RNS Number : 4582D
Portmeirion Group PLC
23 March 2011

The following replaces the final results released at 7am under RNS number 4379D.

The Consolidated Statement of Changes in Equity table has been amended.

23 March 2011

Portmeirion Group PLC ('Portmeirion' or 'the Group')

Preliminary results for the year ended 31 December 2010

Financial summary

	2010 £m	2009 £m	Increase %
Revenue	**51.2**	43.2	18.7
Pre-tax profit before exceptional items	**5.4**	3.9	38.8
Pre-tax profit after exceptional items	**5.2**	3.7	41.2
Pre-exceptional EBITDA	**6.6**	5.6	19.7
Basic earnings per share	**34.91p**	24.73p	41.2
Dividends paid and proposed per share in respect of the year	**17.40p**	15.80p	10.1

Highlights:

Financial

- Record revenues of £51.2 million, an increase of 19% on the previous year (2009: £43.2 million)
- Profit before exceptional items and tax increased 39% to £5.4 million (2009: £3.9 million)
- Profit before tax increased 41% to £5.2 million (2009: £3.7 million)
- Total paid and proposed dividend for the year increased by 10% to 17.40p (2009: 15.80p)
- Balance sheet remains very strong: net cash balance up to £6.2 million (2009: £4.4 million)

Operational

- Strong sales growth from Spode and Royal Worcester
- Sales growth across all 4 brands
- Launched over 250 new products in 2011 including 6 new bone china patterns and a new Paddington Bear range
- Strong growth in the US and South Korea

Dick Steele, Non-executive Chairman commented:

"We are delighted to report another record year with trading above market expectations. We achieved growth across all four brands, and sales of Spode and Royal Worcester were well above the figure we had forecasted.

We have plans to further increase our spend on product development and have already launched over 250 new products in 2011.

The new financial year has started well with revenues for the first 2 months of 2011, 15% above the corresponding period last year. The outlook for the remainder of 2011 is positive."

ENQUIRIES:

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Portmeirion Group PLC

Business Review

2010 was a year of opportunity and success for the Portmeirion Group. We had previously enjoyed record revenues in 2009, and in 2010 we had another record year growing revenues by 18.7% to £51.2 million (2009: a 35.6% increase to £43.2 million). We were able to build upon the acquisition of the Spode and Royal Worcester brands to further consolidate our position as an internationally renowned homewares group, and our established Portmeirion and Pimpernel brands also had record years.

When we acquired the Spode and Royal Worcester brands in April 2009 we forecasted revenues of £19 million from these brands by the end of 2010; we actually achieved revenues of £22 million during this period. The acquisition cost of the Spode and Royal Worcester brand names was £2.2 million.

Dividend

The Board is recommending a final dividend of 13.50p, bringing the total paid and proposed for the year to 17.40p, 10.1% higher than the total paid in respect of 2009. The dividend will be paid, subject to shareholders' approval, on 25 May 2011 to shareholders on the register on 26 April 2011. Dividends paid and proposed are covered 2.0 times by earnings (2009: 1.6 times); the Board considers that such a level of cover is sustainable.

Results for the year

Revenues increased by 18.7% to £51.2 million (2009: £43.2 million); this is the highest revenue figure ever recorded by Portmeirion Group. Within this 18.7% rise the USA accounted for 9.2% and South Korea provided 6.0%. There was little effect from the US dollar/sterling exchange rate. UK sales suffered a 3.7% reduction in revenues, reflecting the general decline in UK retail sales during 2010, particularly during the important Christmas season.

The pre-exceptional profit before tax was £5.4 million, an increase of 38.8%, (2009: £3.9 million) and pre-exceptional EBITDA was £6.6 million (2009: £5.6 million). Profit before tax was £5.2 million (2009: £3.7 million).

The most important effect on profitability was the increased revenues, with a large part of the consequent gross margin feeding through to profit.

We have taken the opportunity afforded by our increased revenues to increase our marketing and product development spend to record levels; such expenditure is an investment for future benefit.

Our largest market is the United States which accounts for 41% of our revenues (2009: 40%), taken together with Canada this means that North America accounts for 45% of our revenues (2009: 44%). We service the United States from a showroom and office in New York and a warehouse in Connecticut. The Canadian market is handled by our Joint Venture partner, Portmeirion Canada Inc. South Korea now accounts for 19% (2009: 17%) of our revenues, close behind the UK at 25% (2009: 30%).

Balance Sheet

The Group has a strong cash position; we ended the year with a net cash balance of £6.2 million (2009: £4.4 million). The year end is close to being our high point for cash. In September and October the Group had a small amount of net borrowings as stocks and debtors peaked to support our sales to retailers for the important Christmas trade. We expect a similar working capital cycle in 2011.

Profit has clearly been an important factor in improving our cash balances. Our stock holdings have been well controlled; with an 18.7% increase in revenues, stock levels have only increased by 9.9% to £9.7 million. Our stock turn in 2010 was 2.6 which is a significant improvement on 2009 (2.1) and also on 2008 (1.6).

The intangibles figure in our Balance Sheet of £2.0 million is mainly in respect of the acquisition of the Spode and Royal Worcester brands; these balances are being amortised over 10 years. These two brand names generated revenues of £13.5 million in 2010 (2009: £8.5 million) and although they are already two centuries old we consider that they still have many years of life ahead of them.

The pension scheme deficit in the balance sheet, in respect of the closed final salary scheme, is £4.3 million (2009: £3.6 million). We have made a cash contribution to the scheme of £1.0 million during the year (2009: £0.6 million). The deficit and the resulting cash contribution are burdens borne by the business which are of no trading benefit to us. They have arisen because of varying actuarial assumptions, for example on mortality, under performance of equity investments and changes to tax legislation. However, the scheme deficit is closely monitored, controlled and affordable.

Products

We are a customer attentive, design led business. Product development is key to our future, and expenditure on this vital area now amounts to nearly 2% of revenues; this increase is as it should be. In 2010 we introduced over 200 new lines into existing patterns in all our brands. Botanic Garden, first launched in 1972, now generates revenues of some £20 million per annum.

Our plans for the future include increasing the spend on product development. In 2011 we have already launched 250 new lines including six completely new bone china patterns, and Paddington Bear as a licensed range which will complement The Very Hungry Caterpillar and The Snowman ranges.

A list of our current patterns can be found at www.portmeirion.co.uk, at www.spode.co.uk and at www.royalworcester.co.uk; these sites also list stockists and items that may be purchased online.

Production

Our strategy is to obtain products from the most appropriate source. Our Stoke-on-Trent factory is producing at its highest ever levels, and our kilns are now running 24 hours a day, 7 days a week. We make fine earthenware in our Stoke factory - Botanic Garden, The Holly & The Ivy, Pomona, Blue Italian and Woodland - for which we have a worldwide reputation. We do not make porcelain, stoneware or bone china; these product lines are sourced internationally to our exacting quality standards. Our backstamps are guarantees of quality.

Our high current levels of production have inevitably meant that costs have been subservient to volumes; in the current year we are addressing these issues.

Sales and Marketing

Our sales reach is worldwide and we currently export to over 60 countries. In the USA, our largest market, we have our own subsidiary company, our own employees and our own showroom and warehouse. In Canada we operate with a joint venture partner. In other major markets we operate together with carefully selected local distributors. Our product development is country specific.

We invest heavily in national and international homeware shows in the USA, the UK and Europe.

In 2010 we enjoyed sales of £0.3 million in Russia and £0.1 million in China. These opportunities for new market growth remain part of our focus for international market expansion.

People

We increased the average number of people employed during the year to 532, a 9% increase on the 487 employed in 2009. Sales per employee were £96,321 for 2010, a 9% increase on the 2009 figure of £88,634. The increase in sales per employee is a reflection of the growing added value in the business.

All employees, excluding the non-executive directors, participate in annual incentive schemes and these schemes paid out maximum awards in 2010, deservedly so.

Health and safety, and employee welfare are a high priority in our business.

Risks

Our annual report and accounts will list the principal risks which we consider the business is subject to; three of these risks are worthy of further discussion here.

Our sales in US dollars are roughly equivalent to our purchases in US dollars and our risk here is, therefore, naturally hedged. We also have net receipts of Canadian dollars, Euros and to a lesser degree other European currencies. We use forward currency contracts to hedge against rate movements on these currencies where our exposure is expected to be significant.

Our sourcing and our sales are worldwide, which helps to control our exposure to any one territory; however, we are vulnerable to major shifts in the United States, UK, South Korea and China.

Producing ceramics requires energy, whether we produce them ourselves or have them produced for us. We have made great strides in reducing our energy consumption but we remain exposed to price volatility in the energy markets.

Outlook

We remain confident for the future. Our proven strategy is to lead with design, ensure the quality of the product, sell with professionalism, be conservative with our finances and nurture the brands.

We will continue to evaluate acquisition opportunities which we believe will complement and strengthen the Group.

Whilst not necessarily an indication of full year performance, revenues for the first two months of 2011 are 15% above the corresponding period last year. The outlook for the remainder of 2011 is positive.

Richard Steele	**Lawrence Bryan**
Non-executive Chairman	**Chief Executive**

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2010

	Notes	2010 £'000	2009 £'000
Revenue	4	**51,243**	43,165
Operating costs		**(45,728)**	(38,573)
Operating profit before exceptional items		**5,515**	4,592
Operating exceptional items	2	**(199)**	(207)
Operating profit after operating exceptional items		**5,316**	4,385
Investment revenue		**8**	7
Finance costs	7	**(182)**	(681)
Share of profit of associated undertakings		**107**	7
Profit before tax		**5,249**	3,718
Tax		**(1,774)**	(1,265)
Profit for the year attributable to equity holders		**3,475**	2,453
Earnings per share	3	**34.91p**	24.73p
Diluted earnings per share	3	**34.39p**	24.66p
Dividends paid and proposed per share	6	**17.40p**	15.80p

All the above figures relate to continuing operations.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2010

	2010 £'000	2009 £'000
Profit for the year	**3,475**	2,453
Exchange differences on translation of foreign operations	**253**	(773)
Actuarial (loss)/gain on defined benefit pension scheme	**(1,606)**	254

Deferred tax on other comprehensive income	**542**	(71)
Other comprehensive income for the year	**(811)**	(590)
Total comprehensive income for the year attributable to equity holders	**2,664**	1,863

CONSOLIDATED BALANCE SHEET
31 December 2010

	2010 £'000	2009 £'000
Non-current assets		
Intangible assets	**2,038**	2,395
Property, plant and equipment	**6,159**	5,611
Interests in associates	**1,472**	1,327
Deferred tax asset	**710**	289
Total non-current assets	**10,379**	9,622
Current assets		
Inventories	**9,655**	8,784
Trade and other receivables	**7,702**	7,035
Cash and cash equivalents	**6,249**	5,439
Total current assets	**23,606**	21,258
Total assets	**33,985**	30,880
Current liabilities		
Trade and other payables	**(7,204)**	(5,128)
Current income tax liabilities	**(300)**	(508)
Borrowings	**-**	(284)
Total current liabilities	**(7,504)**	(5,920)
Non-current liabilities		
Pension scheme deficit	**(4,302)**	(3,637)
Borrowings	**-**	(763)
Grant received	**(57)**	(74)
Total non-current liabilities	**(4,359)**	(4,474)
Total liabilities	**(11,863)**	(10,394)
Net assets	**22,122**	20,486
Equity		
Called up share capital	**528**	528
Share premium account	**4,951**	4,820
Treasury shares	**(1,047)**	(1,202)
Share-based payment reserve	**267**	159
Translation reserve	**1,040**	630

	2010	2009
Retained earnings	**16,383**	15,551
Total equity	**22,122**	20,486

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2010

	Share Capital £'000	Share premium account £'000	Treasury shares £'000	Share-based payment reserve £'000	Translation reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2009	528	4,820	(1,202)	146	1,403	14,353	20,048
Profit for the year	-	-	-	-	-	2,453	2,453
Other comprehensive income for the year	-	-	-	-	(773)	183	(590)
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**(773)**	**2,636**	**1,863**
Dividends paid	-	-	-	-	-	(1,458)	(1,458)
Increase in share-based payment reserve	-	-	-	13	-	-	13
Deferred tax on share-based payment	-	-	-	-	-	20	20
At 1 January 2010	**528**	**4,820**	**(1,202)**	**159**	**630**	**15,551**	**20,486**
Profit for the year	-	-	-	-	-	3,475	3,475
Other comprehensive income for the year	-	-	-	-	410	(1,221)	(811)
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**410**	**2,254**	**2,664**
Dividends paid	-	-	-	-	-	(1,607)	(1,607)
Increase in share-based payment reserve	-	-	-	108	-	-	108
Shares issued under employee share schemes	-	131	155	-	-	-	286
Deferred tax on share-based payment	-		-	-	-	185	185
		-					
At 31 December 2010	**528**	**4,951**	**(1,047)**	**267**	**1,040**	**16,383**	**22,122**

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2010

	2010 £'000	2009 £'000
Operating profit after operating exceptional items	**5,316**	4,385
Adjustments for:		
Depreciation of property, plant and equipment	**772**	666
Amortisation of intangible assets	**357**	293
Contributions to defined benefit pension scheme	**(951)**	(600)
Charge for share-based payments	**108**	13
Exchange loss	**(19)**	(218)

Loss/(profit) on sale of tangible fixed assets	**77**	(5)
Operating cash flows before movements in working capital	**5,660**	4,534
(Increase)/decrease in inventories	**(795)**	1,172
Increase in receivables	**(570)**	(1,133)
Increase in payables	**2,032**	921
Cash generated from operations	**6,327**	5,494
Interest paid	**(160)**	(412)
Income taxes paid	**(1,676)**	(379)
Net cash from operating activities	**4,491**	4,703
Investing activities		
Interest received	**8**	20
Proceeds on disposal of property, plant and equipment	**86**	31
Purchase of property, plant and equipment	**(1,474)**	(588)
Purchase of intangible assets	**-**	(2,173)
Net cash outflow from investing activities	**(1,380)**	(2,710)
Financing activities		
Equity dividends paid	**(1,607)**	(1,458)
New bank loans raised	**-**	1,178
Repayments of bank loans	**(1,047)**	(131)
Shares issued under employee share schemes	**286**	-
Net cash outflow from financing activities	**(2,368)**	(411)
Net increase in cash and cash equivalents	**743**	1,582
Cash and cash equivalents at beginning of year	**5,439**	3,938
Effect of foreign exchange rate changes	**67**	(81)
Cash and cash equivalents at end of year	**6,249**	5,439

NOTES TO THE PRELIMINARY RESULTS

1. This announcement was approved by the Board of Directors on 22 March 2011.

1.1 The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 2010 or 2009, but is derived from those accounts. Statutory accounts for 2009 have been delivered to the Registrar of Companies and those for 2010 will be delivered following the Company's Annual General Meeting. The auditors have reported on those accounts: their reports were unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under Sections 498(2) or (3) of the Companies Act 2006.

1.2 For the year ended 31 December 2010 the Group has prepared its annual report and accounts in accordance with accounting standards adopted for use in the European Union (International Financial Reporting Standards (IFRS)).

These financial statements have been prepared in accordance with the accounting policies stated in the Group's financial statements for the year ended 31 December 2010.

The financial statements have been prepared on the historic basis.

1.3 At 31 December 2010 the Group had a net cash balance of £6.2 million and an unused bank facility with available funding of £4 million. It manufactures approximately half of its products and sources the other half from third party suppliers. The Group sells into a number of different markets worldwide and has a spread of customers within its major UK and US markets. Consequently, the Directors believe that the Group is well placed to manage its business risks successfully despite the continuing uncertain economic outlook.

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

2. Exceptional items

The Directors define reorganisation costs as exceptional. Specifically included under such exceptional items are costs incurred in the early redemption of a bank facility agreement. In the comparative year exceptional items comprised redundancy costs and additional costs incurred due to the relocation of acquired inventory.

The analysis of exceptional items is as follows:

	2010 £'000	2009 £'000
Facility redemption costs	**199**	-
Costs associated with relocation of inventory	**-**	132
Redundancy costs	**-**	75
Operating exceptional items	**199**	207

NOTES TO THE PRELIMINARY RESULTS
Continued

3. Earnings per share

The calculation of basic and diluted earnings per share is based on the following data:

Earnings £	**2010 Weighted Number of**	**Earnings Per Share**	Earnings £	2009 Weighted Number	Earnings Per Share

		Shares	(Pence)		of Shares	(Pence)
Basic earnings per share	**3,475,000**	**9,955,349**	**34.91**	2,453,000	9,919,956	24.73
Effect of dilutive securities: employee share options	**-**	**149,846**	**-**	-	29,132	-
Diluted earnings per share	**3,475,000**	**10,105,195**	**34.39**	2,453,000	9,949,088	24.66

4. Geographical analysis

The following table provides an analysis of the Group's revenue by geographical market, irrespective of the origin of the products:

	2010 £'000	2009 £'000
United Kingdom	**12,615**	13,102
United States	**21,210**	17,252
South Korea	**9,816**	7,205
Rest of the World	**7,602**	5,606
	51,243	43,165

5. Profit before tax reconciliation

	2010 £'000	2009 £'000
Pre-tax profit before exceptional items	**5,448**	3,925
Operating exceptional items (note 2)	**(199)**	(207)
Pre-tax profit after exceptional items	**5,249**	3,718

6. Dividends

The Directors recommend that a final dividend for 2010 of 13.50p (2009: 12.25p) per Ordinary share be paid, subject to shareholders' approval, on 25 May 2011 to shareholders on the register on 26 April 2011. The total dividend paid and proposed for the year is 17.40p (2009: 15.80p) per share.

7. Finance costs

	2010 £'000	2009 £'000
Interest paid	**172**	412
Defined benefit pension scheme - other finance costs	**10**	269
	182	681

8. Reconciliation of earnings before exceptional items, interest, tax, depreciation and amortisation

	2010 £'000	2009 £'000
Operating profit before exceptional items	**5,515**	4,592
Add back:		
Depreciation	**772**	666
Amortisation	**357**	293
Earnings before exceptional items, interest, tax, depreciation and amortisation	**6,644**	5,551

The accounts for the year ended 31 December 2010 will be posted to shareholders on or before 13 April 2011 and laid before the Company at the Annual General Meeting on 18 May 2011. Copies will be available from the Company Secretary at Portmeirion Group PLC, London Road, Stoke-on-Trent, Staffs., ST4 7QQ, or from the website, www.portmeiriongroup.com following posting to shareholders.