Company	Portmeirion Group PLC
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PORTMEIRION
GROUP PLC

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Portmeirion Group PLC
21 March 2013

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

Preliminary results for the year ended 31 December 2012

Financial summary

	2012	2011	Increase
	£m	£m	%
Revenue	**55.5**	53.6	3.6
Pre-tax profit	**6.8**	6.3	6.6
EBITDA	**7.8**	7.4	5.2
Basic earnings per share	**48.43p**	43.94p	10.2
Dividends paid and proposed per share in respect of the year	**21.80p**	19.60p	11.2

Highlights:

Financial

- Record Group revenue of £55.5 million, up by 3.6% on the previous year (2011: £53.6 million)
- Profit before tax increased 6.6% to £6.8 million (2011: £6.3 million)
- Total dividend paid and proposed for 2012 increased by 11.2% to a record 21.80p (2011: 19.60p)
- Balance sheet remains very strong: cash balance up to £7.5 million (2011: £6.8 million)

Operational

- Revenue growth across all four brands – Portmeirion, Spode, Royal Worcester and Pimpernel
- Launched over 360 new products in 2013 including Sophie Conran for Portmeirion metal cookware, Water Garden, and a 60th anniversary of the Queen's Coronation collection
- UK website re-launched in 2013 to drive further sales growth
- Appointment of Phil Atherton as Group Sales and Marketing Director

Dick Steele, Non-executive Chairman commented:

"Our global brands are respected and valuable, our product ranges are excellent, our people are best in class and our balance sheet is strong. We remain confident for the future."

Portmeirion Group PLC
Business Review

Portmeirion Group worldwide revenues and earnings were once again driven to new highs in 2012. This has enabled us to increase our dividends for the fourth successive year to their highest level ever. The UK and South Korea performed strongly. Unfortunately, we experienced challenging conditions in the United States, our largest market, where a number of factors, including Superstorm Sandy, the Presidential elections and the government budget uncertainty combined to depress trading. However, we are cautiously optimistic on the outlook in the US for 2013.

Our global brands are respected and valuable, our product ranges are excellent, our people are best in class and our balance sheet is strong. The Portmeirion Group is strong.

Dividend
The Board is recommending a final dividend of 17.30 pence per share bringing the total paid and proposed for the year to 21.80 pence per share, an increase of 11.2% over the amount paid in respect of 2011.

The final dividend will be paid, subject to shareholders' approval, on 24 May 2013 to shareholders on the register on 26 April 2013.

The full year dividends paid and proposed are covered 2.2 times by earnings (2011: 2.2 times). The Board considers that such a level of cover is appropriate.

For the last four years – 2009 to 2012 – we have increased the total dividends paid by an average of 10.4% per annum compound. Our dividend is now 48.3% higher than it was in 2008.

We became a publicly listed company 25 years ago in 1988, the issue price of the shares at that time was £1.80 each, since our flotation we have paid out total dividends of over £2.90 per share and our share price has increased threefold; we have never cut or withheld our dividend in our time as a listed company.

The Board is committed to a progressive dividend policy, our aim is to maintain a sustainable level of dividend cover and to try to increase dividends whenever our prudent forecasts of future trading conditions and business cash needs allow us so to do. We plan to increase interim dividends by the same percentage as the final dividend of the previous year where conditions permit.

Long term, dividends are the overriding goal at Portmeirion Group.

Revenues
Revenues were £55.5 million for the year, an increase of 3.6% over the previous year (2011: £53.6 million), within this increase there were some significant geographical variances.

Our largest market is the USA and this accounted for 36% of revenues in the year (2011: 40%), our sales here declined by 6.4% in US dollars (the currency in which we sell there) and by 5.3% in sterling (the currency which we translate our sales into to report). Our UK sales grew by 7.9% to represent 27% of our revenues (2011: 26%) and our sales to South Korea, driven by new products, were 13.1% higher providing 22% of our revenues (2011: 20%). Sales in the rest of the world, apart from these three key markets, were 7.2% higher with notable inroads being made in India, Hungary and Norway. Online sales were 75% higher than in 2011 at over £0.5 million. Having launched a much improved website in 2013, we expect this figure to continue to grow significantly.

The diversity of our markets, customers and products are complementary planks in our strategy for the business; this strategy enables our aggregated results to mitigate seasonality, climate and austerity.

Profits
The profit before taxation was £6.8 million, an increase of 6.6% over the previous year (2011: £6.3 million) and EBITDA was £7.8 million, an increase of 5.2% over the previous year (2011: £7.4 million).

Profit growth outstripped revenue growth as we continued to drive efficiencies through our business. Our UK factory has become even more efficient and the management pressure on overheads is relentless.

Our sales of UK manufactured product were some 3.4% below the levels of 2011; set against this the demand for sourced product increased significantly. These movements reflect the demand for the different ranges which we produce or source rather than a deliberate policy and vindicate our strategy of producing and sourcing as appropriate, in particular with regard to the chosen method of manufacture or market segment.

Despite 2012 being a record year for Portmeirion it was not exceptional enough to maximise annual bonuses for the executive team and so there have been savings here. Design, marketing and selling expenses continue to represent significant costs for the company and, as in previous years, the benefits of such expenditure continue to accrue for many years after the cost is incurred.

Balance Sheet
Group net assets increased by £2.5 million to £26.8 million as at 31 December 2012, and year end cash balances were £7.5 million compared to £6.8 million for 31 December 2011.

Inventories were reduced by £0.8 million during the year; as at 31 December 2012 they stood at £11.6 million representing the most significant asset on our balance sheet. Our obsolescence and provisioning policies in respect of inventory are rigorous and prudent. At peak levels in 2012 inventories stood at £15.4 million before we started shipping for our important Christmas sales period.

The pension scheme deficit stands at £5.0 million, a small increase on 2011 despite £0.8 million of cash contributions. The deficit is carefully monitored and under control.

We have used treasury shares with a book value of £164,000 to satisfy share option grants during the year; we continue to hold treasury shares with a book value of £767,000 as at 31 December 2012. These were purchased at an average cost of £1.87 each. We plan to continue to use these to satisfy share options where appropriate.

Products and Brands

Our four brand names – Portmeirion, Spode, Royal Worcester and Pimpernel – have a long and illustrious history spanning some 250 years. The longest established pattern which we still sell – Spode Blue Italian – was first marketed in 1816; this still generates over £1 million of sales per annum. Our biggest selling pattern representing just over 40% of our sales – Portmeirion Botanic Garden – was launched in 1972. By continuing to invest in product design, marketing and sales channels we are building our product and brand assets for future commercial gain and shareholder benefit.

We invest in existing product ranges and new ranges. The Vintage Kellogg's range which we launched in 2012 is an outstanding example of the success of a new range; the continuing growth of Sophie Conran, launched in 2006 and grown by 6% last year, is a good example of investment in an existing range. Combining product development with customer attentiveness is the essence of brand value and lies at the core of our beliefs here at Portmeirion.

Our stands at the Frankfurt Ambiente Trade Show and at the Birmingham Spring Fair confirmed our position at the forefront of English homewares and design. We launched over 360 new products at these shows across all four brands. These include a new Sophie Conran collection of ceramic coated metal cookware, a new tableware range called Water Garden and a Royal Worcester Coronation 60th Anniversary Collection.

A list of our current patterns can be found at www.portmeirion.com, www.spode.com and www.royalworcester.com. Online purchasing is also available from these websites.

Production and Sourcing

Irrespective of whether the items we sell have been produced in our Stoke-on-Trent factory, or other factories in the area or abroad, all our products carry our reputation with them in our backstamps and thus the inherent quality guarantee.

Our Stoke-on-Trent factory continues to operate at a level of efficient capacity. We only produce earthenware in our own factory, whereas bone china, porcelain, glassware, fabrics, tablemats etc. are all externally sourced to our demanding requirements. We are bearing Anti-Dumping Duty imposed by the European Commission on ceramics we source from China, but we are confident that we are dealing with this matter as well as possible.

We continue to seek improvements in production and our Business Improvement Teams are generating valuable gains in production and distribution.

Distribution
We now operate three distribution facilities at Trentham Lakes in Stoke-on-Trent, at Waterbury in Connecticut and Guang-Dong in China. We will be selling into China from the new Chinese warehouse.

People
The average number of people we employ increased slightly in 2012 to 587 from 579 in 2011. The average sales per employee increased to £94,591, a 2% increase on the 2011 average of £92,591. This is a key performance measurement for any business, furthermore value added per employee increased.

Health and safety, employee training and the views of our people remain high on our agenda. Our recently completed Employee Questionnaire confirmed that we continue to make progress as an employer of choice. Employee welfare is important to us.

Michael Haynes, Group Sales and Marketing Director, has retired from the Board since the year end. Michael joined the Group in 2004 and was appointed to the Group Board in 2007 but had been an independent sales agent for the business for many years prior to that. His contribution to the success of Portmeirion has been significant and he will be missed at a commercial and personal level. Michael's retirement is well earned and he leaves with our best wishes for the future and our thanks for the past. To replace Michael we have been very fortunate in recruiting Phil Atherton who is already making a valuable contribution. Phil has a distinguished background in Sales and Marketing, most recently at the John Cotton Group where he was the Sales and Marketing Director of the Home Textiles Division and oversaw major sales and profits growth as well as UK and European acquisitions. Further details of Phil's background are given in the annual report and accounts. Whilst change can be unsettling, to a well established company such as Portmeirion it is a force for good.

All employees, excluding the Non-executive Directors, participate in various annual incentive schemes. Whilst 2012 was another record year for Portmeirion our annual schemes did not pay out the maximum amounts achievable because performance was not sufficient to self finance the awards. Our schemes are demanding.

All three Non-executive Directors are seeking re-election this year, this is in line with our previously implemented policy of annual re-election for Non-executive Directors as this gives shareholders the opportunity to express their views on the governance of the company.

The Environment
During 2012 Portmeirion continued with its successful energy efficiency drive. Compared to 2011 we reduced our gas consumption by 3.2% and our electricity consumption by 15.6%. In total these reductions enabled us to reduce our carbon dioxide emissions by 6.9% over the previous year. Compared to 2001, we now emit 35% less carbon dioxide per annum. This is a significant achievement over an eleven year period when our production volumes have also increased.

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

Our currency risks are broadly matched in that our US dollar receivables are largely offset by our US dollar payables, any expected net exposure and our other currency risks are covered by forward contracts where appropriate.

Our production dependency is split between our own UK factory and outsourced Far East production, this enables us to reduce our risks in the medium to long term.

Energy costs remain a significant group cost at some £1.2 million per annum on our own production and a comparable figure on outsourced production. We continue to push ourselves to the forefront of energy efficiency in production.

Our long 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
We are an AIM listed company and as such we are not subject to the full range of corporate governance requirements which apply to larger companies. Nevertheless we recognise the value of many corporate governance processes and seek to implement those where we can see benefit for shareholders. We will continue to be flexible in achieving effective and efficient governance relative to our size, markets and business structure. The guidance provided by the Quoted Companies Alliance provides a useful yardstick for businesses of our size.

Outlook
We remain confident for the future. Given our seasonal bias in revenue and even more so in profits it is always difficult to predict our full year outcomes at this early stage. However we know that we have taken the appropriate steps to build the business for the future – people, product, finance.

Trading in the first two months of the year has been broadly level with last year.

We are a widely based homewares business. Our brands and ranges have longevity and value, our markets are worldwide and our sourcing is diversified.

We are resolute in our core values of attentive design, assured quality, a professional sales approach, nurtured brands and conservative financing.

We continue to measure acquisition opportunities against our demanding criteria.

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

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2012

	Notes	2012 £'000	2011 £'000
Revenue	**3**	**55,525**	53,610
Operating costs		**(48,870)**	(47,326)
Operating profit		**6,655**	6,284
Investment revenue		**39**	42
Finance costs	**5**	**(106)**	(65)
Share of profit of associated undertakings		**162**	69
Profit before tax		**6,750**	6,330
Tax		**(1,745)**	(1,861)
Profit for the year attributable to equity holders		**5,005**	4,469
Earnings per share	**2**	**48.43p**	43.94p
Diluted earnings per share	**2**	**47.73p**	43.12p
Dividends paid and proposed per share	**4**	**21.80p**	19.60p

All the above figures relate to continuing operations.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2012

	2012 **£'000**	2011 £'000
Profit for the year	**5,005**	4,469
Exchange differences on translation of foreign operations	**(304)**	81
Actuarial loss on defined benefit pension scheme	**(832)**	(1,642)
Deferred tax on other comprehensive income	**(7)**	281
Other comprehensive income for the year	**(1,143)**	(1,280)
Total comprehensive income for the year attributable to equity holders	**3,862**	3,189

CONSOLIDATED BALANCE SHEET
31 December 2012

	2012 £'000	2011 £'000
Non-current assets		
Intangible assets	**1,609**	1,819
Property, plant and equipment	**5,662**	5,975
Interests in associates	**1,687**	1,534
Deferred tax asset	**816**	861
Total non-current assets	**9,774**	10,189
Current assets		
Inventories	**11,622**	12,470
Trade and other receivables	**9,611**	7,515
Cash and cash equivalents	**7,450**	6,777
Total current assets	**28,683**	26,762
Total assets	**38,457**	36,951
Current liabilities		
Trade and other payables	**(5,697)**	(6,822)
Current income tax liabilities	**(940)**	(825)
Total current liabilities	**(6,637)**	(7,647)
Non-current liabilities		
Pension scheme deficit	**(4,955)**	(4,868)
Grant received	**(18)**	(39)
Total non-current liabilities	**(4,973)**	(4,907)
Total liabilities	**(11,610)**	(12,554)
Net assets	**26,847**	24,397
Equity		
Called up share capital	**541**	536
Share premium account	**5,802**	5,542
Treasury shares	**(767)**	(931)
Share-based payment reserve	**601**	429
Translation reserve	**783**	1,122
Retained earnings	**19,887**	17,699
Total equity	**26,847**	24,397

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2012

	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 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 1 January 2012	**536**	**5,542**	**(931)**	**429**	**1,122**	**17,699**	**24,397**
Profit for the year	-	-	-	-	-	5,005	5,005
Other comprehensive income for the year	-	-	-	-	(339)	(804)	(1,143)
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**(339)**	**4,201**	**3,862**
Dividends paid	-	-	-	-	-	(2,078)	(2,078)
Increase in share-based payment reserve	-	-	-	172	-	-	172
Shares issued under employee share schemes	5	260	164	-	-	-	429
Deferred tax on share-based payment	-	-	-	-	-	65	65
At 31 December 2012	**541**	**5,802**	**(767)**	**601**	**783**	**19,887**	**26,847**

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2012

	2012 £'000	2011 £'000
Operating profit	**6,655**	6,284
Adjustments for:		
Depreciation of property, plant and equipment	**881**	784
Amortisation of intangible assets	**267**	346
Contributions to defined benefit pension scheme	**(800)**	(1,054)
Charge for share-based payments	**172**	162
Exchange loss	**(53)**	(10)
(Profit)/loss on sale of tangible fixed assets	**(36)**	1
Operating cash flows before movements in working capital	**7,086**	6,513
Decrease/(increase) in inventories	**692**	(2,729)
(Increase)/decrease in receivables	**(2,165)**	202
Decrease in payables	**(1,086)**	(410)
Cash generated from operations	**4,527**	3,576
Interest paid	**(52)**	(59)
Income taxes paid	**(1,527)**	(1,217)
Net cash from operating activities	**2,948**	2,300
Investing activities		
Interest received	**15**	20
Proceeds on disposal of property, plant and equipment	**56**	1
Purchase of property, plant and equipment	**(626)**	(597)
Purchase of intangible assets	**(57)**	(127)
Net cash outflow from investing activities	**(612)**	(703)
Financing activities		
Equity dividends paid	**(2,078)**	(1,780)
Shares issued under employee share schemes	**429**	715
Net cash outflow from financing activities	**(1,649)**	(1,065)
Net increase in cash and cash equivalents	**687**	532
Cash and cash equivalents at beginning of year	**6,777**	6,249
Effect of foreign exchange rate changes	**(14)**	(4)
Cash and cash equivalents at end of year	**7,450**	6,777

NOTES TO THE PRELIMINARY RESULTS

1. This announcement was approved by the Board of Directors on 20 March 2013.

1.1 The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 2012 or 2011, but is derived from those accounts. Statutory accounts for 2011 have been delivered to the Registrar of Companies and those for 2012 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 2012 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).

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 2012.

The financial statements have been prepared on the historical cost basis, with the exception of derivative financial instruments which are stated at their fair value.

1.3 At 31 December 2012 the Group had a cash balance of £7.5 million and an unused bank facility with available funding of £4 million. It manufactures approximately 40% 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. **Earnings per share**

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

	Earnings £	**2012 Weighted average number of shares**	**Earnings per share (pence)**	Earnings £	2011 Weighted average number of shares	Earnings per share (pence)
Basic earnings per share	**5,005,000**	**10,334,605**	**48.43**	4,469,000	10,170,222	43.94
Effect of dilutive securities: employee share options	**-**	**151,083**	**-**	-	192,786	-
Diluted earnings per share	**5,005,000**	**10,485,688**	**47.73**	4,469,000	10,363,008	43.12

NOTES TO THE PRELIMINARY RESULTS
Continued

3. Geographical analysis

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

	2012 **£'000**	2011 £'000
United Kingdom	**14,915**	13,825
United States	**20,215**	21,351
South Korea	**12,135**	10,729
Rest of the World	**8,260**	7,705
	55,525	53,610

4. Dividends

The Directors recommend that a final dividend for 2012 of 17.30p (2011: 15.70p) per ordinary share be paid, subject to shareholders' approval, on 24 May 2013 to shareholders on the register on 26 April 2013. The total dividend paid and proposed for the year is 21.80p (2011: 19.60p) per share.

5. Finance costs

	2012 **£'000**	2011 £'000
Interest paid	**26**	37
Realised losses on financial derivatives	**25**	28
Defined benefit pension scheme – other finance costs	**55**	-
	106	65

6. Reconciliation of earnings before interest, tax, depreciation and amortisation (EBITDA)

	2012 **£'000**	2011 £'000
Operating profit	**6,655**	6,284
Add back:		
Depreciation	**881**	784
Amortisation	**267**	346
Earnings before interest, tax, depreciation and amortisation	**7,803**	7,414

The accounts for the year ended 31 December 2012 will be posted to shareholders on or before 11 April 2013 and laid before the Company at the Annual General Meeting on 14 May 2013. 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.