Company Portmeirion Group PLC
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Portmeirion Group PLC
22 March 2012

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

Preliminary results for the year ended 31 December 2011

Financial summary

	2011	2010	Increase
	£m	£m	%
Revenue	**53.6**	51.2	4.6
Pre-tax profit before exceptional items	**6.3**	5.4	16.2
Pre-tax profit after exceptional items	**6.3**	5.2	20.6
Pre-exceptional EBITDA	**7.4**	6.6	11.6
Basic earnings per share	**43.94p**	34.91p	25.9
Dividends paid and proposed per share in respect of the year	**19.60p**	17.40p	12.6

Highlights:

Financial

- Record revenues of £53.6 million, an increase of 5% on the previous year (2010: £51.2 million)
- Profit before exceptional items and tax increased 16% to £6.3 million (2010: £5.4 million)
- Profit before tax increased 21% to £6.3 million (2010: £5.2 million)
- Record pre-exceptional EBITDA of £7.4 million (2010: £6.6 million)
- Total dividend paid and proposed for 2011 increased by 13% to a record 19.60p (2010: 17.40p)
- Balance sheet remains very strong: cash balance up to £6.8 million (2010: £6.2 million)

Operational

- Production volumes up by 18% on the prior year
- Revenue growth across all major markets
- Launched over 350 new products in 2012 including Sanderson for Portmeirion, Christmas Wish, Vintage Kellogg's and a Diamond Jubilee collection
- 40th Anniversary of Portmeirion Botanic Garden pattern in 2012

Dick Steele, Non-executive Chairman commented:

"Portmeirion is in fine condition. Our brands are stronger and more valuable and our product ranges are deeper and wider than at any time in our fifty two year history. We remain confident for the future."

ENQUIRIES:

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Portmeirion Group PLC
Business Review

2011 was another excellent year for Portmeirion Group. For the third successive year we have grown our revenues to record levels, and our earnings and dividends are at all time highs. Our brands are stronger and more valuable and our product ranges are deeper and wider than at any time in our fifty two year history. We have a healthy cash balance. Portmeirion is in fine condition.

Dividend

The Board is recommending a final dividend of 15.70 pence per share, bringing the total paid and proposed for the year to 19.60 pence per share, an increase of 12.6% over the amount paid in respect of 2010. The dividend will be paid, subject to shareholder approval, on 23 May 2012 to shareholders on the register on 27 April 2012.

The full year dividends, paid and proposed, are covered 2.2 times by earnings (2010: 2.0 times). The Board continues to consider that such a level of cover is sustainable.

For the last six years - 2006 to 2011 - we have increased the total dividends paid by an average of 6.7% per annum compound. Our dividend is now 48% higher than it was in 2005.

The Board operates a progressive dividend policy, by which we mean maintaining a sustainable level of dividend cover and trying to increase the dividend unless our views of future trading conditions or cash requirements for the business dictate otherwise. We are in business to pay dividends over the long term.

Results for the year

Revenues were £53.6 million for the year, an increase of 4.6% over 2010; this percentage increase would have been higher but for the translation effect of our US dollar denominated sales which decreased the percentage from 6.5% to the reported 4.6%. All our main markets showed increases in revenue, with South Korea growing by 9.3%, UK by 9.6% and USA growing by 4.5% in local currency but by 0.7% in translated sterling figures.

The pre-exceptional profit before tax was £6.3 million, an increase of 16.2% over the previous year (2010: £5.4 million) and pre-exceptional EBITDA was £7.4 million, an increase of 11.6% over the previous year (2010: £6.6 million).

Profitability growth outpaced revenue growth during the year under review because of the geared effect of higher volumes on a largely fixed cost base. The volume of product from our own production increased by some 18% during the year as we continued to drive further volume and efficiency gains out of our Stoke-on-Trent factory.

We depend on the quality and the image of our brands in general and our products in the detail. We have continued to invest heavily in product development and in marketing; these costs today are for benefit in the future.

Our largest market remains the United States with 40% of our revenues (2010: 41%). We maintain a showroom and a warehouse in the United States employing some 40 people in total. We are headquartered in the United Kingdom in Stoke-on-Trent, where we have a production facility and a warehouse; the United Kingdom is our second largest market and accounts for 26% of our revenues (2010: 25%). Our third largest market is South Korea where we operate with a distribution partner, this represented 20% of our revenues in 2011 (2010: 19%). The Rest of the World is important to us accounting for 14% of our revenues (2010: 15%); we have had some pleasing successes in these other markets in 2011 which hopefully will provide bases from which to expand in the future. Our market share does not exceed 10% in any of our major geographic markets.

Balance Sheet

We finished the year with cash balances of £6.8 million (2010: £ 6.2 million) despite investing a further £2.8 million into new stock – principally in the US – to back new product launches in 2012.

Year end stock balances were £12.5 million, which were £2.8 million above the 31 December 2010 figure. We have nine new patterns launching in the first half of 2012 and it is important to have the stock to support these launches.

498,218 of our shares are held in Treasury; these were purchased at an average price of £1.87 each and we plan to use them to satisfy share options.

Our pension scheme deficit, from the defined benefit pension scheme which we closed both to new entrants and for future accruals in 1999, is now £4.9 million (2010: £4.3 million) despite a cash contribution by the Group of £1.1 million during the year. The increase in this liability has arisen because we have reduced the discount rate which we use to discount future liabilities in line with bond yield movements as required by accounting standards. This old defined benefit scheme continues to drain some £1 million plus per annum from the Group for no future shareholder benefit. Because of accounting rules the effect on reported profits is minimal, the effect is on our cash balances and net asset position through reserves. We continue to stand behind our obligations to our pension scheme members.

Products

Our focus remains on being a customer attentive, design led business. In 2012 we have already introduced over 350 new lines, and in 2011 we introduced over 500 new lines. Our biggest selling pattern is Portmeirion Botanic Garden which was launched forty years ago this year. Spode Blue Italian is our oldest pattern, which was launched in 1816. Our second biggest selling pattern is Spode Christmas Tree which was launched seventy four years ago, and our third biggest selling pattern is Sophie Conran for Portmeirion which was launched in 2006.

When product development is combined with customer attentiveness and continual enhancement, then long term value is created with a sales stream reaching many years ahead; this is the essence of brand values.

A list of our current patterns can be found at www.portmeirion.com, www.royalworcester.com and www.spode.com. These websites list our worldwide stockists and also allow for online purchasing.

Production

Our strategy of seeking products from the most appropriate sources continues to bear fruit; it also provides safeguards in that we can spread our sourcing risks. Our Stoke-on-Trent factory has never been busier and we are continuing to find ways of increasing our volume throughput. Our sourcing functions deal with top quality manufacturers, mainly in the Far East. It is important to remember that some of the countries we purchase from have a ceramic history even more illustrious than that of Stoke-on-Trent. Our reputation is in our backstamps, whether we manufacture or source the product.

Distribution

Our two main warehouses are in Stoke-on-Trent and Connecticut; they are both well established and provide an efficient distribution service to our customers. We have now reached agreement with a Chinese partner for them to build and maintain a dedicated warehouse for us in China which will allow for more cost effective deliveries to our Asia/Pacific region customers.

Sales and Marketing

Sales and marketing are two way processes which sit between the customer and the product design teams; they are usually country specific and often customer specific within the country.

We trade in over sixty countries worldwide, through our own people in the UK and the USA, through a joint venture in Canada and through carefully selected and supported distributors and agents in other countries. We are enjoying some success in developing countries which have previously only been small markets for us, but remain alert to the overwhelming importance of USA, UK, South Korea and Canada in our sales efforts. It is a well tried and proven business model which builds on a large domestic market to provide the basis for exporting to other markets, and in 2011 we were honoured to receive The Queen’s Award for Enterprise in the category of International Trade, recognising the growth that we have achieved in our overseas sales. Some 74% of our revenues are now generated from overseas.

Our prizewinning presence at the Ambiente Trade Show in February 2012 was larger than in previous years. Export markets remain central to our future growth.

People

The average number of people we employ increased from 532 in 2010 to 579 in 2011, an increase of 8.8%. The average sales per employee in 2011 fell to £92,591 from £96,321 in 2010 but with a higher value added per employee.

All employees, excluding the Non–executive Directors, participate in annual incentive schemes. Maximum payouts were awarded for 2011 to all staff except Executive Directors. Whilst 2011 was a record year of revenues and dividends for Portmeirion the overall performance fell short of our demanding expectations and so Executive Directors only received some two thirds of their maximum incentive scheme awards.

Health and safety remain high on our agenda. Employee welfare is important to us.

All three Non-executive Directors are seeking annual re-election, thus giving shareholders a regular opportunity to express their views on the governance of the Company.

Risks

Our annual report and accounts will list the principal risks which we consider the business is subject to. We keep these risks under continuous review; four merit a little more discussion here.

Our currency risks are broadly matched in that our US dollar receivables equate to our US dollar payables, and our other currency risks are covered by forward contracts where material.

We do have a heavy dependency on our own UK production, and on outsourced Far East production. Whilst this means that we are not dependant upon any one area, it also means that we are exposed to more than one.

Energy costs are a major cost input for us, whether on our own production or on products sourced from other suppliers. We will continue to push ourselves to the forefront of energy efficiency in production.

Our closed defined benefit pension scheme is discussed above; we remain exposed in this area although we have undertaken as much mitigation as possible.

Corporate Governance

The Board recognises the importance of good standards of corporate governance and continually seeks to improve our practices for the benefit of shareholders where it is felt appropriate. As an AIM listed company it is important that we continue to be flexible yet achieve efficient and effective governance relative to our size, markets and business structure.

Outlook

While we have experienced a slower start in 2012 than we enjoyed in 2011, this was expected and our confidence remains for the full year. Europe, and in particular Italy which is our fifth largest market, is slow. Set against this, we remain confident in our larger markets and excited by the Diamond Jubilee which we are hopeful will provide significantly higher levels of business compared to those which we enjoyed for the Royal Wedding in 2011.

We are a widely based home goods business. Our ranges run from our heritage products through to contemporary ware, licensed products, fine dining, casual dining, giftware, glassware, placemats and accessories. Our price points run from £2.50 to over £9,000, our markets are widespread and our sourcing diversified.

We remain confident for the future and resolute as to our strategy of attentive design, assured quality, products sold with professionalism and brands which are nurtured against a commercial backdrop of conservative financing. We continue to consider acquisition opportunities against our demanding criteria of business fit and price.

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

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2011

	Notes	2011 £'000	2010 £'000
Revenue	4	53,610	51,243
Operating costs		(47,326)	(45,728)
Operating profit before exceptional items		6,284	5,515
Operating exceptional items	2	-	(199)
Operating profit after operating exceptional items		6,284	5,316
Investment revenue		42	8
Finance costs	7	(65)	(182)
Share of profit of associated undertakings		69	107
Profit before tax		6,330	5,249
Tax		(1,861)	(1,774)
Profit for the year attributable to equity holders		4,469	3,475
Earnings per share	3	43.94p	34.91p
Diluted earnings per share	3	43.12p	34.39p
Dividends paid and proposed per share	6	19.60p	17.40p

All the above figures relate to continuing operations.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2011

	2011 £'000	2010 £'000
Profit for the year	**4,469**	3,475
Exchange differences on translation of foreign operations	**81**	253
Actuarial loss on defined benefit pension scheme	**(1,642)**	(1,606)
Deferred tax on other comprehensive income	**281**	542
Other comprehensive income for the year	**(1,280)**	(811)
Total comprehensive income for the year attributable to equity holders	**3,189**	2,664

CONSOLIDATED BALANCE SHEET
31 December 2011

	2011 £'000	2010 £'000
Non-current assets		
Intangible assets	**1,819**	2,038
Property, plant and equipment	**5,975**	6,159
Interests in associates	**1,534**	1,472
Deferred tax asset	**861**	710
Total non-current assets	**10,189**	10,379
Current assets		
Inventories	**12,470**	9,655
Trade and other receivables	**7,515**	7,702
Cash and cash equivalents	**6,777**	6,249
Total current assets	**26,762**	23,606
Total assets	**36,951**	33,985
Current liabilities		
Trade and other payables	**(6,822)**	(7,204)
Current income tax liabilities	**(825)**	(300)
Total current liabilities	**(7,647)**	(7,504)
Non-current liabilities		
Pension scheme deficit	**(4,868)**	(4,302)
Grant received	**(39)**	(57)
Total non-current liabilities	**(4,907)**	(4,359)
Total liabilities	**(12,554)**	(11,863)
Net assets	**24,397**	22,122
Equity		
Called up share capital	**536**	528
Share premium account	**5,542**	4,951
Treasury shares	**(931)**	(1,047)
Share-based payment reserve	**429**	267
Translation reserve	**1,122**	1,040
Retained earnings	**17,699**	16,383
Total equity	**24,397**	22,122

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2011

	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 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 1 January 2011	**528**	**4,951**	**(1,047)**	**267**	**1,040**	**16,383**	**22,122**
Profit for the year	-	-	-	-	-	4,469	4,469
Other comprehensive income for the year	-	-	-	-	82	(1,362)	(1,280)
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**82**	**3,107**	**3,189**
Dividends paid	-	-	-	-	-	(1,780)	(1,780)
Increase in share-based payment reserve	-	-	-	162	-	-	162
Shares issued under employee share schemes	8	591	116	-	-	-	715
Deferred tax on share-based payment	-	-	-	-	-	(11)	(11)
At 31 December 2011	**536**	**5,542**	**(931)**	**429**	**1,122**	**17,699**	**24,397**

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2011

	2011 £'000	2010 £'000
Operating profit after operating exceptional items	**6,284**	5,316
Adjustments for:		
Depreciation of property, plant and equipment	**784**	772
Amortisation of intangible assets	**346**	357
Contributions to defined benefit pension scheme	**(1,054)**	(951)
Charge for share-based payments	**162**	108
Exchange loss	**(10)**	(19)
Loss on sale of tangible fixed assets	**1**	77
Operating cash flows before movements in working capital	**6,513**	5,660
Increase in inventories	**(2,729)**	(795)
Decrease/(increase) in receivables	**202**	(570)
(Decrease)/increase in payables	**(410)**	2,032
Cash generated from operations	**3,576**	6,327
Interest paid	**(59)**	(160)
Income taxes paid	**(1,217)**	(1,676)
Net cash from operating activities	**2,300**	4,491
Investing activities		
Interest received	**20**	8
Proceeds on disposal of property, plant and equipment	**1**	86
Purchase of property, plant and equipment	**(597)**	(1,474)
Purchase of intangible assets	**(127)**	-
Net cash outflow from investing activities	**(703)**	(1,380)
Financing activities		
Equity dividends paid	**(1,780)**	(1,607)
Repayments of bank loans	**-**	(1,047)
Shares issued under employee share schemes	**715**	286
Net cash outflow from financing activities	**(1,065)**	(2,368)
Net increase in cash and cash equivalents	**532**	743
Cash and cash equivalents at beginning of year	**6,249**	5,439
Effect of foreign exchange rate changes	**(4)**	67
Cash and cash equivalents at end of year	**6,777**	6,249

NOTES TO THE PRELIMINARY RESULTS

1. This announcement was approved by the Board of Directors on 21 March 2012.

1.1 The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 2011 or 2010, but is derived from those accounts. Statutory accounts for 2010 have been delivered to the Registrar of Companies and those for 2011 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 2011 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)).

This financial information has been prepared in accordance with the accounting policies stated in the Group's financial statements for the year ended 31 December 2011.

The financial statements have been prepared on the historical cost basis.

1.3 At 31 December 2011 the Group had a cash balance of £6.8 million and an unused bank facility with available funding of £4 million. It manufactures approximately 45% of its products and sources the remainder 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 in the comparative year are costs incurred in the early redemption of a bank facility agreement.

The analysis of exceptional items is as follows:

	2011 **£'000**	2010 £'000
Facility redemption costs	**-**	199
Operating exceptional items	**-**	199

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 £	**2011 Weighted average number of shares**	**Earnings per share (pence)**	Earnings £	2010 Weighted average number of shares	Earnings per share (pence)
Basic earnings per share	**4,469,000**	**10,170,222**	**43.94**	3,475,000	9,955,349	34.91
Effect of dilutive securities: employee share options	**-**	**192,786**	**-**	-	149,846	-
Diluted earnings per share	**4,469,000**	**10,363,008**	**43.12**	3,475,000	10,105,195	34.39

4. Geographical analysis

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

	2011 £'000	2010 £'000
United Kingdom	**13,825**	12,615
United States	**21,351**	21,210
South Korea	**10,729**	9,816
Rest of the World	**7,705**	7,602
	53,610	51,243

5. Profit before tax reconciliation

	2011 £'000	2010 £'000
Pre-tax profit before exceptional items	**6,330**	5,448
Operating exceptional items (note 2)	**-**	(199)
Pre-tax profit after exceptional items	**6,330**	5,249

6. Dividends

The Directors recommend that a final dividend for 2011 of 15.70p (2010: 13.50p) per ordinary share be paid, subject to shareholders' approval, on 23 May 2012 to shareholders on the register on 27 April 2012. The total dividend paid and proposed for the year is 19.60p (2010: 17.40p) per share.

NOTES TO THE PRELIMINARY RESULTS
Continued

7. Finance costs

	2011	2010
	£'000	£'000
Interest paid	**37**	172
Losses on financial derivatives	**28**	-
Defined benefit pension scheme – other finance costs	**-**	10
	65	182

8. Reconciliation of earnings before exceptional items, interest, tax, depreciation and amortisation (Pre-exceptional EBITDA)

	2011	2010
	£'000	£'000
Operating profit before exceptional items	**6,284**	5,515
Add back:		
Depreciation	**784**	772
Amortisation	**346**	357
Earnings before exceptional items, interest, tax, depreciation and amortisation	**7,414**	6,644

The accounts for the year ended 31 December 2011 will be posted to shareholders on or before 11 April 2012 and laid before the Company at the Annual General Meeting on 16 May 2012. 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.