

RNS Number : 9852I  
Portmeirion Group PLC  
23 March 2010

**Portmeirion Group PLC ('Portmeirion' or 'the Group')**  
**Preliminary results for the year ended 31 December 2009**

**Financial summary**

	<b>2009</b>	<b>2008</b>	Increase
	<b>£m</b>	<b>£m</b>	<b>%</b>
<b>Revenue</b>	<b>43.2</b>	<b>31.8</b>	<b>36</b>
<b>Pre-tax profit before exceptional items</b>	<b>3.9</b>	<b>1.4</b>	<b>179</b>
<b>Pre-tax profit after exceptional items</b>	<b>3.7</b>	<b>1.1</b>	<b>236</b>
<b>Pre-exceptional EBITDA</b>	<b>5.6</b>	<b>2.5</b>	<b>124</b>
<b>Basic earnings per share</b>	<b>24.73p</b>	<b>5.81p</b>	<b>326</b>
<b>Dividends paid and proposed per share in respect of the year</b>	<b>15.80p</b>	<b>14.70p</b>	<b>7</b>

**Highlights:**

**Financial**

- Total paid and proposed dividend for the year increased to 15.80p (2008 - 14.70p)
- Revenue increased by 36% to £43.2 million (2008 - £31.8 million)
- Profit before exceptional items and tax of £3.9 million (2008 - £1.4 million)
- Profit before taxation of £3.7 million (2008 - £1.1 million)
- Balance sheet remains very strong: net cash balance up to £4.4 million (2008 - £3.9 million)

**Operational**

- Highly successful acquisition: the new Spode and Royal Worcester patterns account for 20% of sales
- Manufacture of some Spode product has been brought back to the UK
- Increased total workforce by 9% set against a 36% revenue increase
- The carbon footprint of Portmeirion is now 47% lower than it was ten years ago



**Dick Steele, Non-executive Chairman commented:**

"We are extremely pleased with these results, which prove the resilience of the Portmeirion brand in tough times. The acquisition we made in April last year has transformed the prospects of the Group and added £1.5 million in revenue over and above the £7 million we said it would. The potential of the Spode and Royal Worcester brands is huge and we are especially delighted to be able to produce Blue Italian, which has been in existence for two centuries, again in the UK.

In the coming year we will continue to develop the brands with the emphasis on design and quality in order to generate long term sales increases. We will continue to drive sales, return on sales and dividend payments.

While not necessarily an indication of full year performance, revenues for the first two months of the current year have shown a 40% increase over the corresponding period last year."

**ENQUIRIES:**

**Portmeirion Group PLC:**

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# Portmeirion Group PLC

## Business Review

2009 was a year of significant change for Portmeirion. On 23 April we acquired the rights to the Spode and Royal Worcester names and patterns for £2.2 million: this acquisition has transformed the prospects for the Group. Within hours of acquiring these hugely valuable brands we had secured large orders from major American customers, these orders were sourced, manufactured and delivered in a timely fashion. Our press announcement on the acquisition stated that we expected to achieve revenues of £7 million from Spode and Royal Worcester in 2009 and £12 million in 2010, we actually achieved revenues of £8.5 million in 2009. We expect the Spode and Royal Worcester brands to generate revenue increases for years to come.

### Dividend

The Board is recommending a final dividend of 12.25p bringing the total paid and proposed for the year to 15.80p, 7.5% higher than 2008. The dividend will be paid, subject to shareholders' approval, on 26 May 2010 to shareholders on the register on 30 April 2010. Dividends paid and proposed are covered 1.57 times by earnings, the Board considers that this is an acceptable level in the current economic climate.

### Results for the year

We are extremely pleased with the financial results. Revenues have increased by 36% to £43.2 million (2008: £31.8 million); this is the highest revenue figure ever reported by Portmeirion. To understand this increase it is necessary to break out the separate effects of Spode and Royal Worcester, the dollar/sterling exchange rates (as our US sales are transacted in dollars and converted to sterling for reporting purposes) and real volume changes:

Percentage effect of Spode and Royal Worcester sales	27%
Volume changes in US sales in dollars	-7%
Change in dollar/sterling rates	5%
Volume change in UK sales	6%
Volume change in Korean sales	6%
Volume change elsewhere	-1%
<b>Reported sales increase</b>	<b>36%</b>

The pre-exceptional profit before tax was £3.9 million (2008: £1.4 million) and pre-exceptional EBITDA was £5.6 million (2008: £2.5 million). Profit before tax was £3.7 million (2008: £ 1.1 million).

The biggest affect on profitability in 2009 was the incremental profit achieved from the extra Spode and Royal Worcester revenue on a largely fixed cost base. The number of people employed at Portmeirion increased by 9% to 511 during the year, set against a 36% revenue increase. Sales per employee increased from £64,190 in 2008 to £88,634 in 2009. Our UK factory volumes were increased by our return to UK production of the Spode Blue Italian and Woodland patterns.

Cash generation was strong. We established significant new working capital banking facilities to support the acquisition and trading of Spode and Royal Worcester, in the event these were not heavily used. The net cash generated from operating activities was £4.7 million (2008: £2.7 million), this was helped by a reduction in stock levels of £1.2 million (after taking exchange rate movements into account).

Our balance sheet now includes a significant intangibles figure of £2.4 million (2008: £0.5 million), most of which is the cost of acquiring the intellectual property of Spode and Royal Worcester. This is being amortised over 10 years.

The pension scheme deficit is £3.6 million under IAS19 *Employee Benefits*, a 14% decrease from 2008. We made cash contributions of £0.6 million (2008: £0.3 million) to the defined benefit scheme which has been closed for ten years. These contributions are of no trading benefit to shareholders; in effect they are payments against under accruals and unfair tax changes in previous years. Our contributions for 2010 and beyond are planned to increase to £0.8 million.

Our five largest markets account for 92% of our revenues (2008: 91%), USA 40% (2008: 34%), UK 30% (2008: 32%), South Korea 17% (2008: 17%), Canada 4% (2008: 6%) and Italy 1% (2008: 2%). The spread of sales of Spode and Royal Worcester patterns is not dissimilar to that already enjoyed by Portmeirion and Pimpernel.

We continue to strive for broad equivalence between US dollar payables and US dollar receivables, so we have a natural hedge in what would otherwise be a major business risk. We also have a small exposure to Euro and Canadian dollar receipts.

#### Products

Botanic Garden continues to dominate our sales at 40% (2008: 53%) of revenues, and Sophie Conran provides 10% (2008: 11%), Pimpernel was 6% (2008: 6%). The addition of the Spode and Royal Worcester patterns to our ranges part way through 2009 has diversified our product offering, with Christmas Tree, Blue Italian and other patterns providing 20% of sales for the year. In 2010 we expect the contribution of sales from these Spode patterns, plus Baking Days and Woodland, to increase.

We have continued to develop our existing Portmeirion ranges with new products in Botanic Garden, Sophie Conran and The Very Hungry Caterpillar. In addition, Pimpernel has benefited from the add on volume generated from Spode and Royal Worcester designs.

The Spode and Royal Worcester patterns will provide us with development opportunities for many years to come. Apart from established patterns (and some, such as Blue Italian have been established for nearly two centuries ) we have also developed wonderful new contemporary patterns such as Portmeirion Liquid and Spode A-Symmetry.

Details of our current patterns can be found at [www.portmeiriongroup.com](http://www.portmeiriongroup.com), where current products can be viewed. Spode and Portmeirion products can be purchased from [www.spode.com](http://www.spode.com) and [www.portmeirion.com](http://www.portmeirion.com).

#### Sourcing

We obtain our products from the most appropriate sources for the item. In Stoke-on-Trent we have a factory with a worldwide reputation for producing high quality earthenware, it was therefore appropriate to bring back Blue Italian and Woodland production from overseas where the previous owners of Spode had sourced it. Our factory has gained from this increased production and this is evident in our profits. The quality of our Stoke production is excellent. We do not produce porcelain or bone china in our Stoke factory, so products such as Sophie Conran, made in porcelain, and Stafford Flowers, made in bone china, are sourced in the Far East.

The acquisition of the Spode and Royal Worcester brands presented us with urgent problems of supply as we needed product to fulfil mostly seasonal orders from the USA for 2009. The Portmeirion Group team rose brilliantly to the occasion and product was specified, designed, raw materials sourced and planned into production to timetable. The product which we had manufactured overseas presented us with equally difficult challenges.

Manufacturing improvements continued in 2009. The energy usage initiatives from 2007 and 2008 provided full year benefits to us in 2009. The carbon footprint of Portmeirion is now some 47% lower than it was ten years ago.

#### People

The Portmeirion Group team responded magnificently to the acquisition of the Spode and Royal Worcester brands; production, sourcing, warehousing, design, marketing, sales and all

the administrative departments on both sides of the Atlantic combined together to ensure a very successful acquisition.

We created 43 new jobs in 2009, bringing our year end headcount to 511, 479 in the UK and 32 in the USA.

All employees participate in annual incentive schemes, and these schemes paid out maximum awards in 2009. These awards were well earned.





## Outlook

The acquisition of the Spode and Royal Worcester brands has shifted our horizons. We now have more valuable patterns to trade and an archive which goes back centuries. Our future is filled with possibilities.

Whilst not necessarily an indication of full year performance, revenues for the first two months of 2010 are 40% above the corresponding period of last year.

Richard Steele Lawrence Bryan

Non-executive Chairman Chief Executive



CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2009

	Notes	2009 £'000	2008 £'000
<b>Revenue</b>	<b>4</b>	<b>43,165</b>	<b>31,838</b>
<b>Operating costs</b>		<b>(38,573)</b>	<b>(30,311)</b>
Operating profit before exceptional items		4,592	1,527
<b>Operating exceptional items</b>	<b>2</b>	<b>(207)</b>	<b>(178)</b>
Operating profit after operating exceptional items		4,385	1,349
<b>Investment revenue</b>		<b>7</b>	<b>53</b>
<b>Finance costs</b>	<b>7</b>	<b>(681)</b>	<b>(176)</b>
<b>Share of profit of associated undertakings</b>		<b>7</b>	<b>4</b>
<b>Non-operating exceptional item</b>	<b>2</b>	<b>-</b>	<b>(140)</b>
Profit before tax		3,718	1,090
<b>Tax</b>		<b>(1,265)</b>	<b>(515)</b>
<b>Profit for the year attributable to equity holders of the parent</b>		<b>2,453</b>	<b>575</b>
<b>Earnings per share</b>	<b>3</b>	<b>24.73p</b>	<b>5.81p</b>
<b>Diluted earnings per share</b>	<b>3</b>	<b>24.66p</b>	<b>5.80p</b>
<b>Dividends paid and proposed per share</b>	<b>6</b>	<b>15.80p</b>	<b>14.70p</b>

All the above figures relate to continuing operations.



**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME****For the year ended 31 December 2009**

	2009	2008
	£'000	£'000
<b>Profit for the year</b>	<b>2,453</b>	<b>575</b>
Exchange differences on translation of foreign operations	(773)	1,860
<b>Actuarial gain/(loss) on defined benefit pension scheme</b>	<b>254</b>	<b>(1,913)</b>
<b>Deferred tax on pension scheme deficit movement</b>	<b>(71)</b>	<b>536</b>
Other comprehensive income for the year	(590)	483
<b>Total comprehensive income for the year attributable to equity holders of the parent</b>	<b>1,863</b>	<b>1,058</b>



CONSOLIDATED BALANCE SHEET

As at 31 December 2009

	2009	2008
	£'000	£'000
<b>Non-current assets</b>		
Intangible assets	2,395	515
Property, plant and equipment	5,611	5,762
Interests in associates	1,327	1,297
Deferred tax asset	289	467
<b>Total non-current assets</b>	<b>9,622</b>	<b>8,041</b>
<b>Current assets</b>		
Inventories	8,784	10,266
Trade and other receivables	7,035	6,195
Cash and cash equivalents	5,439	3,938
Current income tax asset	-	252
<b>Total current assets</b>	<b>21,258</b>	<b>20,651</b>
<b>Total assets</b>	<b>30,880</b>	<b>28,692</b>
<b>Current liabilities</b>		
Trade and other payables	(5,128)	(4,316)
Current income tax liabilities	(508)	-
Borrowings	(284)	-
Derivative financial instruments	-	(2)
<b>Total current liabilities</b>	<b>(5,920)</b>	<b>(4,318)</b>
<b>Non-current liabilities</b>		
Pension scheme deficit	(3,637)	(4,222)
Borrowings	(763)	-
Grant received	(74)	(104)
<b>Total non-current liabilities</b>	<b>(4,474)</b>	<b>(4,326)</b>
<b>Total liabilities</b>	<b>(10,394)</b>	<b>(8,644)</b>
<b>Net assets</b>	<b>20,486</b>	<b>20,048</b>
<b>Equity</b>		
Called up share capital	528	528
Share premium account	4,820	4,820
Treasury shares	(1,202)	(1,202)
Share-based payment reserve	159	146
Translation reserve	630	1,403
Retained earnings	15,551	14,353
<b>Total equity</b>	<b>20,486</b>	<b>20,048</b>





CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009

	Share		Share-based			Retained earnings	Total
	Share Capital	premium account	Treasury shares	payment reserve	Translation reserve		
	£'000	£'000	£'000	£'000	£'000		
As at 1 January 2008	528	4,820	(1,266)	91	(457)	16,864	20,580
Profit for the year	-	-	-	-	-	575	575
Other comprehensive income for the year	-	-	-	-	1,860	(1,377)	483
<b>Total comprehensive income for the year</b>	-	-	-	-	<b>1,860</b>	<b>(802)</b>	<b>1,058</b>
Dividends paid	-	-	-	-	-	(1,456)	(1,456)
Increase in share-based payment reserve	-	-	-	55	-	-	55
Shares issued under employee share schemes	-	-	64	-	-	(7)	57
Deferred tax on share-based payment	-	-	-	-	-	(52)	(52)
Purchase of equity interest	-	-	-	-	-	(194)	(194)
<b>As at 1 January 2009</b>	<b>528</b>	<b>4,820</b>	<b>(1,202)</b>	<b>146</b>	<b>1,403</b>	<b>14,353</b>	<b>20,048</b>
Profit for the year	-	-	-	-	-	2,453	2,453
Other comprehensive income for the year	-	-	-	-	(773)	183	(590)
<b>Total comprehensive income for the year</b>	-	-	-	-	<b>(773)</b>	<b>2,636</b>	<b>1,863</b>
Dividends paid	-	-	-	-	-	(1,458)	(1,458)
Increase in share-based payment reserve	-	-	-	13	-	-	13
Deferred tax on share-based payment	-	-	-	-	-	20	20
<b>As at 31 December 2009</b>	<b>528</b>	<b>4,820</b>	<b>(1,202)</b>	<b>159</b>	<b>630</b>	<b>15,551</b>	<b>20,486</b>



CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2009

	2009	2008
	£'000	£'000
<b>Operating profit after operating exceptional items</b>	<b>4,385</b>	1,349
<b>Adjustments for:</b>		
Depreciation	666	843
Amortisation of intangible fixed assets	293	179
Contributions to defined benefit pension scheme	(600)	(348)
Charge for share-based payments	13	55
Exchange (loss)/gain	(218)	422
Profit on sale of tangible fixed assets	(5)	(93)
Grant received	-	104
<b>Operating cash flows before movements in working capital</b>	<b>4,534</b>	2,511
Decrease in inventories	1,172	77
(Increase)/decrease in receivables	(1,133)	1,073
Increase/(decrease) in payables	921	(507)
<b>Cash generated from operations</b>	<b>5,494</b>	3,154
Interest paid	(412)	(15)
Income taxes paid	(379)	(472)
<b>Net cash from operating activities</b>	<b>4,703</b>	2,667
<b>Investing activities</b>		
Interest received	20	58
Proceeds on disposal of property, plant and equipment	31	775
Purchase of property, plant and equipment	(588)	(707)
Purchase of intangible fixed assets	(2,173)	(63)
Purchase of equity interest	-	(194)
<b>Net cash outflow from investing activities</b>	<b>(2,710)</b>	(131)
<b>Financing activities</b>		
Equity dividends paid	(1,458)	(1,456)
New bank loans raised	1,178	-
Repayments of bank loans	(131)	-
Shares issued under employee share schemes	-	57
<b>Net cash outflow from financing activities</b>	<b>(411)</b>	(1,399)
<b>Net increase in cash and cash equivalents</b>	<b>1,582</b>	1,137
Cash and cash equivalents at beginning of year	3,938	2,708
Effect of foreign exchange rate changes	(81)	93
<b>Cash and cash equivalents at end of year</b>	<b>5,439</b>	3,938



## NOTES TO THE PRELIMINARY RESULTS

1. This announcement was approved by the Board of Directors on 22 March 2010.

**1.1** The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 2009 or 2008, but is derived from those accounts. Statutory accounts for 2008 have been delivered to the Registrar of Companies and those for 2009 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 237(2) or (3) of the Companies Act 1985 in respect of the accounts for the year ended 31 December 2008, nor a statement under Sections 498(2) or (3) of the Companies Act 2006 in respect of the accounts for the year ended 31 December 2009.

**1.2** For the year ended 31 December 2009 the Group prepared its annual consolidated financial statements 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 2009.

The financial statements have been prepared on the historic basis, except that derivative financial instruments are stated at their fair value.

**1.3** The Group ended 2009 with a net cash balance of £4.4 million and a bank facility with available funding of over £3 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 costs are profit or loss on the sale of land and buildings, additional costs incurred due to the relocation of acquired inventory, additional labour costs incurred in moving and setting up a warehouse and redundancy. Non-operating exceptional items are impairments of investments in associated undertakings.

The analysis of exceptional items is as follows:

	2009	2008
	£'000	£'000
Profit on sale of freehold land & buildings	-	92
Costs associated with relocation of inventory	(132)	-
Redundancy costs	(75)	(197)
Costs associated with implementation of a warehouse	-	(73)
Operating exceptional items	(207)	(178)
Impairment of investment in associated undertaking	-	(140)
Non-operating exceptional item	-	(140)



NOTES TO THE PRELIMINARY RESULTS

Continued

3. Earnings per share

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

	2009			2008		
	Earnings £	Weighted Number of Shares	Earnings Per Share (Pence)	Earnings £	Weighted Number of Shares	Earnings Per Share (Pence)
Basic earnings per share	2,453,000	9,919,956	24.73	575,000	9,905,002	5.81
Effect of dilutive securities: employee share options	-	29,132	-	-	17,214	-
earnings per share	<b>2,453,000</b>	<b>9,949,088</b>	<b>24.66</b>	575,000	9,922,216	5.80

4. Geographical analysis

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

	2009 £'000	2008 £'000
United Kingdom	13,102	10,259
United States	17,252	10,858
South Korea	7,205	5,400
Rest of the World	5,606	5,321
	<b>43,165</b>	<b>31,838</b>

5. Profit before tax reconciliation

	2009 £'000	2008 £'000
Pre-tax profit before exceptional items	3,925	1,408
Operating exceptional items (note 2)	(207)	(178)
Non-operating exceptional items (note 2)	-	(140)
Pre-tax profit after exceptional items	<b>3,718</b>	<b>1,090</b>

6. Dividends

The Directors recommend that a final dividend of 12.25p (2008 - 11.15p) per Ordinary share be paid, subject to shareholders' approval, on 26 May 2010 to shareholders on the register on 30 April 2010. The total dividend paid and proposed for the year is 15.80p (2008 - 14.70p) per share.





NOTES TO THE PRELIMINARY RESULTS

Continued

7. Finance costs

	2009	2008
	£'000	£'000
<b>Interest paid</b>	<b>412</b>	15
<b>Loss on financial derivatives</b>	<b>-</b>	2
<b>Defined benefit pension scheme - other finance costs</b>	<b>269</b>	159
	<b>681</b>	176

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

	2009	2008
	£'000	£'000
<b>Operating profit before exceptional items</b>	<b>4,592</b>	1,527
<b>Add back:</b>		
<b>Depreciation</b>	<b>666</b>	843
<b>Amortisation</b>	<b>293</b>	179
<b>Earnings before exceptional items, interest, tax, depreciation and amortisation</b>	<b>5,551</b>	2,549

9. Acquisition of certain assets of Spode and Royal Worcester

On 23 April 2009 the Group acquired the intellectual property (excluding any rights relating to Jamie Oliver products or licences) and the trade names of Spode and Royal Worcester from The Porcelain and Fine China Companies Limited (in Administration). In addition, it acquired the US inventory previously belonging to the US subsidiary of Royal Worcester and Spode Limited.

The total consideration of £3.2 million for the intellectual property and the inventory was allocated based upon the relative fair values of those assets, being £2.2 million and £1.0 million respectively.

The accounts for the year ended 31 December 2009 will be posted out to shareholders on or before 20 April 2010 and laid before the Company at the Annual General Meeting on 20 May 2010. 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](http://www.portmeiriongroup.com) following posting to shareholders.