and Registered Auditors
London

2 April 1996

ACCOUNTING POLICIES

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

Basis of accounting The financial statements are prepared under the historical cost convention, as modified by the revaluation of certain properties and in accordance with applicable accounting standards.

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

Foreign currencies In the Group balance sheet, assets and liabilities denominated in foreign currencies are translated into Sterling at the year-end exchange rates. Trading results 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. Other exchange gains and losses are taken to the profit and loss account.

It is the Group's policy to protect income, where appropriate, by means of forward currency contracts entered into to fix the exchange rates applicable to estimated future foreign currency receipts. Profits or losses arising from these arrangements are accounted for in the financial year in which the contracts mature. Accordingly, no account is taken of unrealised profits or losses arising on such forward exchange contracts.

Tangible assets and depreciation Tangible assets are stated at cost or valuation less accumulated depreciation. 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 is set-off against reserves in the year of acquisition. 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. Where subsidiary undertakings have been acquired or disposed of, the financial statements include only the proportion of their 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.

Taxation Deferred taxation 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 trade marks, 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 as incurred 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 had been purchased outright at the present values of the minimum lease payments; the corresponding obligations are shown in the balance sheet 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.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	Year ended 31 December	
		1995	1994
		£m	£m
Turnover	1	317.7	292.7
Cost of sales		(182.2)	(172.2)
Gross profit		135.5	120.5
Distribution costs		(83.8)	(74.9)
Administrative expenses		(30.6)	(31.7)
Other operating income	2	0.4	0.7
		(114.0)	(105.9)
Operating profit	1	21.5	14.6
Net interest payable	3	(4.4)	(3.1)
Profit on ordinary activities before taxation	4	17.1	11.5
Taxation on profit on ordinary activities	5	(3.8)	(2.0)
Profit for the financial year		13.3	9.5
Dividend	7	(7.2)	(3.9)
Profit retained in year	18	6.1	5.6
Earnings per Income Share	9	1.75p	1.25p

Turnover and operating profit arose solely from continuing activities.


CONSOLIDATED BALANCE SHEET

		31 December	
	Notes	1995 £m	1994 £m
Fixed assets			
Tangible assets	10	65.6	59.3
Financial assets	11	2.8	2.7
		68.4	62.0
Current assets			
Stocks	12	84.4	83.2
Debtors	13	60.4	56.7
Cash and deposits		26.7	40.0
		171.5	179.9
Creditors (amounts falling due within one year)	15	(61.8)	(55.7)
Net current assets		109.7	124.2
Total assets less current liabilities		178.1	186.2
Creditors (amounts falling due after more than one year)	15	(64.9)	(80.7)
Provisions for liabilities and charges	17	(2.0)	(2.0)
		111.2	103.5
Capital and reserves			
Called up share capital	19	61.5	61.5
Reserves	18	48.1	40.6
Shareholders' funds - equity interests		109.6	102.1
Minority interests		1.6	1.4
		111.2	103.5

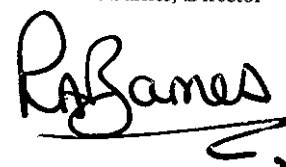
Approved by the Board of Directors on 2 April 1996.



R.H. Niehaus, Chairman




R.A. Barnes, Director



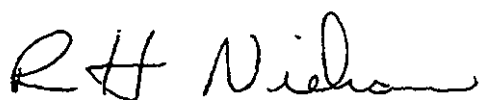
COMPANY BALANCE SHEET

		31 December	
		1995	1994
	Notes	£m	£m
Fixed assets			
Financial assets	11	146.0	146.0
Current assets			
Debtors	13	8.9	0.7
Creditors (amounts falling due within one year)	15	(48.5)	(13.4)
Net current liabilities		(39.6)	(12.7)
Total assets less current liabilities		106.4	133.3
Creditors (amounts falling due after more than one year)	15	(8.8)	(25.0)
		97.6	108.3
Capital and reserves			
Called up share capital	19	61.5	61.5
Revenue reserves	18	36.1	46.8
Shareholders' funds - equity interests		97.6	108.3

There were no recognised gains and losses during the year other than those which are reflected in the profit for the year.

The movement in shareholders' funds is represented by the retained profit for the year.

Approved by the Board of Directors on 2 April 1996.



R.H. Niehaus, Chairman




R.A. Barnes, Director



STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	Year ended 31 December	
	1995	1994
	£m	£m
Profit for the financial year	13.3	9.5
Exchange translation effect on net overseas investments	1.4	0.5
Total recognised gains for the year	14.7	10.0

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	
	1995	1994
	£m	£m
Profit for the financial year	13.3	9.5
Dividend	(7.2)	(3.9)
Exchange translation effect on net overseas investments	1.4	0.5
Net addition to shareholders' funds	7.5	6.1
Opening shareholders' funds	102.1	96.0
Closing shareholders' funds	109.6	102.1

NOTES TO THE FINANCIAL STATEMENTS

1. Segment information

(a) Classes of business

	1995			1994		
	Turnover	Operating profit	Net assets	Turnover	Operating profit/(loss)	Net assets
	£m	£m	£m	£m	£m	£m
Wedgwood Group Brands	216.3	19.1	-	203.5	14.7	-
Waterford Crystal Distribution	101.4	2.4	-	89.2	(0.1)	-
	317.7	21.5	146.9	292.7	14.6	142.2
Group net borrowings	-	-	(35.7)	-	-	(38.7)
Total Group	317.7	21.5	111.2	292.7	14.6	103.5

Turnover between the above classes of business is not material.

Due to the structure of the Waterford Wedgwood U.K. plc Group, it is inappropriate to split net assets by class of business.

(b) Geographical segment by country of operation

	1995				1994			
	Turnover by destination	country of operation	Operating profit	Net assets	Turnover by destination	country of operation	Operating profit	Net assets
	£m	£m	£m	£m	£m	£m	£m	£m
Europe	106.5	164.9	11.0	69.6	103.0	154.8	10.0	99.9
North America	138.1	130.9	6.9	65.5	128.8	122.1	1.7	29.0
Far East	49.7	45.5	3.4	5.9	43.3	38.0	2.8	8.0
Rest of world	23.4	14.2	0.2	5.9	17.6	13.0	0.1	5.3
	317.7	355.5	21.5	146.9	292.7	327.9	14.6	142.2
Inter segment sales	-	(37.8)	-	-	-	(35.2)	-	-
Group net borrowings	-	-	-	(35.7)	-	-	-	(38.7)
Total Group	317.7	317.7	21.5	111.2	292.7	292.7	14.6	103.5

All inter segment sales originate from Europe.

NOTES TO THE FINANCIAL STATEMENTS

2. Other operating income	1995	1994
	£m	£m
Other operating income	0.1	-
Exchange gain	0.3	0.7
	0.4	0.7

3. Net interest payable	1995	1994
	£m	£m
Interest payable on borrowings maturing within 5 years	6.7	4.9
Interest payable on finance leases	0.3	0.3
	7.0	5.2
Interest receivable from third parties	(1.7)	(0.9)
Interest receivable from Waterford Wedgwood Group companies	(0.9)	(1.2)
Net interest payable	4.4	3.1

4. Profit on ordinary activities before taxation	1995	1994
	£m	£m
Profit on ordinary activities before taxation has been arrived at after charging		
Depreciation - owned assets	6.7	6.3
- leased assets	0.9	0.9
Operating lease rentals - plant and equipment	1.3	2.0
- other	2.8	2.9
Research and development	2.2	2.5
Auditors' remuneration	0.3	0.3

Fees paid to Price Waterhouse by the Company and its U.K. subsidiaries in respect of non audit services amounted to £79,000 (1994: £5,000).

5. Taxation on profit on ordinary activities	1995	1994
	£m	£m
Based on the profit for the year		
U.K. corporation taxation at 33% (1994: 33%)	1.3	0.9
Overseas taxation	2.3	1.7
	3.6	2.6
Under/(over)provision in respect of earlier years	0.2	(0.6)
	3.8	2.0

The Group has substantial taxation losses carried forward at 31 December 1995 in its United States subsidiaries which will be available to offset against United States taxable profits in future years.

6. Directors' emoluments

	1995		1994	
	Executive	Non-executive	Executive	Non-executive
	Directors	Directors	Directors	Directors
	Stg£'000	Stg£'000	Stg£'000	Stg£'000
Other remuneration	979	-	1,252	-
Benefits in kind	71	-	83	-
Annual bonus	188	-	242	-
Compensation for loss of office - paid by subsidiaries	348	-	-	-
Pension contributions	121	-	83	-
Pensions paid to past Directors	4	-	-	-
Total	1,711	-	1,660	-
No. of Directors	8	4	7	4

Appointed during the year:

B.D. Patterson 6 June 1995

Resigned during the year:

K.H. Ashwell 31 May 1995

A.J.F. O'Reilly 30 June 1995

The Directors' remuneration shown comprises all of the fees, salaries, pension contributions and any other benefits and emoluments payable to Directors.

No provisions have been made for payments which may be made to Directors under the Long Term Incentive Plan because no entitlement has accrued.

Share options granted to Directors other than Directors of Waterford Wedgwood plc are set out in the Report of the Directors on page 2.

The remuneration of individual Directors was as follows. This information excludes those Directors who discharged their duties mainly outside the United Kingdom. The Chairman received no emoluments. The highest paid Director in 1995 received a total of £247,901 (1994: £667,451) consisting of salary, benefits in kind of £10,326 (1994: £33,579) and performance related bonus of £29,125 (1994: £64,627). A pension contribution of £34,040 (1994: £8,398) was also made on behalf of the highest paid director in each year.

The number of Directors whose total emoluments (excluding pension contributions) fall within the respective bands are set out below.

£	1995	1994
	Number	Number
0 - 5,000	1	1
45,001 - 50,000	-	1
95,001 - 100,000	1	-
105,001 - 110,000	1	-
125,001 - 130,000	1	1
130,001 - 135,000	-	1
135,001 - 140,000	1	-
140,001 - 145,000	1	-
150,001 - 155,000	-	1
160,001 - 165,000	1	-
165,001 - 170,000	-	1
210,001 - 215,000	1	-
245,001 - 250,000	1	-
275,001 - 280,000	-	1
665,001 - 670,000	-	1

NOTES TO THE FINANCIAL STATEMENTS

7. Dividends	1995	1994
	£m	£m
Paid:		
Interim dividend	1.4	-
Adjustment relating to 1994 final dividend*	0.5	-
Proposed:		
Final dividend in respect of year ended 31 December 1995	5.3	3.9
	7.2	3.9

*At 31 December 1994 an estimate was 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 was paid. The difference between the estimates used and the actual dividend paid was £500,000.

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.

8. Particulars of Staff	1995	1994
	Number	Number
Average number of employees:		
Production	3,223	3,688
Marketing, selling and distribution	1,938	1,721
Administration	486	448
	5,647	5,857
	£m	£m
Staff costs:		
Wages and salaries	81.1	79.2
Social security costs	8.1	7.7
Pension costs	4.8	5.5
	94.0	92.4

9. Earnings per Income Share	1995	1994
	£m	£m
Profit after taxation	13.3	9.5
Earnings per share (pence)	1.75p	1.25p

The calculation of earnings per share is based on 760.9 million Income Shares for 1995 being the weighted average number of Income Shares in issue during the year ended 31 December 1995 (1994: 760.9 million).

If all shares which may be issued under share option schemes were to be included, the earnings per share would not be materially affected.

10. Tangible assets	Land and buildings freehold	Land and buildings short leasehold	Plant and equipment	Total
	£m	£m	£m	£m
Group				
At 31 December 1994				
- cost	0.7	5.9	81.2	87.8
- valuation	27.1	-	-	27.1
	27.8	5.9	81.2	114.9
Additions	0.1	0.7	14.4	15.2
Disposals	(0.5)	(0.1)	(2.3)	(2.9)
At 31 December 1995	27.4	6.5	93.3	127.2
- cost	0.8	6.5	93.3	100.6
- valuation	26.6	-	-	26.6
	27.4	6.5	93.3	127.2
Accumulated depreciation				
At 31 December 1994	1.0	3.9	50.7	55.6
Charge for year	0.6	0.6	6.4	7.6
Disposals	-	(0.1)	(1.6)	(1.7)
Translation adjustment	-	-	0.1	0.1
At 31 December 1995	1.6	4.4	55.6	61.6
Net book amounts				
At 31 December 1995	25.8	2.1	37.7	65.6
At 31 December 1994	26.8	2.0	30.5	59.3
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	

No depreciation is charged on freehold land with a book value of £5.4 million (1994: £5.7 million).

Valuations of the Group's United Kingdom land and buildings were carried out at 31 December 1992 by DTZ Debenham Thorpe, international property advisors, Birmingham and John German, chartered surveyors, Staffordshire.

The principal manufacturing plant at Barlaston, Stoke-on-Trent, was valued on the basis of depreciated replacement cost. Other properties were valued on an open market value for the existing use for properties not surplus to requirements and open market value for other properties.

NOTES TO THE FINANCIAL STATEMENTS

The net book value of plant and equipment includes £2.6 million (1994: £3.1 million) in respect of assets held under finance leases. Land and buildings included at cost or valuation would have been included on a historical cost basis at:

	1995	1994
	£m	£m
Cost	32.9	32.9
Accumulated depreciation	(9.9)	(9.1)
	23.0	23.8

11. Financial assets

	1995	1994
	£m	£m
Group		
Investments and deposits	2.8	2.7
Company		
Investment in subsidiary companies at cost	146.0	146.0

In the opinion of the Directors, the value of investments in subsidiaries is, in the aggregate, at least the amount at which they are carried in these accounts.

The Group's principal subsidiaries are listed in note 26.

12. Stocks

	1995	1994
	£m	£m
Group		
Raw materials and consumables	7.0	7.0
Work-in-progress	6.8	7.5
Finished goods and goods for resale	70.6	68.7
	84.4	83.2

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

13. Debtors

	1995	Group	1995	Company
	£m	1994	£m	1994
		£m		£m
Amounts falling due within one year:				
Trade debtors	40.2	40.0	-	-
Amounts owed by Waterford Wedgwood Group companies	14.4	10.5	-	-
Amounts owed by subsidiary companies	-	-	8.7	-
Other debtors	3.1	3.8	-	-
Prepayments and accrued income	2.7	2.4	0.2	0.7
	60.4	56.7	8.9	0.7

Prepayments include £0.7 million (1994: £0.1 million) falling due after more than one year.

14. Group net borrowings	Group		Company	
	1995	1994	1995	1994
	£m	£m	£m	£m
Cash and deposits	(26.7)	(40.0)	-	-
Bank loans and overdrafts (Note 15)	-	1.1	-	-
Long term debt (Note 16)	62.4	77.6	8.8	25.0
	35.7	38.7	8.8	25.0
<hr/>				
15. Creditors	Group		Company	
	1995	1994	1995	1994
	£m	£m	£m	£m
Amounts falling due within one year:				
Bank loans and overdrafts	-	1.1	-	-
Trade creditors	17.3	16.4	-	-
Other creditors	0.5	4.0	-	-
Accruals and deferred income	17.5	18.4	-	0.1
Amounts owed to Waterford Wedgwood Group companies	9.9	3.3	-	-
Amounts owed to subsidiary companies	-	-	43.2	9.4
Finance lease obligations (Note 20)	1.0	0.7	-	-
Taxation and social security	10.3	7.9	-	-
Proposed dividend	5.3	3.9	5.3	3.9
	61.8	55.7	48.5	13.4
<hr/>				
Amounts falling due after more than one year:				
Long term debt (Note 16)	62.4	77.6	8.8	25.0
Finance lease obligations (Note 20)	1.2	1.8	-	-
Other creditors and accruals	1.3	1.3	-	-
	64.9	80.7	8.8	25.0
<hr/>				
16. Long term debt	Group		Company	
	1995	1994	1995	1994
	£m	£m	£m	£m
Bank loans at variable rates of interest maturing on 14 June 2000	62.4	77.6	8.8	25.0

The Group continues to utilise bank borrowings to finance its working capital and capital expenditure. Loan facilities of up to £180 million are available to the Group.

17. Provisions for liabilities and charges

	Deferred taxation £m
Group	
At 31 December 1994	2.0
Charged in the year	-
At 31 December 1995	2.0

Deferred taxation arises as follows:

	Provided in financial statements		Full potential liability	
	1995	1994	1995	1994
	£m	£m	£m	£m
Group				
Accelerated capital allowances	0.5	0.5	6.1	5.2
Other timing differences	1.5	1.5	0.1	(0.5)
	2.0	2.0	6.2	4.7

Deferred taxation has not been provided on future remittances of the accumulated reserves of overseas subsidiaries as there is no intention to distribute these profits. Deferred taxation 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.

18. Reserves

	Merger reserve £m	Revaluation reserve £m	Revenue reserves £m	Total £m
Group				
At 31 December 1994	2.2	6.3	32.1	40.6
Realised on sale of property	-	(0.3)	0.3	-
Retained profit for the year	-	-	6.1	6.1
Translation of overseas subsidiaries	-	-	1.4	1.4
At 31 December 1995	2.2	6.0	39.9	48.1

The cumulative amount of goodwill written off the merger reserve amounts to £29.1 million (1994: £29.1 million).

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

	Revenue reserves £m
Company	
At 31 December 1994	46.8
Reduction in the year	(10.7)
At 31 December 1995	36.1

As permitted by Section 230 of the Companies Act, 1985, the profit and loss account of the Company is not presented in these financial statements. The amount of the consolidated loss for the year dealt with in the accounts of the holding company is £3.5 million (1994: £20.7 million profit).

19. Share capital	1995 £m	1994 £m
Authorised:		
220 million Ordinary Shares of 25p each	55.0	55.0
850 million Income Shares of 1p each	8.5	8.5
	63.5	63.5

	Ordinary Shares of 25p each £m	Income Shares of 1p each £m	Total £m
Issued, allotted and fully paid:			
At 31 December 1995 and 1994			
(Ordinary Shares : 215,776,913 Income Shares : 760,868,866)	53.9	7.6	61.5

20. Obligations under leases

Net obligations to third parties at 31 December 1995 under leases were as follows:

	Finance leases £m	Operating leases property £m	plant and equipment £m
Group			
Amounts payable:			
Within one year	1.0	5.5	1.1
Two to five years	1.2	13.6	0.8
After five years	-	34.0	-
	2.2	53.1	1.9

Commitments under operating leases, payable in 1996, expire as follows:

	Property £m	Plant and equipment £m	Total £m
Amount payable:			
Within one year	0.1	0.3	0.4
Two to five years	3.0	0.8	3.8
After five years	2.4	-	2.4
	5.5	1.1	6.6

21. Capital commitments	1995 £m	1994 £m
Group		
Contracted for but not provided	1.0	0.9
Authorised but not yet contracted for	0.4	0.6

22. Pensions

The majority of the Group's employees participate in funded defined benefit pension schemes based on final pensionable pay. The assets of all the schemes are invested separately from those of the Group in trustee administered funds. The contributions to the schemes by the companies are charged to the profit and loss account so as to spread the cost of pension as incurred over employees' working lives with the Group. Contributions are determined by qualified actuaries on the basis of periodic valuation using the projected unit method. The most recently completed actuarial valuation of the Wedgwood Group Pension Plan which is by far the largest scheme was as at 31 December 1994.

The market value of the assets in the Wedgwood Group Pension Plan at 31 December 1994 was £102.6 million. The actuarial value of the assets was sufficient to cover 105% of the liability for benefits that had accrued to members after allowing for expected future pay increases. The principal assumption in this valuation was that the investment return would exceed general salary inflation by 1.5%. The surplus will be recognised in the Group profit and loss account over the average remaining service lives of plan members as a fixed percentage of pensionable pay. Contributions to the pension scheme are at the actuary's recommended rate.

The pension cost charged to the profit and loss account in respect of defined benefit pension schemes was £4.4 million (1994: £4.3 million) of which £0.5 million relates to special contributions arising from rationalisation in the year. For certain Group employees outside the United Kingdom, the pension entitlements are secured by defined contribution schemes the cost of which amounted to £0.9 million (1994: £1.2 million). A provision of £0.7 million is included in creditors at 31 December 1995 (31 December 1994: £0.7million) being the excess of the accumulated pension cost over the amounts funded.

23. Foreign currency contracts

The Group uses forward currency contracts in the normal course of business to hedge exchange risk on anticipated foreign currency transactions. These transactions are converted at the contract rate upon expiry.

At 31 December the Group had the following forward sales commitments:

	1995	1994
U.S. dollars	\$23.0m	\$21.0m
Canadian dollars	\$3.5m	\$ 1.0m
Australian dollars	\$6.5m	\$ 4.0m
Japanese yen	Yen 6,305.0m	Yen 5,355.0m

24. 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.

25. Cash flow statement

As permitted by paragraph 8.c of Financial Reporting Standard 1, 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.

26. Principal subsidiary companies

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

Name	Country of incorporation and registered office	Issued capital	Nature of business
Manufacturing			
Josiah Wedgwood & Sons Ltd.	Barlaston, Stoke-on-Trent, England	51,717 £1 Ord. shares	Ceramic tableware/ giftware manufacturer
Distribution			
Waterford Wedgwood Australia Ltd.	Barlaston, Stoke-on-Trent, England	485,240 £1 Ord. shares	Distributor
*Waterford Wedgwood Canada Inc.	Toronto, Canada	110 Class A shares 363 Class B shares	Distributor
Waterford Wedgwood U.S.A. Inc.	Delaware, U.S.A.	20 Class A shares 16 Class B shares	Distributor
Waterford Wedgwood Japan Ltd.	Tokyo, Japan	4,000 ¥50,000 shares	Distributor
Waterford Wedgwood Retail Ltd.	Barlaston, Stoke-on-Trent, England	100 £1 Ord. shares	Retailer
Josiah Wedgwood & Sons (Exports) Ltd.	Barlaston, Stoke-on-Trent, England	500 £1 Ord. shares	Exporter
*Waterford Wedgwood Trading Singapore Pte. Ltd.	Singapore	52 S\$50,000 shares	Retailer
Wedgwood G.m.b.H.	Frankfurt, Germany	1 Dm 50,000 share	Sales office
Finance			
Kilsallaghan Holdings	Kilbarry, Waterford, Ireland	14,558,484 IR£1 Ord. shares	Finance
Statum Ltd.	Barlaston, Stoke-on-Trent, England	50,000 £1 Ord. shares	Finance
Other			
*Wedgwood Ltd.	Barlaston, Stoke-on-Trent, England	46,195,052 25p Ord. shares	Subsidiary holding company
*Waterford Wedgwood Holdings Inc.	Delaware, U.S.A.	376 Class A Common stock 16 Class B Common stock	Subsidiary holding company

With the exception of Waterford Wedgwood Canada Inc. which is 77 per cent owned, 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.

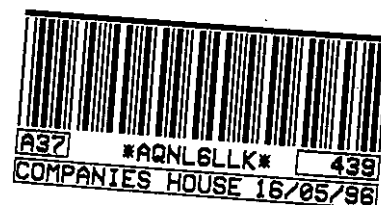
27. Ultimate holding company

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.

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Waterford Wedgwood U.K. plc is an intermediate holding company, registered in England (Number 2058427), the Ordinary Share Capital of which is wholly owned by Waterford Wedgwood plc. These financial statements have been prepared to comply with the requirements of the United Kingdom Companies Act, 1985. For a fuller understanding of the activities and financial position of the Waterford Wedgwood Group, readers are referred to the Annual Report and Accounts of Waterford Wedgwood plc.

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 31 December 1995.

Results

The financial statements for the year ended 31 December 1995 are set out in detail on pages 8 to 23. A full review of the Group's business is set out in the Operations Review contained in the Waterford Wedgwood plc Annual Report and Accounts for the year. A summary of the results is as follows:

	Year ended 31 December 1995
	£m
Operating profit	21.5
Net interest payable	(4.4)
Profit on ordinary activities before taxation	17.1
Taxation on profit on ordinary activities	(3.8)
Profit for the financial year	13.3
Dividend	(7.2)
Profit retained in year and transfer to reserves	6.1

The Directors recommend the payment of a final dividend being the sterling equivalent of the final dividend of IR0.95p per share declared by Waterford Wedgwood plc as determined in accordance with the Articles of Association of the Company to be paid on 31 May 1996 to those Income Shareholders on the Register of the Company as at the close of business on 17 April 1996 who are eligible to receive the same in accordance with the Articles of Association of the Company. Subject to Waterford Wedgwood plc shareholder approval, a scrip dividend alternative will be available from Waterford Wedgwood plc in lieu of the cash dividend.

Principal Activities

The Company is a holding company and the Group's principal activities are the manufacture, distribution and retailing of high quality bone china and earthenware tableware and giftware by Wedgwood and the Home Collection porcelain range, launched during the year, together with quality earthenware tableware by Johnson Brothers (including the Franciscan brand), Mason's Ironstone fine tableware and giftware, Coalport bone china giftware and the distribution of crystal products in world markets other than Ireland and the U.S. The Company's principal subsidiary companies as at 31 December 1995 are listed on page 23.

Events Since the Year End

There have been no significant events affecting the Group since the year end.

Future Developments

The Group's objectives for future growth will include the development of a comprehensive range of new giftware including jewellery and the continued development, commenced in 1995, of contemporary patterns in the mid-price Home Collection range and increased but carefully controlled licensing activity to improve overall margins in the Group's business.

Board of Directors

The Directors of the Company are:

*Robert H. Niehaus (Chairman)

Richard A. Barnes

Edward V. Jenner

Christopher J.S. Johnson

Roger F. Little

*Chryssanthie J. O'Reilly

Brian D. Patterson (Appointed 6 June 1995)

Robin J. Ritchie

George Stonier (Secretary)

*F. Alan Wedgwood

Kneale H. Ashwell (Resigned 31 May 1995)

*Anthony J.F. O'Reilly (Resigned 30 June 1995)

(*non-executive Directors)

Non-executive Directors

Robert H. Niehaus was appointed to the Board of Waterford Wedgwood U.K. plc on 14 December 1993 and was appointed Chairman on 1 January 1994. He joined the Board of Waterford Wedgwood plc on 25 April 1990 and the Board of Waterford Crystal Limited on 19 March 1991. He is a managing director of Morgan Stanley & Co. Incorporated, vice chairman of Morgan Stanley Capital Partners III, Inc. and a director of Morgan Stanley Leveraged Equity Fund II, Inc., and Shuttleway. He is also a director of American Italian Pasta Company, Fort Howard Corporation, P.S.F. Finance Holdings Inc., Randall's Food Market, Inc., Silgan Corporation and Silgan Holdings Inc.

Chryssanthie J. O'Reilly was appointed to the Board of Waterford Wedgwood U.K. plc on 15 June 1994. She joined the Board of Waterford Wedgwood plc on 15 December 1995. She is also a director of Wedgwood Museum Trust Limited, the Irish Stud Company Ltd., IMG Developments, (Portmarnock) Ltd., and the Barretstown Gang Camp Fund Ltd.

E Alan Wedgwood was appointed to the Board of Waterford Wedgwood U.K. plc on 19 June 1991. He has been a director of Waterford Wedgwood plc since 28 November 1986. He is head of National N.D.T. Centre of A.E.A. Technology plc and has been a director of Wedgwood since 1966.

In accordance with the Articles of Association, Brian D. Patterson, appointed a Director during the year, retires and, being eligible, will offer himself for election.

Christopher J.S. Johnson, George Stonier and Robert H. Niehaus retire from the Board by rotation and, being eligible, will offer themselves for re-election. Brian D. Patterson, Richard A. Barnes, Robin J. Ritchie, Christopher J.S. Johnson and George Stonier all have service contracts which can be terminated by three years' notice.

Roger F. Little and Edward V. Jenner have service contracts which can be terminated by one year's notice.

Directors' Options

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

Director	1 January 1995	Granted during year	Exercised during year	Lapsed during year	31 December 1995	Option price	Exercisable date
R.J. Ritchie	222,000	-	-	-	222,000	Stg63p	before 2/1/98
G. Stonier	80,700	-	-	-	80,700	Stg£1.19	before 6/1/97
	39,200	-	-	-	39,200	Stg74p	before 21/4/98
	44,000	-	-	-	44,000	Stg79p	before 11/4/99

In addition, R.J. Ritchie and G. Stonier hold options under the Wedgwood Savings Related Share Option Scheme.

R.J. Ritchie holds options over 9,903 Ordinary Shares under the Wedgwood Savings Related Share Option Scheme at 31 December 1995. These options have been granted at prices ranging from Stg12.5p to Stg29p and are exercisable at various dates between January 1999 and May 2000.

G. Stonier holds options over 13,427 Ordinary Shares under the Wedgwood Savings Related Share Option Scheme at 31 December 1995. These options have been granted at prices ranging from Stg12.5p to Stg49p and are exercisable at various dates between November 1996 and October 2001. In December 1995, G. Stonier exercised options over 23,275 Ordinary Shares under this scheme at an option price of Stg14.5p (market price Stg59.75p).

There have been no changes in any of the above interests between 31 December 1995 and 2 April 1996.

Directors' Contracts

There have been no contracts or arrangements with the Company or any subsidiary 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 1995 the Company maintained an insurance of Officers against liabilities in relation to the Company and its subsidiaries.

Corporate Governance

(i) General

The Directors support the Code of Best Practice, published in December 1992 by the Cadbury Committee on the Financial Aspects of Corporate Governance.

REPORT OF THE DIRECTORS

The Group has had within its board structures both an Audit Committee and a Remuneration Committee since 1987.

The Audit Committee meets not less than twice a year to review the adequacy of the Group's systems of control, the range and findings of external and internal auditors' work, the interim and full year financial statements prior to their submission to the Board, the application of accounting policies and any changes to financial reporting requirements.

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, including performance bonus and Long Term Incentive Plan participation as appropriate. The Committee is also responsible for overseeing the granting of options under Group Share Option Schemes. It meets when required throughout the year.

The Group complies with all of the provisions of the Code of Best Practice other than aspects of the disclosure of Directors' remuneration. The disclosure of Directors' remuneration fully complies with the requirements imposed on its parent Waterford Wedgwood plc, under the Listing Rules of The Irish Stock Exchange.

(ii) Internal Financial Control

The Directors are responsible for ensuring that the Group maintains a system of internal financial controls. Internal financial controls are designed to give reasonable assurance with respect to:

- the reliability of financial information used in the business or for publication;
- the maintenance of proper accounting records; and
- the safeguarding of assets against unauthorised use or disposition.

The Group's internal financial control and monitoring procedures include:

- a clearly defined organisation structure and the delegation of responsibility to appropriate levels within operating management;
- separation of incompatible functions;
- prescribed authorisation limits;
- required evaluation procedures for proposed capital expenditure and investment;
- the preparation of regular management accounts and the use of detailed operating budgets for each of the Group's business units against which performance is monitored on a monthly basis;
- Board committees for audit and remuneration; and
- a management committee to deal with corporate affairs matters including taxation and treasury.

The Group has an independent Internal Audit function, reporting to the Audit Committee, which is appropriately resourced, having regard to the Group's operations and circumstances. The Internal Audit function's ambit covers all of the Group's operations and business units. Its plan is drawn up having regard to the materiality and risk of the individual units involved. The Audit Committee has reviewed the operation and effectiveness of the Group's internal control framework during 1995.

(iii) Going Concern

After making appropriate enquiries and on the basis of current financial projections and facilities available, the Directors have concluded 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.

(iv) Auditors' Review of Corporate Governance Disclosures

Price Waterhouse have reported to the Board that in their opinion the above statements on internal financial controls and going concern have provided the disclosures required by paragraphs 4.5 and 4.6 of the Code (as supplemented by the related guidance for directors) and are consistent with the information which came to their attention as a result of their audit work on the financial statements; and that the Directors' other statement above about compliance with the Code appropriately reflects the Group's compliance with other paragraphs of the Code specified for their review.

Directors' Remuneration

Emoluments of Executive Directors and senior management are determined by the Remuneration Committee which is chaired by the Group Chairman and comprises non-executive Directors only. At the beginning of each financial year the Remuneration Committee determines basic salaries as well as the parameters for bonus payments.

The Remuneration Committee applies the same philosophy in determining Executive Directors' remuneration as is applied in respect of all employees. The underlying objective is to ensure that individuals are appropriately rewarded relative to their responsibility, experience and value to the Group. The Remuneration Committee is 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 Committee on the basis of objective assessments based on the Group's performance during the year in terms of key financial indicators, as well as a qualitative assessment of the individual's performance.

The Group also operates a Long Term Incentive Plan. The Plan is approved by the Board on the recommendation of the Remuneration Committee, and operated by the Remuneration Committee. Participation in this Plan is at the discretion of the Remuneration Committee and available to Executive Directors and senior management. Amounts payable under the Plan are dependent on the continuation of specific levels of profitability over a five or six year period, as appropriate. Below the predetermined level there is no reward. Entitlements under the Plan do not vest until the end of the set period and will fall to be included in the Directors' remuneration disclosures on vesting. The current Plan is in respect of the six year period ending on 31 December 1997. Amounts payable under the Plan will be paid partly in shares and partly in cash.

Executive Directors' pensions are provided on the same basis as senior management. The relevant Plans are Revenue approved occupational pension schemes either based on final 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 date, subject to service.

In framing Remuneration Policy the Remuneration Committee has had regard to Section B of the Best Practice provisions annexed to the Listing Rules.

Details of Directors' remuneration for the current year, together with prior year comparatives are set out in note 6 to the financial statements.

CREST

A new voluntary settlement system for shares, known as CREST, has been developed by the Bank of England. The system will enable shareholders, if they wish, to hold and transfer their shareholding in electronic form rather than in paper. This development is due to become operational during 1996.

It is planned that the system will be utilised by both The Irish Stock Exchange and The London Stock Exchange.

It is the Directors' current intention to avail of the use of CREST for settlement of the Company's securities.

Directors' Responsibilities in Relation to the Financial Statements

The Directors are required by 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

- (i) select appropriate accounting policies and apply them consistently;
- (ii) make reasonable and prudent judgements and estimates;
- (iii) state that all accounting standards which they consider to be applicable have been followed;
- (iv) prepare the financial statements on the going concern basis unless it is inappropriate to do so.

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 comply with the U.K. 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 1995 the issued share capital of the Company comprised 760,868,866 Income Shares and 215,776,913 Ordinary Shares.

Authority to Allot Shares

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 1997 or on 30 June 1997, whichever is earlier, the authority not to apply the strict statutory pre-emption provisions in the event of a Rights or other Issue.

Tangible Assets

Expenditure during the year on tangible assets amounted to £15.2 million and assets with a net book value of £1.2 million were sold.

Research and Development

The Group maintains research and development departments in its main manufacturing divisions. Expenditure on research and development in 1995 amounted to £2.2 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

REPORT OF THE DIRECTORS

development opportunities and profit sharing and employee share schemes. Two employee share schemes operate within the Group and involve 2,020 employees - approximately 42 per cent of the U.K. workforce.

Quality Circles and the Group's quality management initiatives continue to be important features in improving the quality of working life. Additionally, regular meetings of the Group's health and safety committees for each factory and employee councils have been held.

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

Health and Safety

The Group pursues an active policy of providing safe systems of work and on the job safety training. The Group's Health and Safety Policy Committee meets on a quarterly basis to monitor developments in Health and Safety legislation and sets and monitors compliance with Health and Safety objectives for the year.

During the year, a continuous improvement team produced improved working procedures which will help to reduce accidents and exposure to health risks at work. These have been implemented and will be audited annually.

The Group will continue its health and safety assessments within the workplace and implement measures to control risks, to ensure a safe and healthy environment for its employees and visitors.

Environmental Policy

The main objectives for 1995 have been achieved, including:

- Implementation of various cost saving initiatives including earthenware pitcher recycling, reducing packaging waste, paper recycling, glaze reclamation and in-house effluent sludge dewatering. The total savings made are in the order of £100,000 year on year. Estimated savings have been in excess of £1.5 million over the last five years.
- In-house training of Production and Engineering based managers and development of an improved induction training programme.
- The integration of environmental issues on to the agendas of all divisional Health and Safety committees.
- Environmental audits at the jewellery and Coalport factories.
- 95% compliance with trade effluent discharge consent conditions.

The Group remains committed to improving its environmental performance in all areas of its operations. Objectives to be achieved during 1996 include setting targets and measuring achievements more accurately, the pursuance of environmental management systems (i.e. BS 7750/ISO 14001) on one manufacturing site and the implementation of environmental accounting systems throughout the Group.

Political and Charitable Donations

The Group made no political contributions during the year, and donated approximately £74,000 for charitable purposes.

Close Company

So far as the Directors are aware, the close company provisions of the Income and Corporation Taxes Act, 1988 do not apply to the Company. There has been no change in this respect since the end of the financial year.

Auditors

The auditors, Price Waterhouse, have expressed their willingness to continue in office and a resolution for their re-appointment and authorising the Directors to fix their remuneration will be submitted at the forthcoming Annual General Meeting.

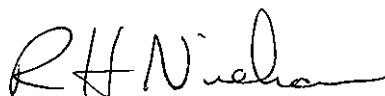
By order of the Board

George Stonier

Secretary



2 April 1996



AUDITORS' REPORT TO THE SHAREHOLDERS OF WATERFORD WEDGWOOD U.K. PLC

We have audited the financial statements on pages 8 to 23 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on page 8.

Respective responsibilities of Directors and auditors

As described on page 5, the Company's Directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of 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 Group'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 as at 31 December 1995 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act, 1985.



Price Waterhouse
Chartered Accountants
and Registered Auditors
London

2 April 1996

ACCOUNTING POLICIES

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

Basis of accounting The financial statements are prepared under the historical cost convention, as modified by the revaluation of certain properties and in accordance with applicable accounting standards.

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

Foreign currencies In the Group balance sheet, assets and liabilities denominated in foreign currencies are translated into Sterling at the year-end exchange rates. Trading results 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. Other exchange gains and losses are taken to the profit and loss account.

It is the Group's policy to protect income, where appropriate, by means of forward currency contracts entered into to fix the exchange rates applicable to estimated future foreign currency receipts. Profits or losses arising from these arrangements are accounted for in the financial year in which the contracts mature. Accordingly, no account is taken of unrealised profits or losses arising on such forward exchange contracts.

Tangible assets and depreciation Tangible assets are stated at cost or valuation less accumulated depreciation. 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 is set-off against reserves in the year of acquisition. 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. Where subsidiary undertakings have been acquired or disposed of, the financial statements include only the proportion of their 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.

Taxation Deferred taxation 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 trade marks, 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 as incurred 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 had been purchased outright at the present values of the minimum lease payments; the corresponding obligations are shown in the balance sheet 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.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	Year ended 31 December	
		1995 £m	1994 £m
Turnover	1	317.7	292.7
Cost of sales		(182.2)	(172.2)
Gross profit		135.5	120.5
Distribution costs		(83.8)	(74.9)
Administrative expenses		(30.6)	(31.7)
Other operating income	2	0.4	0.7
		(114.0)	(105.9)
Operating profit	1	21.5	14.6
Net interest payable	3	(4.4)	(3.1)
Profit on ordinary activities before taxation	4	17.1	11.5
Taxation on profit on ordinary activities	5	(3.8)	(2.0)
Profit for the financial year		13.3	9.5
Dividend	7	(7.2)	(3.9)
Profit retained in year	18	6.1	5.6
Earnings per Income Share	9	1.75p	1.25p

Turnover and operating profit arose solely from continuing activities.

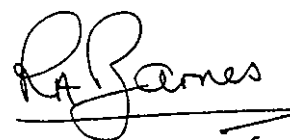
CONSOLIDATED BALANCE SHEET

		31 December	
	Notes	1995 £m	1994 £m
Fixed assets			
Tangible assets	10	65.6	59.3
Financial assets	11	2.8	2.7
		68.4	62.0
Current assets			
Stocks	12	84.4	83.2
Debtors	13	60.4	56.7
Cash and deposits		26.7	40.0
		171.5	179.9
Creditors (amounts falling due within one year)	15	(61.8)	(55.7)
Net current assets		109.7	124.2
Total assets less current liabilities		178.1	186.2
Creditors (amounts falling due after more than one year)	15	(64.9)	(80.7)
Provisions for liabilities and charges	17	(2.0)	(2.0)
		111.2	103.5
Capital and reserves			
Called up share capital	19	61.5	61.5
Reserves	18	48.1	40.6
Shareholders' funds - equity interests		109.6	102.1
Minority interests		1.6	1.4
		111.2	103.5


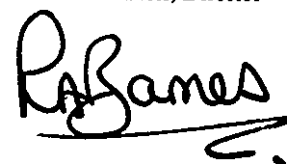
Approved by the Board of Directors on 2 April 1996.



R.H. Niehaus, Chairman



R.A. Barnes, Director

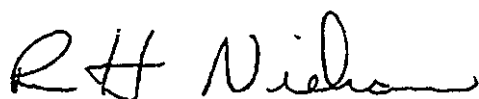
COMPANY BALANCE SHEET

		31 December	
	Notes	1995 £m	1994 £m
Fixed assets			
Financial assets	11	146.0	146.0
Current assets			
Debtors	13	8.9	0.7
Creditors (amounts falling due within one year)	15	(48.5)	(13.4)
Net current liabilities		(39.6)	(12.7)
Total assets less current liabilities		106.4	133.3
Creditors (amounts falling due after more than one year)	15	(8.8)	(25.0)
		97.6	108.3
Capital and reserves			
Called up share capital	19	61.5	61.5
Revenue reserves	18	36.1	46.8
Shareholders' funds - equity interests		97.6	108.3

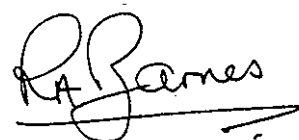
There were no recognised gains and losses during the year other than those which are reflected in the profit for the year.

The movement in shareholders' funds is represented by the retained profit for the year.

Approved by the Board of Directors on 2 April 1996.



R.H. Niehaus, Chairman



R.A. Barnes, Director




STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	Year ended 31 December	
	1995	1994
	£m	£m
Profit for the financial year	13.3	9.5
Exchange translation effect on net overseas investments	1.4	0.5
Total recognised gains for the year	14.7	10.0

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	
	1995	1994
	£m	£m
Profit for the financial year	13.3	9.5
Dividend	(7.2)	(3.9)
Exchange translation effect on net overseas investments	1.4	0.5
Net addition to shareholders' funds	7.5	6.1
Opening shareholders' funds	102.1	96.0
Closing shareholders' funds	109.6	102.1

NOTES TO THE FINANCIAL STATEMENTS

1. Segment information

(a) Classes of business

	1995			1994		
	Turnover	Operating profit	Net assets	Turnover	Operating profit/(loss)	Net assets
	£m	£m	£m	£m	£m	£m
Wedgwood Group Brands	216.3	19.1	-	203.5	14.7	-
Waterford Crystal Distribution	101.4	2.4	-	89.2	(0.1)	-
	317.7	21.5	146.9	292.7	14.6	142.2
Group net borrowings	-	-	(35.7)	-	-	(38.7)
Total Group	317.7	21.5	111.2	292.7	14.6	103.5

Turnover between the above classes of business is not material.

Due to the structure of the Waterford Wedgwood U.K. plc Group, it is inappropriate to split net assets by class of business.

(b) Geographical segment by country of operation

	1995				1994			
	Turnover by destination	country of operation	Operating profit	Net assets	Turnover by destination	country of operation	Operating profit	Net assets
	£m	£m	£m	£m	£m	£m	£m	£m
Europe	106.5	164.9	11.0	69.6	103.0	154.8	10.0	99.9
North America	138.1	130.9	6.9	65.5	128.8	122.1	1.7	29.0
Far East	49.7	45.5	3.4	5.9	43.3	38.0	2.8	8.0
Rest of world	23.4	14.2	0.2	5.9	17.6	13.0	0.1	5.3
	317.7	355.5	21.5	146.9	292.7	327.9	14.6	142.2
Inter segment sales	-	(37.8)	-	-	-	(35.2)	-	-
Group net borrowings	-	-	-	(35.7)	-	-	-	(38.7)
Total Group	317.7	317.7	21.5	111.2	292.7	292.7	14.6	103.5

All inter segment sales originate from Europe.

NOTES TO THE FINANCIAL STATEMENTS

2. Other operating income	1995	1994
	£m	£m
Other operating income	0.1	-
Exchange gain	0.3	0.7
	0.4	0.7
3. Net interest payable	1995	1994
	£m	£m
Interest payable on borrowings maturing within 5 years	6.7	4.9
Interest payable on finance leases	0.3	0.3
	7.0	5.2
Interest receivable from third parties	(1.7)	(0.9)
Interest receivable from Waterford Wedgwood Group companies	(0.9)	(1.2)
Net interest payable	4.4	3.1
4. Profit on ordinary activities before taxation	1995	1994
Profit on ordinary activities before taxation has been arrived at after charging	£m	£m
Depreciation - owned assets	6.7	6.3
- leased assets	0.9	0.9
Operating lease rentals - plant and equipment	1.3	2.0
- other	2.8	2.9
Research and development	2.2	2.5
Auditors' remuneration	0.3	0.3
Fees paid to Price Waterhouse by the Company and its U.K. subsidiaries in respect of non audit services amounted to £79,000 (1994: £5,000).		
5. Taxation on profit on ordinary activities	1995	1994
	£m	£m
Based on the profit for the year		
U.K. corporation taxation at 33% (1994: 33%)	1.3	0.9
Overseas taxation	2.3	1.7
	3.6	2.6
Under/(over)provision in respect of earlier years	0.2	(0.6)
	3.8	2.0

The Group has substantial taxation losses carried forward at 31 December 1995 in its United States subsidiaries which will be available to offset against United States taxable profits in future years.

6. Directors' emoluments

	1995		1994	
	Executive	Non-executive	Executive	Non-executive
	Directors	Directors	Directors	Directors
	Stg£'000	Stg£'000	Stg£'000	Stg£'000
Other remuneration	979	-	1,252	-
Benefits in kind	71	-	83	-
Annual bonus	188	-	242	-
Compensation for loss of office - paid by subsidiaries	348	-	-	-
Pension contributions	121	-	83	-
Pensions paid to past Directors	4	-	-	-
Total	1,711	-	1,660	-
No. of Directors	8	4	7	4

Appointed during the year:

B.D. Patterson 6 June 1995

Resigned during the year:

K.H. Ashwell 31 May 1995

A.J.F. O'Reilly 30 June 1995

The Directors' remuneration shown comprises all of the fees, salaries, pension contributions and any other benefits and emoluments payable to Directors.

No provisions have been made for payments which may be made to Directors under the Long Term Incentive Plan because no entitlement has accrued.

Share options granted to Directors other than Directors of Waterford Wedgwood plc are set out in the Report of the Directors on page 2.

The remuneration of individual Directors was as follows. This information excludes those Directors who discharged their duties mainly outside the United Kingdom. The Chairman received no emoluments. The highest paid Director in 1995 received a total of £247,901 (1994: £667,451) consisting of salary, benefits in kind of £10,326 (1994: £33,579) and performance related bonus of £29,125 (1994: £64,627). A pension contribution of £34,040 (1994: £8,398) was also made on behalf of the highest paid director in each year.

The number of Directors whose total emoluments (excluding pension contributions) fall within the respective bands are set out below.

£	1995		1994	
	Number		Number	
0 - 5,000	1		1	
45,001 - 50,000	-		1	
95,001 - 100,000	1		-	
105,001 - 110,000	1		-	
125,001 - 130,000	1		1	
130,001 - 135,000	-		1	
135,001 - 140,000	1		-	
140,001 - 145,000	1		-	
150,001 - 155,000	-		1	
160,001 - 165,000	1		-	
165,001 - 170,000	-		1	
210,001 - 215,000	1		-	
245,001 - 250,000	1		-	
275,001 - 280,000	-		1	
665,001 - 670,000	-		1	

7. Dividends	1995	1994
	£m	£m
Paid:		
Interim dividend	1.4	-
Adjustment relating to 1994 final dividend*	0.5	-
Proposed:		
Final dividend in respect of year ended 31 December 1995	5.3	3.9
	7.2	3.9

*At 31 December 1994 an estimate was 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 was paid. The difference between the estimates used and the actual dividend paid was £500,000.

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.

8. Particulars of Staff	1995	1994
	Number	Number
Average number of employees:		
Production	3,223	3,688
Marketing, selling and distribution	1,938	1,721
Administration	486	448
	5,647	5,857
	£m	£m
Staff costs:		
Wages and salaries	81.1	79.2
Social security costs	8.1	7.7
Pension costs	4.8	5.5
	94.0	92.4

9. Earnings per Income Share	1995	1994
	£m	£m
Profit after taxation	13.3	9.5
Earnings per share (pence)	1.75p	1.25p

The calculation of earnings per share is based on 760.9 million Income Shares for 1995 being the weighted average number of Income Shares in issue during the year ended 31 December 1995 (1994: 760.9 million).

If all shares which may be issued under share option schemes were to be included, the earnings per share would not be materially affected.

10. Tangible assets

	Land and buildings freehold	Land and buildings short leasehold	Plant and equipment	Total
	£m	£m	£m	£m
Group				
At 31 December 1994				
- cost	0.7	5.9	81.2	87.8
- valuation	27.1	-	-	27.1
	27.8	5.9	81.2	114.9
Additions	0.1	0.7	14.4	15.2
Disposals	(0.5)	(0.1)	(2.3)	(2.9)
At 31 December 1995	27.4	6.5	93.3	127.2
- cost	0.8	6.5	93.3	100.6
- valuation	26.6	-	-	26.6
	27.4	6.5	93.3	127.2
Accumulated depreciation				
At 31 December 1994	1.0	3.9	50.7	55.6
Charge for year	0.6	0.6	6.4	7.6
Disposals	-	(0.1)	(1.6)	(1.7)
Translation adjustment	-	-	0.1	0.1
At 31 December 1995	1.6	4.4	55.6	61.6
Net book amounts				
At 31 December 1995	25.8	2.1	37.7	65.6
At 31 December 1994	26.8	2.0	30.5	59.3
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	

No depreciation is charged on freehold land with a book value of £5.4 million (1994: £5.7 million).

Valuations of the Group's United Kingdom land and buildings were carried out at 31 December 1992 by DTZ Debenham Thorpe, international property advisors, Birmingham and John German, chartered surveyors, Staffordshire.

The principal manufacturing plant at Barlaston, Stoke-on-Trent, was valued on the basis of depreciated replacement cost. Other properties were valued on an open market value for the existing use for properties not surplus to requirements and open market value for other properties.

NOTES TO THE FINANCIAL STATEMENTS

The net book value of plant and equipment includes £2.6 million (1994: £3.1 million) in respect of assets held under finance leases. Land and buildings included at cost or valuation would have been included on a historical cost basis at:

	1995	1994
	£m	£m
Cost	32.9	32.9
Accumulated depreciation	(9.9)	(9.1)
	23.0	23.8

11. Financial assets	1995	1994
	£m	£m
Group		
Investments and deposits	2.8	2.7
Company		
Investment in subsidiary companies at cost	146.0	146.0

In the opinion of the Directors, the value of investments in subsidiaries is, in the aggregate, at least the amount at which they are carried in these accounts.

The Group's principal subsidiaries are listed in note 26.

12. Stocks	1995	1994
	£m	£m
Group		
Raw materials and consumables	7.0	7.0
Work-in-progress	6.8	7.5
Finished goods and goods for resale	70.6	68.7
	84.4	83.2

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

13. Debtors		Group		Company
	1995	1994	1995	1994
	£m	£m	£m	£m
Amounts falling due within one year:				
Trade debtors	40.2	40.0	-	-
Amounts owed by Waterford Wedgwood Group companies	14.4	10.5	-	-
Amounts owed by subsidiary companies	-	-	8.7	-
Other debtors	3.1	3.8	-	-
Prepayments and accrued income	2.7	2.4	0.2	0.7
	60.4	56.7	8.9	0.7

Prepayments include £0.7 million (1994: £0.1 million) falling due after more than one year.

14. Group net borrowings	Group		Company	
	1995	1994	1995	1994
	£m	£m	£m	£m
Cash and deposits	(26.7)	(40.0)	-	-
Bank loans and overdrafts (Note 15)	-	1.1	-	-
Long term debt (Note 16)	62.4	77.6	8.8	25.0
	35.7	38.7	8.8	25.0

15. Creditors	Group		Company	
	1995	1994	1995	1994
	£m	£m	£m	£m
Amounts falling due within one year:				
Bank loans and overdrafts	-	1.1	-	-
Trade creditors	17.3	16.4	-	-
Other creditors	0.5	4.0	-	-
Accruals and deferred income	17.5	18.4	-	0.1
Amounts owed to Waterford Wedgwood Group companies	9.9	3.3	-	-
Amounts owed to subsidiary companies	-	-	43.2	9.4
Finance lease obligations (Note 20)	1.0	0.7	-	-
Taxation and social security	10.3	7.9	-	-
Proposed dividend	5.3	3.9	5.3	3.9
	61.8	55.7	48.5	13.4

Amounts falling due after more than one year:				
Long term debt (Note 16)	62.4	77.6	8.8	25.0
Finance lease obligations (Note 20)	1.2	1.8	-	-
Other creditors and accruals	1.3	1.3	-	-
	64.9	80.7	8.8	25.0

16. Long term debt	Group		Company	
	1995	1994	1995	1994
	£m	£m	£m	£m
Bank loans at variable rates of interest maturing on 14 June 2000	62.4	77.6	8.8	25.0

The Group continues to utilise bank borrowings to finance its working capital and capital expenditure. Loan facilities of up to £180 million are available to the Group.

17. Provisions for liabilities and charges

	Deferred taxation £m
Group	
At 31 December 1994	2.0
Charged in the year	-
At 31 December 1995	2.0

Deferred taxation arises as follows:

	Provided in financial statements		Full potential liability	
	1995	1994	1995	1994
	£m	£m	£m	£m
Group				
Accelerated capital allowances	0.5	0.5	6.1	5.2
Other timing differences	1.5	1.5	0.1	(0.5)
	2.0	2.0	6.2	4.7

Deferred taxation has not been provided on future remittances of the accumulated reserves of overseas subsidiaries as there is no intention to distribute these profits. Deferred taxation 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.

18. Reserves

	Merger reserve £m	Revaluation reserve £m	Revenue reserves £m	Total £m
Group				
At 31 December 1994	2.2	6.3	32.1	40.6
Realised on sale of property	-	(0.3)	0.3	-
Retained profit for the year	-	-	6.1	6.1
Translation of overseas subsidiaries	-	-	1.4	1.4
At 31 December 1995	2.2	6.0	39.9	48.1

The cumulative amount of goodwill written off the merger reserve amounts to £29.1 million (1994: £29.1 million).

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

	Revenue reserves £m
Company	
At 31 December 1994	46.8
Reduction in the year	(10.7)
At 31 December 1995	36.1

As permitted by Section 230 of the Companies Act, 1985, the profit and loss account of the Company is not presented in these financial statements. The amount of the consolidated loss for the year dealt with in the accounts of the holding company is £3.5 million (1994: £20.7 million profit).

19. Share capital	1995 £m	1994 £m
Authorised:		
220 million Ordinary Shares of 25p each	55.0	55.0
850 million Income Shares of 1p each	8.5	8.5
	63.5	63.5

	Ordinary Shares of 25p each £m	Income Shares of 1p each £m	Total £m
Issued, allotted and fully paid:			
At 31 December 1995 and 1994			
(Ordinary Shares : 215,776,913 Income Shares : 760,868,866)	53.9	7.6	61.5

20. Obligations under leases

Net obligations to third parties at 31 December 1995 under leases were as follows:

	Finance leases £m	Operating leases property £m	plant and equipment £m
Group			
Amounts payable:			
Within one year	1.0	5.5	1.1
Two to five years	1.2	13.6	0.8
After five years	-	34.0	-
	2.2	53.1	1.9

Commitments under operating leases, payable in 1996, expire as follows:

	Property £m	Plant and equipment £m	Total £m
Amount payable:			
Within one year	0.1	0.3	0.4
Two to five years	3.0	0.8	3.8
After five years	2.4	-	2.4
	5.5	1.1	6.6

21. Capital commitments	1995 £m	1994 £m
Group		
Contracted for but not provided	1.0	0.9
Authorised but not yet contracted for	0.4	0.6

22. Pensions

The majority of the Group's employees participate in funded defined benefit pension schemes based on final pensionable pay. The assets of all the schemes are invested separately from those of the Group in trustee administered funds. The contributions to the schemes by the companies are charged to the profit and loss account so as to spread the cost of pension as incurred over employees' working lives with the Group. Contributions are determined by qualified actuaries on the basis of periodic valuation using the projected unit method. The most recently completed actuarial valuation of the Wedgwood Group Pension Plan which is by far the largest scheme was as at 31 December 1994.

The market value of the assets in the Wedgwood Group Pension Plan at 31 December 1994 was £102.6 million. The actuarial value of the assets was sufficient to cover 105% of the liability for benefits that had accrued to members after allowing for expected future pay increases. The principal assumption in this valuation was that the investment return would exceed general salary inflation by 1.5%. The surplus will be recognised in the Group profit and loss account over the average remaining service lives of plan members as a fixed percentage of pensionable pay. Contributions to the pension scheme are at the actuary's recommended rate.

The pension cost charged to the profit and loss account in respect of defined benefit pension schemes was £4.4 million (1994: £4.3 million) of which £0.5 million relates to special contributions arising from rationalisation in the year. For certain Group employees outside the United Kingdom, the pension entitlements are secured by defined contribution schemes the cost of which amounted to £0.9 million (1994: £1.2 million). A provision of £0.7 million is included in creditors at 31 December 1995 (31 December 1994: £0.7million) being the excess of the accumulated pension cost over the amounts funded.

23. Foreign currency contracts

The Group uses forward currency contracts in the normal course of business to hedge exchange risk on anticipated foreign currency transactions. These transactions are converted at the contract rate upon expiry.

At 31 December the Group had the following forward sales commitments:

	1995	1994
U.S. dollars	\$23.0m	\$21.0m
Canadian dollars	\$3.5m	\$ 1.0m
Australian dollars	\$6.5m	\$ 4.0m
Japanese yen	Yen 6,305.0m	Yen 5,355.0m

24. 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.

25. Cash flow statement

As permitted by paragraph 8.c of Financial Reporting Standard 1, 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.

26. Principal subsidiary companies

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

Name	Country of incorporation and registered office	Issued capital	Nature of business
Manufacturing			
Josiah Wedgwood & Sons Ltd.	Barlaston, Stoke-on-Trent, England	51,717 £1 Ord. shares	Ceramic tableware/ giftware manufacturer
Distribution			
Waterford Wedgwood Australia Ltd.	Barlaston, Stoke-on-Trent, England	485,240 £1 Ord. shares	Distributor
*Waterford Wedgwood Canada Inc.	Toronto, Canada	110 Class A shares 363 Class B shares	Distributor
Waterford Wedgwood U.S.A. Inc.	Delaware, U.S.A.	20 Class A shares 16 Class B shares	Distributor
Waterford Wedgwood Japan Ltd.	Tokyo, Japan	4,000 ¥50,000 shares	Distributor
Waterford Wedgwood Retail Ltd.	Barlaston, Stoke-on-Trent, England	100 £1 Ord. shares	Retailer
Josiah Wedgwood & Sons (Exports) Ltd.	Barlaston, Stoke-on-Trent, England	500 £1 Ord. shares	Exporter
*Waterford Wedgwood Trading Singapore Pte. Ltd.	Singapore	52 S\$50,000 shares	Retailer
Wedgwood G.m.b.H.	Frankfurt, Germany	1 Dm 50,000 share	Sales office
Finance			
Kilsallaghan Holdings	Kilbarry, Waterford, Ireland	14,558,484 IR£1 Ord. shares	Finance
Statum Ltd.	Barlaston, Stoke-on-Trent, England	50,000 £1 Ord. shares	Finance
Other			
*Wedgwood Ltd.	Barlaston, Stoke-on-Trent, England	46,195,052 25p Ord. shares	Subsidiary holding company
*Waterford Wedgwood Holdings Inc.	Delaware, U.S.A.	376 Class A Common stock 16 Class B Common stock	Subsidiary holding company

With the exception of Waterford Wedgwood Canada Inc. which is 77 per cent owned, 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.

27. 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.