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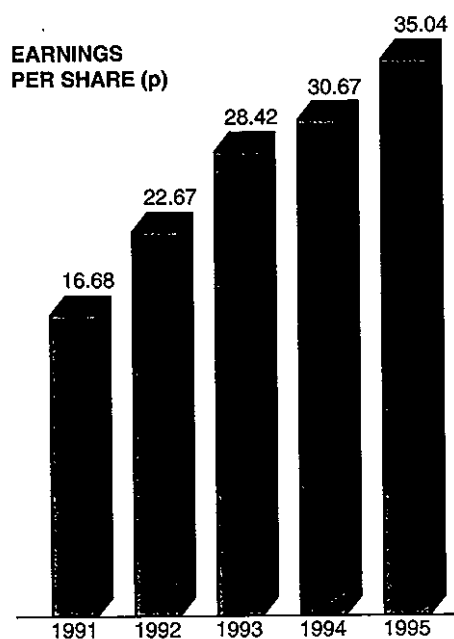
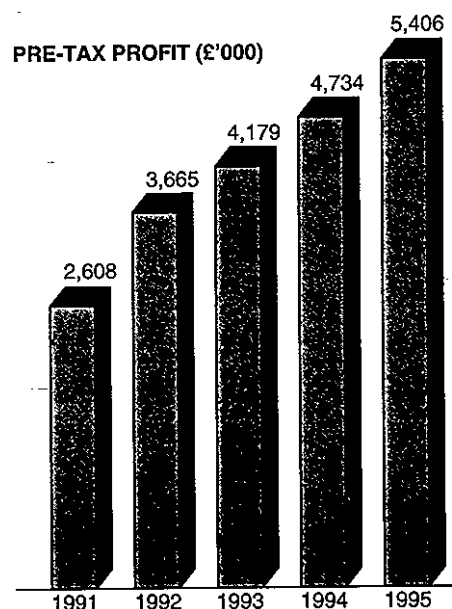
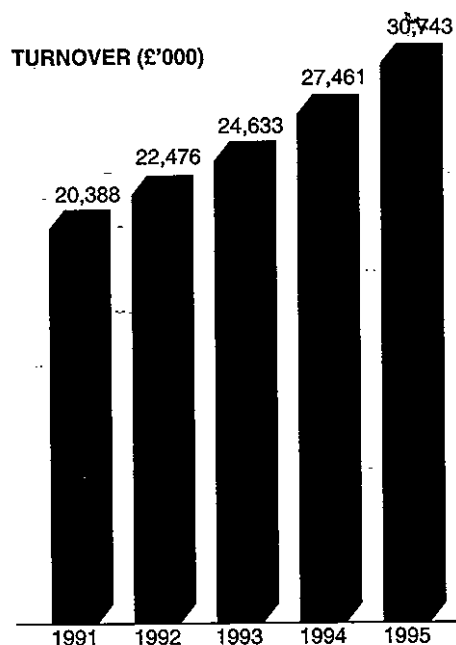
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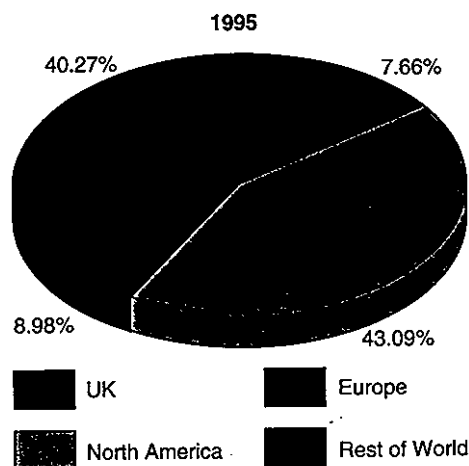


## FINANCIAL HIGHLIGHTS

	1995	1994	Increase
	£000's	£000's	
Turnover	30,743	27,461	12.0%
Pre-tax profit	5,406	4,734	14.2%
Earnings per share – Basic	35.04p	30.67p	14.2%
Dividends per share	11.50p	10.00p	15.0%



### GEOGRAPHICAL ANALYSIS – TURNOVER





===== DIRECTORS AND ADVISERS =====

**Board of Directors**

Euan S. Cooper-Willis MA

Susan C. Williams-Ellis

Mary-Lorraine Hughes BSc PhD MBA

Derek A. H. Baer

C. Anwyl Cooper-Willis BSc PhD

Kamrouz Farhadi BA MBA

Brett W. J. Phillips BSc ACA

Alan J. Philpott BA FCA

Philip J. White FIM FRSA

*(Chairman)*

*(Deputy Chairman)*

*(Chief Executive)*

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**Secretary and Registered Office**

Elaine R. Cook BSc ACIS  
London Road  
Stoke-on-Trent  
Staffordshire  
ST4 7QQ  
(01782) 744721

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**Auditors**

KPMG  
Chartered Accountants  
Festival Way  
Stoke-on-Trent  
Staffordshire  
ST1 5TA

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**Bankers**

Midland Bank plc  
Crown Bank  
Hanley  
Stoke-on-Trent  
Staffordshire  
ST1 1DA

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**Stockbrokers**

Kleinwort Benson Securities Limited  
20 Fenchurch Street  
London  
EC3P 3DB

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**Registrars**

KPMG  
Festival Way  
Stoke-on-Trent  
Staffordshire  
ST1 5TA  
(01782) 216000

---

**Solicitors**

Lovell White Durrant  
65 Holborn Viaduct  
London  
EC1A 2DY

Knight & Sons  
The Brampton  
Newcastle-under-Lyme  
Staffordshire  
ST5 0QW





## CHAIRMAN'S STATEMENT

### 1995 Results

The results for 1995 were gratifying. We increased turnover by 12% to £30.74 million (£27.46 million) and profit before tax by 14% to £5.41 million (£4.73 million). Pre-tax return on sales improved to 17.6% (17.2%). Earnings per share of 35.04p (30.67p) show an increase of 14%. The Board recommends a final dividend of 8.5p to make a total of 11.5p for the year, an increase of 15% over last year.



*New 20 inch "Pomona" Turkey Platter produced by pressure casting*

### Financial Review

We invested £2.8 million during 1995. Our cash balance has fallen from 1994 levels to £1.9 million at the end of 1995. The increase in trade debtors arose from higher November and December sales in 1995 than in 1994. The balance sheet is very strong.

We have so far continued to follow our policy of hedging against our only significant foreign currency exposure. 90% of our expected 1996 U.S. dollar receipts are covered by forward contracts.

### Investment

We purchased the freehold of our U.S.A. office and distribution premises in Naugatuck, Connecticut for £600,000 in October 1995. It is planned to double the size of our warehouse to cater for the increasing demand for our products in that major market.

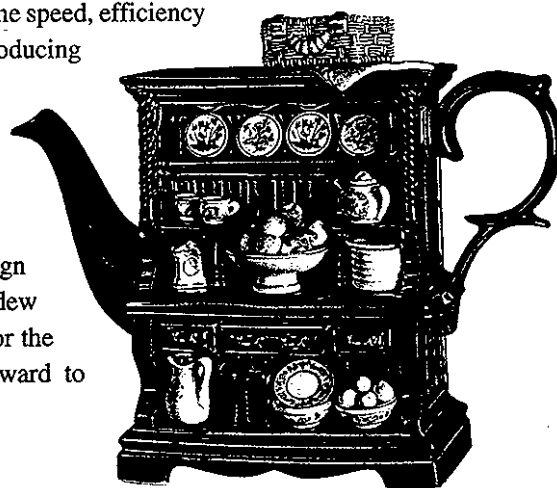
Capital of £1 million was invested in production equipment in 1995, mostly at our Stoke-on-Trent factory. This investment was directed towards not only further increasing the speed, efficiency and flexibility of existing production capability, but also introducing technology new to Portmeirion for the manufacture of high quality pieces by pressure casting. We will be increasing our production of pieces using this technology during 1996.

### Acquisition

In September 1995 we acquired a 15% interest in Cardew Design for £750,000. Portmeirion has been a major customer of Cardew since it began trading four years ago and is the distributor for the Cardew Brand in the U.S.A. and Canada. We look forward to developing this relationship to our mutual benefit.

### People

In June 1995 the Sales Team from Portmeirion Canada visited Stoke for a week, spending time in the factories, on product reviews and sales strategy. The visit was a great success. We plan similar events in the future both to strengthen the relationships with our representatives and to reinforce the commitment to growth.



*Welsh Dresser Cardew Teapot : special limited edition  
signed by Susan Williams-Ellis*



## CHAIRMAN'S STATEMENT

Team Briefing was introduced for our U.K. and U.S.A. employees in mid-year to establish a formal channel for two way communication.

Jim Pointon, Distribution and Warehousing Director, retired at the end of the year after 27 years service with the Group to whose success he made a very valuable contribution. We thank him and wish him well.

I would like to record my thanks to everyone associated with Portmeirion for their hard work, support and suggestions from which the business derives its strength.



*Portmeirion Canada ...Sales Team on a factory tour Summer 1995  
(Robert Burke, President Portmeirion Canada third from left)*

### 35th Anniversary

We have to thank Her Royal Highness The Princess Margaret for visiting our London Showroom in September 1995 to be presented with some of our new Portmeirion China by Susan Williams-Ellis. This marked the 35th Anniversary of Portmeirion Potteries.



*Susan Williams-Ellis ...presenting H.R.H. The Princess Margaret with China dinnerware in the "Welsh Wild Flowers" pattern; September 1995*

### Future

The company is enthusiastically pursuing a strategy of new product introduction to the same high standards of design and quality originally established by Susan Williams-Ellis, and striving to achieve continuous improvement in all aspects of its operation. There is every reason for optimism for the future years.

*Euan Cooper-Willis*

Euan Cooper-Willis  
Chairman



## =====CHIEF EXECUTIVE'S REVIEW=====



*New Cafetière  
in "Botanic Garden"*

### Introduction

1995 was another year of growth and change at Portmeirion. Sales increased to a new high, a record number of new products were introduced and further significant investment was made in premises, plant and equipment. Everyone in the business, both employees and those who sell our products around the world, responded extremely well to the challenges of 1995: their commitment and enthusiasm deserves particular mention and heartfelt thanks.

The achievements of 1995 will be built upon in 1996. This is particularly important given the more difficult environment which we have encountered in some markets during the early part of this year.

### Sales Performance

Our U.K sales increased by 11%: a real achievement in a somewhat hesitant market. Sales in the U.S.A. grew by 13%: another good performance. Our joint venture business in Canada had a very good year and achieved a sales increase of 35%, albeit from a far smaller base.

In Europe, Italy continues to be our best market, and has warmly welcomed Portmeirion China. Finland, Belgium and France have shown satisfying increases in sales. However, we recognise that very considerable opportunities still beckon in many European markets.



*"Harvest Blue" Ewer and Basin*

still a tiny proportion of Group sales. In 1996, we intend to increase turnover in those export markets where our profile is currently low.

### Product Introductions

Throughout 1995 the creative contribution from our design studio continued to strengthen and innovate our product and design portfolio.

Early in 1995 "Harvest Blue", a blue and white tableware and oven-to-table range, was introduced. As well as gift pieces, some bathroom ceramic accessories and textile items were added during the year, by the end of which "Harvest Blue" had become our third best selling pattern.



*"Ladies Flower Garden"  
Ginger Jar  
in Portmeirion China*

In Korea, Bermuda, New Zealand and Hong Kong significant advances were achieved in turnover. Some of the most impressive percentage increases were recorded in South America, although turnover there is



*Portmeirion USA...David Hardy Vice-President and Carol Yachtis Special Events Co-ordinator in our New York Showroom, using a tea set in the new "The Holly & The Ivy" pattern*



## =====CHIEF EXECUTIVE'S REVIEW=====



*"Summer Fruit"  
Handpainted  
Staffordshire Jug*

Conscious of the particular popularity of the Christmas season in North America, we introduced "The Holly & The Ivy" in the U.S.A. and Canada exclusively. It was an immediate success: more pieces are being added for 1996.

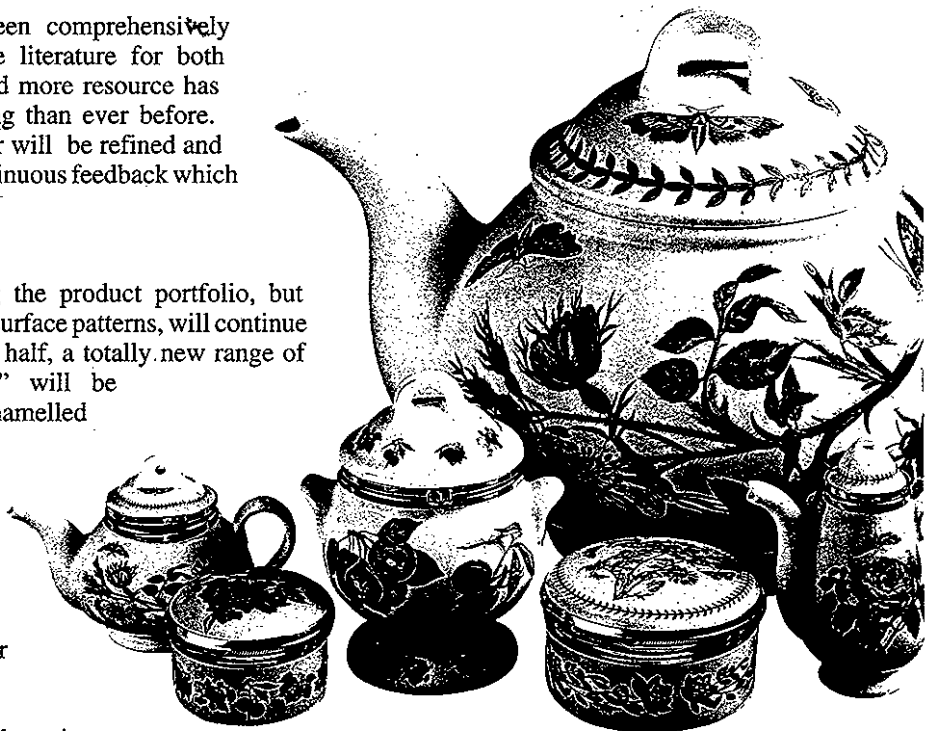
In July 1995 a range of Portmeirion China Giftware was launched in the U.K. in the same four patterns as our China tableware. Having decorative pieces to complement the tableware accelerated the demand for the entire China range. The still limited production capacity for the China means that distribution must be carefully controlled.

The niche market for the "Portmeirion Studio" range of hand painted earthenware is continuing to grow. "Summer Fruit", our own brand design pattern, is building the greatest following. We are hand painting and marketing a floral design under licence from the Royal Botanic Gardens at Kew.

All introductions have been comprehensively supported by point-of-sale literature for both retailer and consumer, and more resource has been devoted to advertising than ever before. This support for the retailer will be refined and extended in light of the continuous feedback which we actively encourage.

### Development Strategy

The strategy of extending the product portfolio, but within a limited number of surface patterns, will continue into 1996. During the first half, a totally new range of miniature "hinged boxes" will be introduced, both in enamelled copper and Portmeirion China. These beautifully presented gift items will be decorated using Botanic Garden and Pomona designs. Examples of the china miniatures are illustrated on the front cover of this report.



*Miniature hinged China and Copper Enamelled boxes ... a new range launched February 1996*

In response to the worldwide variety of tastes, cooking styles and food presentation, our designers are developing products with a regional emphasis. Some pieces were introduced in 1995: more will follow. Already it has been noted that items developed for a specific end use have wider applications: this is a continuing hallmark of Portmeirion's distinctive design talent.

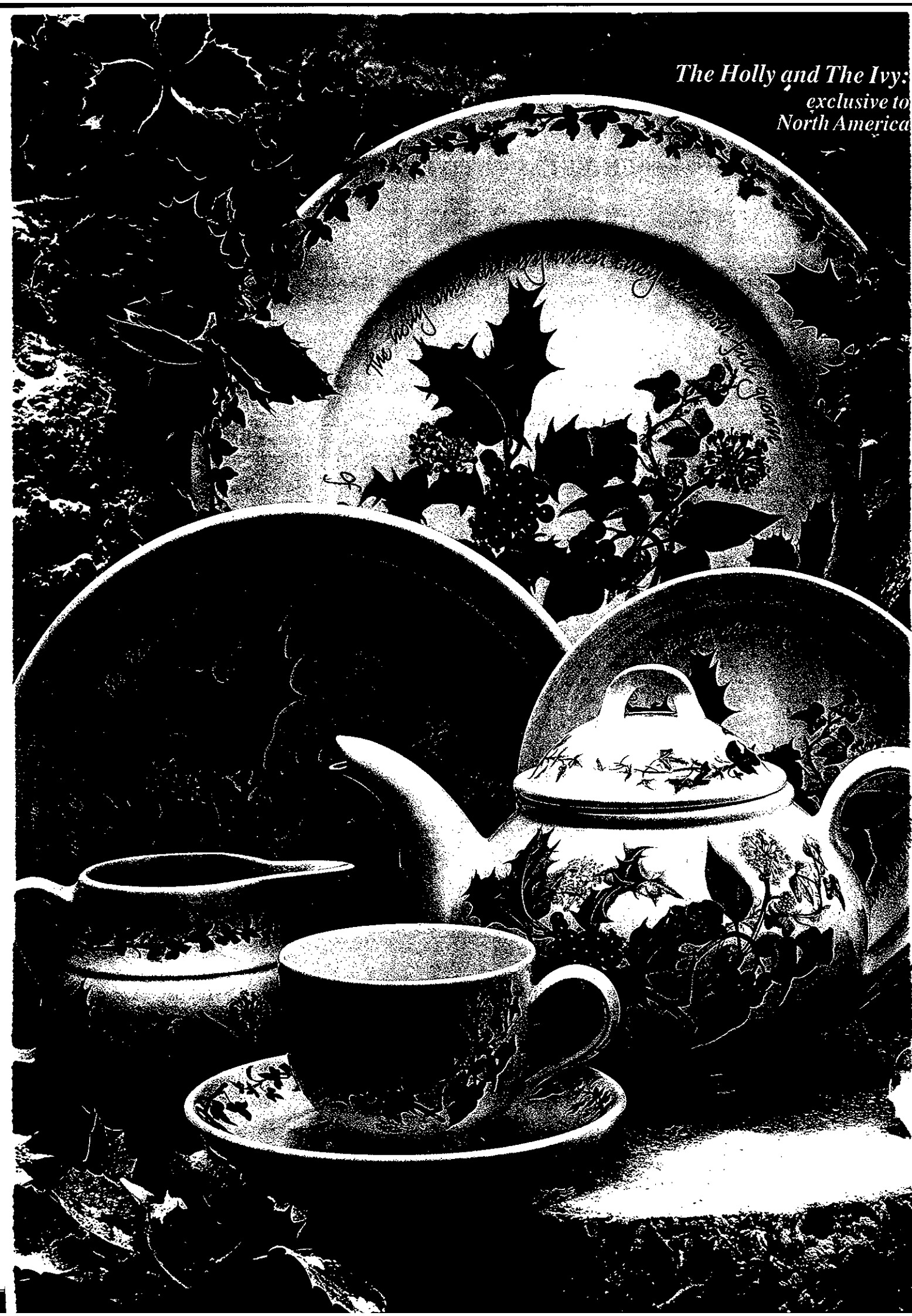
Extra production capacity will be needed to satisfy the demand for new products. Work is planned to commence in 1996 on a two floor, 52,000 sq. ft. extension to our main Stoke factory. We intend to accommodate here both Portmeirion China and a new 'oven-to-table' range. It will enable us to improve efficiency by reorganising other sections of our production. This major project demonstrates our commitment to the skills of our workforce in Stoke-on-Trent.

*Mary-Lorraine Hughes*

Mary-Lorraine Hughes  
Chief Executive



*The Holly and The Ivy:*  
exclusive to  
North America







## REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their report together with the audited accounts of the Company and its subsidiary undertakings for the year ended 31st December 1995.

### Principal activity

The Group manufactures and sells pottery and markets associated products.

### Results

The profit for the year added to reserves amounted to £2,423,000 (1994 – £2,131,000).

### Business review

A full explanation of the Group's activities during the year and its planned future developments is given in the Chairman's Statement and the Chief Executive's Review on pages 4 and 6.

### Dividends

On 3rd October 1995 an interim dividend of 3.0p (1994 – 2.5p) per share was paid on the Ordinary share capital. The Directors recommend that a final dividend of 8.5p per share be paid, making a total for the year of 11.5p (1994 – 10.0p) per share. The final dividend will be paid, subject to shareholders' approval, on 6th June 1996, to shareholders on the register at the close of business on 21st May 1996.

### Fixed assets

Details of movements in fixed assets are given in notes 11 and 12 on pages 26 and 27.

### Directors and their interests

The Directors who held office during the year are named below. The beneficial interests of the Directors and their families, registered by each Director, in the share capital of the Company, together with their interests as trustees and options to subscribe for shares, are also shown.

	As at 31st December 1995 or at date of resignation 5p Ordinary shares			As at 31st December 1994 5p Ordinary shares		
	Beneficial	Non- beneficial	Options	Beneficial	Non- beneficial	Options
E. S. Cooper-Willis	958,560	378,000	–	958,560	378,000	–
S. C. Williams-Ellis	956,060	–	–	956,060	–	–
M-L. Hughes	–	–	50,000	–	–	50,000
D. A. H. Baer	5,975	–	–	6,000	–	–
C. A. Cooper-Willis	420,000	–	–	420,000	–	–
K. Farhadi	1,511,040	–	–	1,511,040	–	–
B. W. J. Phillips	555	–	21,900	555	–	21,900
A. J. Philpott	4,000	–	–	4,000	–	–
P. J. White	17,250	–	1,900	17,250	–	1,900
G. A. Hesp (resigned 4th June 1995)	142,790	98,500	1,900	144,440	98,500	1,900
J. C. Pointon (resigned 1st December 1995)	10,000	–	1,900	10,000	–	1,900



## REPORT OF THE DIRECTORS

(continued)

### Directors and their interests (continued)

E. S. Cooper-Willis and S. C. Williams-Ellis are husband and wife. The beneficial interests shown above do not include their interests in each others shares.

G. A. Hesp and J. C. Pointon both retired from the employment of the Company; their share options did not therefore lapse following their resignations as directors.

There has been no change in the interests of the Directors during the period from 1st January 1996 to 27th March 1996.

No Director of the Company had a financial interest in any material contract other than those for service, to which the Company was a party during the financial year.

### Directors proposed for re-election

The following Directors retire by rotation and, being eligible, offer themselves for re-election:

K. Farhadi

S. C. Williams-Ellis

The service contracts of all Executive Directors expire on the completion of two years' notice. D. A. H. Baer and A. J. Philpott have three year contracts which expire on 27th January 1997.

### Non-executive Directors

*D. A. H. Baer*

D. A. H. Baer is a former Chairman of the Foreign and Colonial Investment Trust plc.

*A. J. Philpott*

A. J. Philpott is a Chartered Accountant and was formerly Chairman of Ellis and Goldstein (Holdings) plc.

### Corporate Governance

The Board of Directors, now comprising seven Executives and two Non-executives, meets regularly. It has always been and remains responsible for the full and effective control and the profitable running of the business. It is committed to a sound system of Corporate Governance including those matters specifically addressed by the Cadbury Committee's Code of Best Practice. For the year ended 31st December 1995, except as set out below, the requirements of the Code of Best Practice have been fully met. Compliance is presently incomplete because there are only two Non-executive Directors. Thus:-

The Audit Committee was set up in November 1992. Its scope and terms of reference were revised in January 1994. Its members are the Non-executive Directors and the Chief Executive. Its Chairman is A. J. Philpott.

The Remuneration Committee which has been operating for many years had its terms of reference formalised in January 1994. It comprises the Non-executive Directors, the Chairman of the Board and the Chief Executive. D. A. H. Baer is its Chairman. A report from the Remuneration Committee follows this report.

The Nomination Committee, set up in May 1993, is responsible for nominating candidates for Executive and Non-executive appointments to the Board. It comprises the Non-executive Directors, the Chairman of the Board, and the Chief Executive. Its terms of reference were formalised in January 1994. E. S. Cooper-Willis is its Chairman.

There is a formal schedule of matters reserved for the Board's approval and a clear procedure for Directors to obtain independent professional advice at the Company's expense.

Having made enquiries in accordance with the recommendations of paragraph 4.6 of the Code of Best Practice, the Directors consider that the Group has adequate resources to continue operations for the foreseeable future. Accordingly, the accounts continue to be prepared on a going concern basis.



## REPORT OF THE DIRECTORS

(continued)

### Internal Control

The Directors are responsible for the Group's systems of internal financial controls. Such systems have been established to provide reasonable assurance of:

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

Any such systems can provide only reasonable but not absolute assurance against material misstatement or loss.

The key procedures of the system of internal financial controls are:

*Control environment* – the Directors have established an organisational structure with clearly defined lines of responsibility and delegation of authority within each of the operating subsidiaries.

*Risk management* – operating company management have clear responsibility for the identification of business risks and for putting in place procedures to mitigate and monitor risks.

*Information and control systems* – the Group's systems of financial reporting incorporate detailed annual budgets for each operating company which are approved by the Group Board. Monthly management accounts enable performance against budget to be reviewed and, where necessary, action is taken.

*Monitoring procedures* – internal financial controls are monitored by management and reviewed by the Audit Committee.

The Directors confirm that they have reviewed the effectiveness of the Group's systems of internal financial controls for the year to 31st December 1995.

### Employees involvement

The Group recognises the importance of good communications with its employees and considers that the most effective form of communication regarding its activities, performance and plans is by way of informal daily discussions between management and other employees. During 1995, to complement these discussions, the Company implemented a structured method of communicating information from Board level to all employees on a monthly basis via a programme of team briefing.

A share option scheme is operated to encourage the involvement of employees in the Group's performance.

### Employment of disabled persons

It is the Group's policy to give disabled people full and fair consideration for all job vacancies for which they offer themselves as suitable candidates, having regard to their particular aptitudes and abilities. Training and career development opportunities are available to all employees and if necessary we endeavour to re-train any member of staff who develops a disability during employment with the Group.

### Substantial shareholdings

In addition to the Directors' interests notified above, the Company had been notified of the following beneficial interests in 3% or more of its issued share capital as at 27th March 1996:

	Number of shares	Percentage
Saffery Champness Trust Corporation	1,352,982	13.11%
Clydesdale Bank a/c MGC	390,000	3.78%
Equitable Life Assurance	370,000	3.59%
Rysaffe Trustee Company (C.I.) Limited	327,018	3.17%

Saffery Champness Trust Corporation have notified the Company of their non-beneficial interest in 327,018 shares, these being the shares in which Rysaffe Trustee Company (C.I.) Limited are interested.

Both Rysaffe Trustee Company (C.I.) Limited and Saffery Champness Trust Corporation are trustees of trusts for the benefit of a wide class of beneficiaries which includes members of the Cooper-Willis family.



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#### **Allotment of shares**

By law, shareholders' approval is required for the allotment of shares. Approval may either be given for particular allotments or by a general authority. The Directors were given a general authority at the Annual General Meeting on 31st May 1995 in respect of £171,999 of share capital (being less than a third of the present issued share capital), which expires on 30th May 2000.

Shareholders' approval is also required for the issue of shares wholly for cash otherwise than in accordance with certain statutory pre-emption provisions contained in the Companies Act 1985. Approval is being sought in Resolution 5 at the Annual General Meeting in respect of the allotment pursuant to a rights issue of all the £171,999 of share capital whose allotment is authorised, of the allotment of Ordinary shares pursuant to the terms of the employee share schemes and of up to £25,750 of share capital (being less than five per cent of the issued share capital of the Company) otherwise than on a rights issue.

The Directors intend to propose that these authorities be renewed annually.

#### **Charitable and political contributions**

Contributions to various charities in the form of goods amounted to £9,255 at cost. There were no political contributions during the year.

#### **Company status**

As far as the Directors are aware, the Company is not a close company as defined by the Income and Corporation Taxes Act 1988.

#### **Auditors**

KPMG having notified the Company that they do not wish to seek re-appointment as auditors, a resolution for the appointment of Deloitte & Touche as auditors of the Company is to be proposed at the Annual General Meeting.

For and on behalf of the Board

**E. R. Cook**  
*Secretary*

27th March 1996



## REPORT OF THE REMUNERATION COMMITTEE

### Introduction

In July 1995, a report on Directors' Remuneration was published by the Study Group chaired by Sir Richard Greenbury. This report contains recommendations and a Code of Best Practice (the "Greenbury Code") concerning the setting, monitoring and disclosure of the remuneration of directors of listed companies. During October 1995 the London Stock Exchange adopted the majority of disclosures recommended in the Greenbury Code.

### General

The remuneration and emoluments of Executive Directors are determined by the Remuneration Committee which comprises the Non-executive Directors, the Chairman of the Board and the Chief Executive. The Chairman and Chief Executive do not participate in discussions nor vote on matters relating to their personal remuneration. The remuneration of Non-executive Directors is determined by the Executive Directors. The Non-executive Directors do not participate in the bonus or share options schemes. Details of Directors' contracts are given in the Report of the Directors.

The remuneration package of the Executive Directors is structured on a basis which is sufficient both to recruit and also to retain those of appropriate calibre. Attention is paid to payments made by companies broadly comparable with Portmeirion; changes are determined after a review of individual performance.

The following table sets out the various elements of Directors' remuneration during the year.

	Salary & fees £	Benefits £	Annual Bonus £	1995 Total £	1994 Total £
<i>Executive</i>					
E. S. Cooper-Willis	56,775	7,203	7,563	71,541	81,008
S. C. Williams-Ellis	56,775	—	7,563	64,338	71,481
M-L. Hughes	85,000	6,986	11,323	103,309	68,464
C. A. Cooper-Willis (1)	55,000	5,585	7,327	67,912	5,504
K. Farhadi	65,100	7,530	8,672	81,302	90,682
B. W. J. Phillips	65,100	7,011	8,672	80,783	88,412
P. J. White	57,250	6,305	7,626	71,181	78,089
G. A. Hesp (2)	34,493	4,100	7,535	46,128	110,952
J. C. Pointon (3)	48,644	5,564	7,060	61,268	72,210
<i>Non-executive</i>					
D. A. H. Baer	7,500	—	—	7,500	7,500
A. J. Philpott	7,500	—	—	7,500	7,500
<b>Total</b>				<b>662,762</b>	<b>681,802</b>

### Notes

- (1) The 1994 total for C. A. Cooper-Willis covers the period from 29th November 1994.
- (2) G. A. Hesp resigned 4th June 1995.
- (3) J. C. Pointon resigned 1st December 1995.
- (4) The 1994 total, inclusive of the Director resigning in that year, was £835,000.

The Greenbury Committee has recommended that the Companies Act disclosure requirements relating to directors' remuneration be waived for companies giving the fuller disclosure covered under the Greenbury Code. The Directors support this recommendation, however, in the meantime, the following information is given in compliance with the Companies Act. Directors' emoluments are defined differently in the Companies Act and the figures are therefore not the same as those shown above. The benefits-in-kind, shown above arise from the provision of company cars and private medical insurance, and the payment by the Company of private telephone bills.



## REPORT OF THE REMUNERATION COMMITTEE

(continued)

Total Directors' emoluments, including pensions contributions, were £777,000 (1994 – £923,000). Within this total, emoluments of the highest paid Director were £165,000 (1994 – £164,000) and of the Chairman were £72,000 (1994 – £81,000).

The following table shows the number of Directors whose emoluments, excluding pension contributions, were within the following ranges:

	1995 Number	1994 Number
£5,001 – £10,000	2	3
£40,001 – £45,000	1	–
£60,001 – £65,000	2	–
£65,001 – £70,000	1	1
£70,001 – £75,000	2	2
£75,001 – £80,000	–	1
£80,001 – £85,000	2	1
£85,001 – £90,000	–	1
£90,001 – £95,000	–	1
£100,001 – £105,000	1	–
£110,001 – £115,000	–	1
£150,001 – £155,000	–	1

### Annual Bonus Scheme

The Company operates an annual bonus scheme for Executive Directors, the payments from which are taken into account when assessing Directors' pensionable salaries. Annual bonuses are payable if earnings per share show a real increase over the previous two year average. The maximum bonus under the scheme is 30% of basic salary. The scheme is reviewed regularly by the Remuneration Committee.

### Share Option Scheme

The Company operates a share option scheme for Executive Directors and all employees. Options issued under this scheme may be exercised between three and four years after the date of grant. No grants were made to Directors during the year. Details of existing options can be found in Note 18 to the Accounts on page 29.

### Long-Term Incentive Schemes

The Company does not operate any long-term incentive schemes.

### Pension Scheme

All Executive Directors under the age of 65 are members of the UK pension scheme. This entitles them to a pension upon retirement at age 65 of up to two thirds of their final pensionable salary. As mentioned above, annual bonus payments are taken into account when calculating pensionable salary. M-L. Hughes joined the scheme following the introduction of the Inland Revenue earnings cap on approved pension benefits. In order to provide similar benefits as applied to the other Executive Directors the Company has agreed to fund the excess pension over the amount receivable from the scheme.

The Greenbury committee recommended that pension entitlements earned by each individual director during the year, calculated on a basis to be recommended by the Faculty of Actuaries and the Institute of Actuaries, should be disclosed. As these recommendations have yet to be finalised, the Company has continued to disclose pension information on the same basis as previous years. Such disclosures are essentially based on contributions paid by the Company and satisfy the requirements of the Companies Act and the Cadbury Code of Best Practice.



## STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the Directors to prepare accounts 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 period. In preparing those accounts, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the accounts comply with the Companies Act 1985. They have general 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.



## REPORT OF THE AUDITORS

### To the Members of Portmeirion Potteries (Holdings) PLC

We have audited the accounts on pages 17 to 32 and the detailed information set out on pages 13 and 14 of the report of the Remuneration Committee.

#### *Respective responsibilities of Directors and Auditors*

As described on page 15 the Company's Directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts 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 accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, 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 accounts 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 accounts.

#### *Opinion*

In our opinion the accounts give a true and fair view of the state of affairs of the Company and the Group at 31st 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.

#### *Corporate Governance*

In addition to our audit of the accounts, we have reviewed the Directors' statement on page 10 on the Company's compliance with the paragraphs of the Code of Best Practice specified for our review by the Listing Rules. The objective of our review is to draw attention to non-compliance with those paragraphs of the code which is not disclosed.

We carried out our review in accordance with Bulletin 1995/1 "Disclosures relating to corporate governance" issued by the Auditing Practices Board. That bulletin does not require us to perform any additional work necessary to express a separate opinion on the effectiveness of the Company's corporate governance procedures, or the ability of the Group to continue in operational existence.

With respect to the Directors' statements on internal financial control and going concern on pages 10 and 11, in our opinion the Directors have provided the disclosures required by paragraphs 4.5 and 4.6 of the code (as supplemented by the related guidance for Directors) and such statements are not inconsistent with the information of which we are aware from our audit work on the accounts.

Based on enquiry of certain Directors and officers of the Company, and examination of relevant documents, in our opinion the Directors' statement on page 10 appropriately reflects the extent of the Company's compliance with the other paragraphs of the code specified for our review.

KPMG

Chartered Accountants  
Registered Auditors

27th March 1996





## ACCOUNTING POLICIES

**(a) Accounting basis**

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

**(b) Consolidation**

The Group accounts include the accounts of the Company and of its subsidiary undertakings. The Group's share of the results and retained earnings of associated undertakings is included. The accounts have been prepared for the year ended 31st December 1995 except for the accounts of Portmeirion Canada Inc. which for administrative reasons have been prepared for the year ended 30th June 1995, and of Portmeirion Finance Limited which for cashflow reasons associated with the date of payment of tax have been prepared for the year ended 7th January 1996. Account has been taken of significant transactions for the intervening periods. Where a subsidiary undertaking is acquired during the year its results are included from the effective date of acquisition. Any goodwill arising as a result of an acquisition is charged against reserves. The investment in the partnership interest, Cardew Design, acquired during 1995 has been accounted for at cost.

**(c) Depreciation**

**(i) Tangible fixed assets**

Depreciation is provided by either the reducing balance method or the straight line method at rates calculated to write off the cost of the assets less their estimated residual value over their expected useful lives:

Freehold buildings	- 2% per annum
Long leasehold buildings	- 2% per annum
Short leasehold buildings	- over the life of the lease
Plant, equipment and vehicles	- 10% to 33% per annum

**(ii) Leased assets**

Assets acquired under finance leases are capitalised and depreciated over their useful lives. The corresponding obligation is included as a creditor and interest is charged to the profit and loss account. Hire purchase transactions are dealt with similarly. Operating lease rentals are charged to the profit and loss account as incurred.

**(d) Stock**

Stocks of raw materials, work in progress and finished items are valued at the lower of cost and estimated net realisable value. The cost of work in progress and finished goods includes the appropriate proportion of factory direct costs and related production overheads.

**(e) Turnover**

Turnover represents the value of goods despatched by subsidiary undertakings to customers outside the Group and to its associated undertakings.

**(f) Research and development**

All expenditure on research and development is written off as it is incurred.

**(g) Taxation**

Taxation charged against profits is the estimated liability for the year calculated in accordance with the legislation and the rates currently ruling in the different countries in which the Group operates.

Provision is made for deferred taxation in respect of timing differences to the extent that it is probable that an actual liability will crystallize.

**(h) Translation of foreign currencies**

**(i) Trading**

Assets and liabilities of United Kingdom companies denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date except where these are covered by forward exchange contracts when the contract rates are used. Exchange differences on trading transactions are dealt with in the profit and loss account.

**(ii) Overseas subsidiary undertakings**

For consolidation purposes the results of the United States subsidiary undertakings are translated at the average rate for the year and the monetary assets and liabilities are translated at the rate of exchange ruling at the balance sheet date except where these are covered by forward exchange contracts when the average contract rate is used. Non-monetary assets and pre-acquisition reserves are translated at the rate of exchange ruling at the date of their acquisition by the Group. Exchange differences arising are dealt with through reserves.

**(iii) Overseas associated undertakings**

For consolidation purposes the assets, liabilities and results of the overseas associated undertakings are translated at the rate of exchange ruling at the balance sheet date. Exchange differences arising are dealt with through reserves.

**(i) Group pension schemes**

The Group operates a contributory defined benefit scheme in the UK. Pension costs for this scheme are charged to the profit and loss account so as to spread them over the average working life of the members of the scheme, in accordance with the advice of an independent, qualified actuary. Any surplus or deficit, identified by periodic actuarial valuations, is taken to the profit and loss account over the remainder of the expected service lives of current employees in the scheme.

In the United States, the Group operates a money purchase pension scheme with payments being made to the scheme at the discretion of the Group. All payments are written off as they are incurred.



## CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31st December 1995

	Notes	1995 £000's	1994 £000's
<b>Turnover – continuing operations</b>	1	30,743	27,461
Raw materials and operating costs	2	(25,680)	(23,007)
<b>Operating profit – continuing operations</b>	4	5,063	4,454
Share of profit of associated undertakings		220	200
Interest receivable and similar income	5	129	116
Interest payable and similar charges	6	(6)	(36)
<b>Profit on ordinary activities before taxation</b>		5,406	4,734
Taxation on profit on ordinary activities	7	(1,790)	(1,571)
<b>Profit for the financial year</b>	8	3,616	3,163
Dividends	9	(1,193)	(1,032)
<b>Retained profit for the financial year</b>	19	2,423	2,131
Earnings per share	10	35.04p	30.67p

Movements on reserves during the year are shown in note 19 on page 30.

There is no difference between the results as disclosed in the profit and loss account and the results on an unmodified historical cost basis.



# =====CONSOLIDATED BALANCE SHEET=====

As at 31st December 1995

	Notes	1995 £000's	1994 £000's
<b>Fixed assets</b>			
Tangible assets	11	9,398	8,571
Investments	12	1,688	743
		<u>11,086</u>	<u>9,314</u>
<b>Current assets</b>			
Stocks	13	5,810	5,496
Debtors	14	5,861	4,745
Cash at bank and in hand		1,881	2,729
		<u>13,552</u>	<u>12,970</u>
<b>Creditors: amounts falling due within one year</b>	15	<u>(5,270)</u>	<u>(5,231)</u>
<b>Net current assets</b>		<u>8,282</u>	<u>7,739</u>
<b>Total assets less current liabilities</b>		<u>19,368</u>	<u>17,053</u>
<b>Creditors: amounts falling due after more than one year</b>	16	<u>—</u>	<u>(41)</u>
<b>Net assets</b>		<u><u>19,368</u></u>	<u><u>17,012</u></u>
<b>Capital and reserves</b>			
Called up share capital	18	516	516
Share premium account	19	4,286	4,286
Profit and loss account	19	14,566	12,210
<b>Equity shareholders' funds</b>		<u><u>19,368</u></u>	<u><u>17,012</u></u>

These accounts were approved by the  
Board of Directors on 27th March 1996  
and signed on its behalf by:

M-L. Hughes

B. W. J. Phillips

} Directors



# ===== PARENT COMPANY BALANCE SHEET =====

As at 31st December 1995

	Notes	1995 £000's	1994 £000's
<b>Fixed assets</b>			
Investment in subsidiary undertakings	12	1,455	1,455
<b>Current assets</b>			
Debtors – loan owed by subsidiary undertaking falling due after more than one year		10,911	8,361
Debtors – amounts owed by subsidiary undertaking		3,083	3,001
		<u>13,994</u>	<u>11,362</u>
<b>Creditors: amounts falling due within one year</b>	15	<u>(1,610)</u>	<u>(1,040)</u>
<b>Net current assets</b>		<u>12,384</u>	<u>10,322</u>
<b>Net assets</b>		<u>13,839</u>	<u>11,777</u>
<b>Capital and reserves</b>			
Called up share capital	18	516	516
Share premium account	19	4,286	4,286
Other reserves	19	197	197
Profit and loss account	19	8,840	6,778
<b>Equity shareholders' funds</b>		<u>13,839</u>	<u>11,777</u>

These accounts were approved by the  
Board of Directors on 27th March 1996  
and signed on its behalf by:

M-L. Hughes

B. W. J. Phillips

} Directors



# CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st December 1995

	Notes	1995 £000's	1994 £000's
<b>Net cash inflow from operating activities</b>	20	<b>4,452</b>	<b>4,571</b>
<b>Returns on investments and servicing of finance</b>			
Interest received		130	122
Interest paid		(5)	(39)
Dividends paid		(1,083)	(954)
<b>Net cash outflow from returns on investments and servicing of finance</b>		<b>(958)</b>	<b>(871)</b>
<b>Taxation</b>			
UK corporation tax paid		(1,099)	(1,100)
Overseas tax paid		(469)	(313)
<b>Tax paid</b>		<b>(1,568)</b>	<b>(1,413)</b>
<b>Investing activities</b>			
Investment in Cardew Design		(816)	-
Purchase of tangible fixed assets		(2,032)	(1,508)
Sale of tangible fixed assets		74	60
<b>Net cash outflow from investing activities</b>		<b>(2,774)</b>	<b>(1,448)</b>
<b>Net cash (outflow)/inflow before financing</b>		<b>(848)</b>	<b>839</b>
<b>Financing</b>			
Capital raised under Executive Share Option Scheme		-	75
Repayment of amounts borrowed		-	(801)
<b>Net cash outflow from financing</b>	21	<b>-</b>	<b>(726)</b>
<b>(Decrease)/increase in cash and cash equivalents</b>	22	<b>(848)</b>	<b>113</b>



# STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

For the year ended 31st December 1995

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	1995 £000's	1994 £000's
Profit for the financial year	3,616	3,163
Currency translation differences on foreign currency investments	(67)	(11)
<b>Total recognised gains and losses for the financial year</b>	<b>3,549</b>	<b>3,152</b>

## RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1995 £000's	1994 £000's
Profit for the financial year	3,616	3,163
Dividends	(1,193)	(1,032)
Currency translation differences on foreign currency investments	(67)	(11)
Shares issued under employee share schemes	—	75
<b>Net addition to shareholders' funds</b>	<b>2,356</b>	<b>2,195</b>
Opening shareholders' funds	17,012	14,817
<b>Closing shareholders' funds</b>	<b>19,368</b>	<b>17,012</b>



## NOTES TO THE ACCOUNTS

### 1. Segmental Analysis

The Directors are of the opinion that only one class of business is being undertaken, that of the manufacture and sale of pottery and associated products. The geographical analyses are as follows:

#### Turnover by destination

	1995 £000's	1994 £000's
United Kingdom	12,381	11,181
North America	13,246	11,751
Europe	2,762	2,810
Rest of the World	2,354	1,719
	<u>30,743</u>	<u>27,461</u>

#### Turnover by origin

	Total Sales £000's	1995 Inter- Segment Sales £000's	Sales to third parties £000's	Total Sales £000's	1994 Inter- Segment Sales £000's	Sales to third parties £000's
United Kingdom	23,680	(5,501)	18,179	21,980	(5,718)	16,262
North America	12,564	-	12,564	11,199	-	11,199
	<u>36,244</u>	<u>(5,501)</u>	<u>30,743</u>	<u>33,179</u>	<u>(5,718)</u>	<u>27,461</u>

#### Operating profit by origin

	1995 £000's	1994 £000's
United Kingdom	4,115	3,552
North America	948	902
Operating profit	<u>5,063</u>	<u>4,454</u>

#### Net assets by origin

	1995 £000's	1994 £000's
United Kingdom	14,378	13,813
North America	4,227	3,271
Operating net assets	<u>18,605</u>	<u>17,084</u>
Unallocated net assets/(liabilities)	<u>763</u>	<u>(72)</u>
Total net assets	<u>19,368</u>	<u>17,012</u>

Unallocated net assets/(liabilities) consist of interest bearing liabilities of £41,000 (1994 - £41,000), dividends payable of £884,000 (1994 - £774,000), investments in associated undertakings of £872,000 (1994 - £743,000) and investment in a partnership interest of £816,000 (1994 - £nil).



## NOTES TO THE ACCOUNTS

(continued)

### 2. Raw materials and operating costs

	1995 £000's	1994 £000's
Change in stocks of finished goods and work in progress	(515)	(1,041)
Raw materials and consumables	8,240	7,849
Other external charges	7,608	6,609
Staff costs (see note 3)	9,207	8,522
Depreciation of tangible fixed assets	1,140	1,068
	<u>25,680</u>	<u>23,007</u>

### 3. Staff numbers and costs

	1995 Number	1994 Number
<i>The average number of persons employed during the year, including Directors:</i>		
Operatives	476	468
Staff	160	156
	<u>636</u>	<u>624</u>
<i>Staff costs:</i>	£000's	£000's
Wages and salaries	7,893	7,433
Social security costs	596	570
Other pension costs	718	519
	<u>9,207</u>	<u>8,522</u>

Details of Directors' emoluments are given in the Report of the Remuneration Committee on pages 13 and 14.  
Details of Directors' current share options are given in note 18 on page 29.

### 4. Operating profit

	1995 £000's	1994 £000's
Operating profit is stated after charging:		
Research and development	106	188
Auditors' remuneration – audit	36	34
– other services	64	36
Operating lease rentals – plant and machinery	–	18
– other	299	271





## ===== NOTES TO THE ACCOUNTS =====

(continued)

### 4. Operating profit (continued)

Commitments in respect of non-cancellable operating leases falling due within the next twelve months are as follows:

	1995		1994	
	Land and buildings £000's	Other £000's	Land and buildings £000's	Other £000's
On leases expiring:				
Within one year	3	—	—	3
In two to five years	84	—	82	—
After five years	144	—	201	—
	<u>144</u>	<u>—</u>	<u>201</u>	<u>—</u>

### 5. Interest receivable and similar income

	1995 £000's	1994 £000's
Bank deposits	<u>129</u>	<u>116</u>

### 6. Interest payable and similar charges

	1995 £000's	1994 £000's
Bank loans, overdrafts and other loans repayable within five years	<u>6</u>	<u>36</u>

### 7. Taxation on profit on ordinary activities

	1995 £000's	1994 £000's
United Kingdom Corporation tax at 33%	1,389	1,210
Double taxation relief	(165)	(134)
Overseas taxation	410	364
Associated undertakings	82	71
Deferred taxation	74	60
	<u>1,790</u>	<u>1,571</u>



## NOTES TO THE ACCOUNTS

(continued)

### 8. Profit for the financial year

No profit and loss account is presented for the Parent Company as permitted by section 230 of Companies Act 1985. The consolidated profit of £3,616,000 (1994 – £3,163,000) includes £3,255,000 (1994 – £3,022,000) which is dealt with in the accounts of the Parent Company.

### 9. Dividends

	1995 £000's	1994 £000's
Interim paid	309	258
Final proposed	884	774
	<u>1,193</u>	<u>1,032</u>

### 10. Earnings per share

The earnings per share calculation is based on earnings of £3,616,000 (1994 – £3,163,000) and the weighted average number of Ordinary shares in issue during the year of 10,319,950 (1994 – 10,312,932).  
A fully diluted earnings per share is not provided as the dilution is not material.

### 11. Tangible fixed assets – Group

	Total £000's	Freehold £000's	Land and buildings Long Leasehold £000's	Short Leasehold £000's	Plant and vehicles £000's
<i>Cost</i>					
At 31st December 1994	13,822	4,394	161	355	8,912
Additions	2,032	790	–	7	1,235
Disposals	(163)	–	–	–	(163)
<b>At 31st December 1995</b>	<b><u>15,691</u></b>	<b><u>5,184</u></b>	<b><u>161</u></b>	<b><u>362</u></b>	<b><u>9,984</u></b>
<i>Depreciation</i>					
At 31st December 1994	5,251	601	25	64	4,561
Charge for year	1,140	80	3	18	1,039
On disposals	(98)	–	–	–	(98)
<b>At 31st December 1995</b>	<b><u>6,293</u></b>	<b><u>681</u></b>	<b><u>28</u></b>	<b><u>82</u></b>	<b><u>5,502</u></b>
<i>Net book value</i>					
<b>At 31st December 1995</b>	<b><u>9,398</u></b>	<b><u>4,503</u></b>	<b><u>133</u></b>	<b><u>280</u></b>	<b><u>4,482</u></b>
At 31st December 1994	8,571	3,793	136	291	4,351



## NOTES TO THE ACCOUNTS

(continued)

### 12. Investments

	1995 £000's	1994 £000's
<i>Group</i>		
Associated undertakings:		
The Furlong Mills Company Limited		
2,080 Ordinary shares of £1 each representing 27.58% of the issued share capital		
Share of net assets	451	412
Discount on acquisition	(13)	(13)
	<u>438</u>	<u>399</u>
Portmeirion Canada Inc.		
100 common shares representing 50% of the issued share capital		
Share of net assets	263	197
Portmeirion Australia Pty. Limited		
50 Ordinary shares representing 50% of the issued share capital		
Share of net assets	171	147
	<u>872</u>	<u>743</u>
Partnership:		
15% of equity in Cardew Design at cost	816	—
	<u>1,688</u>	<u>743</u>
<i>Company</i>		
Subsidiary undertakings:		
30,000 Ordinary shares of £1 each in Portmeirion Potteries Limited		
representing 100% of the issued share capital at cost	47	47
100 Ordinary shares of no par value in Naugatuck Triangle Corporation		
representing 100% of the issued share capital at cost	1,408	1,408
	<u>1,455</u>	<u>1,455</u>

At 31st December 1995 the Company had the following subsidiary and associated undertakings and partnership interest:

<i>Subsidiary undertakings</i>	<i>Country of operation</i>	<i>Nature of business</i>
Portmeirion Potteries Limited	Great Britain	Pottery manufacturer
Portmeirion Finance Limited	Great Britain	Group finance company
Portmeirion Enterprises Limited*	Great Britain	Intermediate holding company
The Lane Delph Pottery Limited*	Great Britain	Marketing and distribution of pottery and accessories
Portmeirion Cardew Limited*	Great Britain	Intermediate holding company
Naugatuck Triangle Corporation (USA)	USA	Marketing and distribution of pottery and accessories
S. P. Skinner Co., Inc. (USA)**	USA	Marketing and distribution of pottery and accessories
<i>Associated undertakings</i>		
Portmeirion Canada Inc. (Canada)	Canada	Marketing and distribution of pottery and accessories
The Furlong Mills Company Limited	Great Britain	Suppliers and millers of clay
Portmeirion Australia Pty. Limited (Australia)	Australia	Marketing and distribution of pottery and accessories
<i>Partnership interest</i>		
Cardew Design, Woodmanton Farm, Woodbury Nr. Exeter		Manufacture and marketing of collectable teapots

The companies are incorporated in Great Britain and registered in England and Wales except where stated.

The share capital of all subsidiary undertakings consists solely of Ordinary shares.

\* Wholly owned by Portmeirion Potteries Limited.

\*\* Wholly owned by Naugatuck Triangle Corporation.



# NOTES TO THE ACCOUNTS

(continued)

## 13. Stocks

	Group	
	1995 £000's	1994 £000's
Raw materials and other consumables	1,486	1,687
Work in progress	581	465
Finished goods	3,743	3,344
	<u>5,810</u>	<u>5,496</u>

## 14. Debtors

	Group	
	1995 £000's	1994 £000's
Due within one year:		
Trade debtors	5,131	4,149
Amounts owed by associated undertakings	396	311
Other debtors	88	97
Prepayments and accrued income	246	188
	<u>5,861</u>	<u>4,745</u>

## 15. Creditors: amounts falling due within one year

	Group		Company	
	1995 £000's	1994 £000's	1995 £000's	1994 £000's
4% Loan notes 1996	41	—	—	—
Trade creditors	2,657	2,757	—	—
Amounts owed to associated undertakings	—	6	—	—
Amounts owed to subsidiary undertakings	—	—	362	—
Corporation tax	1,276	1,183	358	260
Other taxation and social security	301	458	6	6
Dividend payable	884	774	884	774
Other creditors	74	6	—	—
Accruals	37	47	—	—
	<u>5,270</u>	<u>5,231</u>	<u>1,610</u>	<u>1,040</u>

The 4% loan notes are redeemable on 29th October 1996 or at the Company's option at three months' notice.

## 16. Creditors: amounts falling due after more than one year

	Group	
	1995 £000's	1994 £000's
4% Loan notes 1996	—	41



# NOTES TO THE ACCOUNTS

(continued)

## 17. Provisions for liabilities and charges

	1995		1994	
	Full potential liability £000's	Provided in the accounts £000's	Full potential liability £000's	Provided in the accounts £000's
Deferred taxation:				
Accelerated capital allowances	708	—	683	116
Short term timing differences	70	181	84	(8)
	<u>778</u>	<u>181</u>	<u>767</u>	<u>108</u>
Less advance corporation tax recoverable	(221)	(181)	(194)	(108)
	<u>557</u>	<u>—</u>	<u>573</u>	<u>—</u>

No provision is required for deferred taxation in the accounts of the Parent Company (1994 – £nil).

The above figures exclude taxation payable in the event of profits of overseas subsidiary undertakings being distributed.

## 18. Share capital

	1995		1994	
	Number 000's	£000's	Number 000's	£000's
Authorised share capital;				
Ordinary shares of 5p each	15,000	750	15,000	750
Allotted, called up and fully paid share capital:				
Ordinary shares of 5p each	10,320	516	10,320	516

The market price of the Company's shares at 31st December 1995 was 525p per share. During the year the price ranged between 408p and 530p per share.

No Ordinary shares of 5p were allotted during the year ended 31st December 1995.

On 8th September 1995 options to acquire 12,700 Ordinary shares of 5p each in the Company were granted to employees under the 1988 Executive Share Option Scheme.

Options granted to Directors and employees to acquire Ordinary shares of 5p each in the Company and still outstanding at 31st December 1995 were as follows:

	Number of shares	Option price per share	Dates on which exercisable	
			Earliest	Latest
The 1986 Executive Share Option Scheme	1,440	54p	21.12.1990	21.12.1997
The 1988 Executive Share Option Scheme	77,320	373p	28.4.1996	28.4.1997
The 1988 Executive Share Option Scheme	73,460	525p	26.4.1997	26.4.1998
The 1988 Executive Share Option Scheme	12,700	525p	8.9.1998	8.9.1999

Included in the above B. W. J. Phillips and P. J. White each hold options to acquire 1,900 shares in the Company at a price of 373p per share. M-L. Hughes and B. W. J. Phillips hold options to acquire 50,000 and 20,000 shares respectively at a price of 525p per share.



## NOTES TO THE ACCOUNTS

(continued)

### 19. Share premium account and reserves

	Share premium account £000's	Profit and loss account £000's
<i>Group</i>		
As at 31st December 1994	4,286	12,210
Retained profit for the year	–	2,423
Exchange adjustment	–	(67)
	<u>4,286</u>	<u>14,566</u>
<b>As at 31st December 1995</b>	<b><u>4,286</u></b>	<b><u>14,566</u></b>

The cumulative amount of goodwill written off at 31st December 1995 was £515,000 (1994 – £515,000).

The balance carried forward on the profit and loss account of £14,566,000 (1994 – £12,210,000) includes the Group's share of associated undertakings' post acquisition reserves of £797,000 (1994 – £668,000).

	Other reserves £000's	Share premium account £000's	Profit and loss account £000's
<i>Company</i>			
As at 31st December 1994	197	4,286	6,778
Profit for the financial year	–	–	3,255
Dividends paid and proposed	–	–	(1,193)
	<u>197</u>	<u>4,286</u>	<u>8,840</u>
<b>As at 31st December 1995</b>	<b><u>197</u></b>	<b><u>4,286</u></b>	<b><u>8,840</u></b>

### 20. Reconciliation of operating profit to net cash inflow from operating activities

	1995 £000's	1994 £000's
Operating profit	5,063	4,454
Depreciation	1,140	1,068
Exchange loss	(67)	–
(Profit)/loss on sale of tangible fixed assets	(9)	31
Increase in stocks	(314)	(1,192)
(Increase)/decrease in debtors	(1,155)	65
(Decrease)/increase in creditors	(206)	145
	<u>4,452</u>	<u>4,571</u>
<b>Net cash inflow from operating activities</b>	<b><u>4,452</u></b>	<b><u>4,571</u></b>



## NOTES TO THE ACCOUNTS

(continued)

### 21. Analysis of changes in financing during the year

	1995			1994		
	Share capital & premium £000's	Bank loans & loan notes £000's	Total £000's	Share capital & premium £000's	Bank loans & loan notes £000's	Total £000's
Balance at 1st January	4,802	41	4,843	4,727	842	5,569
Net cash inflow/(outflow) from financing	—	—	—	75	(801)	(726)
Balance at 31st December	4,802	41	4,843	4,802	41	4,843

### 22. Analysis of changes in cash and cash equivalents during the year

	1995 £000's	1994 £000's
Balance at 1st January	2,729	2,616
Net cash (outflow)/inflow	(848)	113
Balance at 31st December	1,881	2,729

### 23. Analysis of the balances of cash and cash equivalents as shown in the balance sheet

	1995 £000's	1994 £000's	1993 £000's	Change in 1995 £000's	Change in 1994 £000's
Cash at bank and in hand	1,881	2,729	2,616	(848)	113

### 24. Capital commitments

	Group	
	1995 £000's	1994 £000's
Contracted for	271	388
Authorised but not contracted for	—	—

### 25. Contingent liabilities

The Company has given unlimited guarantees to Midland Bank plc and Singer & Friedlander Limited in respect of the bank borrowings of Portmeirion Potteries Limited and Portmeirion Finance Limited.

At 31st December 1995 the gross bank borrowings of Portmeirion Potteries Limited and Portmeirion Finance Limited amounted to £nil (1994-£nil).

In 1994 Portmeirion Potteries Limited gave a guarantee on behalf of Portmeirion Canada Inc. for a bank overdraft of £228,000. During 1995 this guarantee was cancelled.



## ===== NOTES TO THE ACCOUNTS =====

(continued)

### 26. Pensions

The Group operates a funded, defined benefit scheme in the UK. The assets of the scheme are held in a separate trustee administered fund.

Pension costs are determined on the advice of an independent, qualified actuary on the basis of triennial valuations using the projected unit credit method. The most recent valuation was at 6th April 1993. The main actuarial assumptions used in the valuation were that the valuation rate of interest will be 8.5% per annum, that salaries will grow at 7% per annum and that pensions in payment will increase at 5% per annum on benefits in excess of the guaranteed minimum pension plus 3% per annum on the guaranteed minimum pension earned in respect of service after 6th April 1988.

At the date of the last valuation the market value of the scheme assets was £3,505,000. The level of funding on an ongoing basis was 86%.

The scheme had a deficiency of £255,700 at the date of the last valuation. The valuation identified that a contribution rate of 17.0% of total pensionable salaries would spread the deficiency over the remaining service lives of the current scheme members. Following a review of the 1994 membership levels, and acting on the advice of the actuary to the scheme, the contribution rate was increased to 17.2% at 6th April 1994.

The total contributions paid have been charged in the accounts to reflect the appropriate level of charge under the Group's accounting policies.

In the United States there was a provision for payments into the money purchase scheme of £67,000 (1994 – £67,000) at 31st December 1995.





## FIVE YEAR SUMMARY

### CONSOLIDATED PROFIT AND LOSS ACCOUNTS

Years ended 31st December

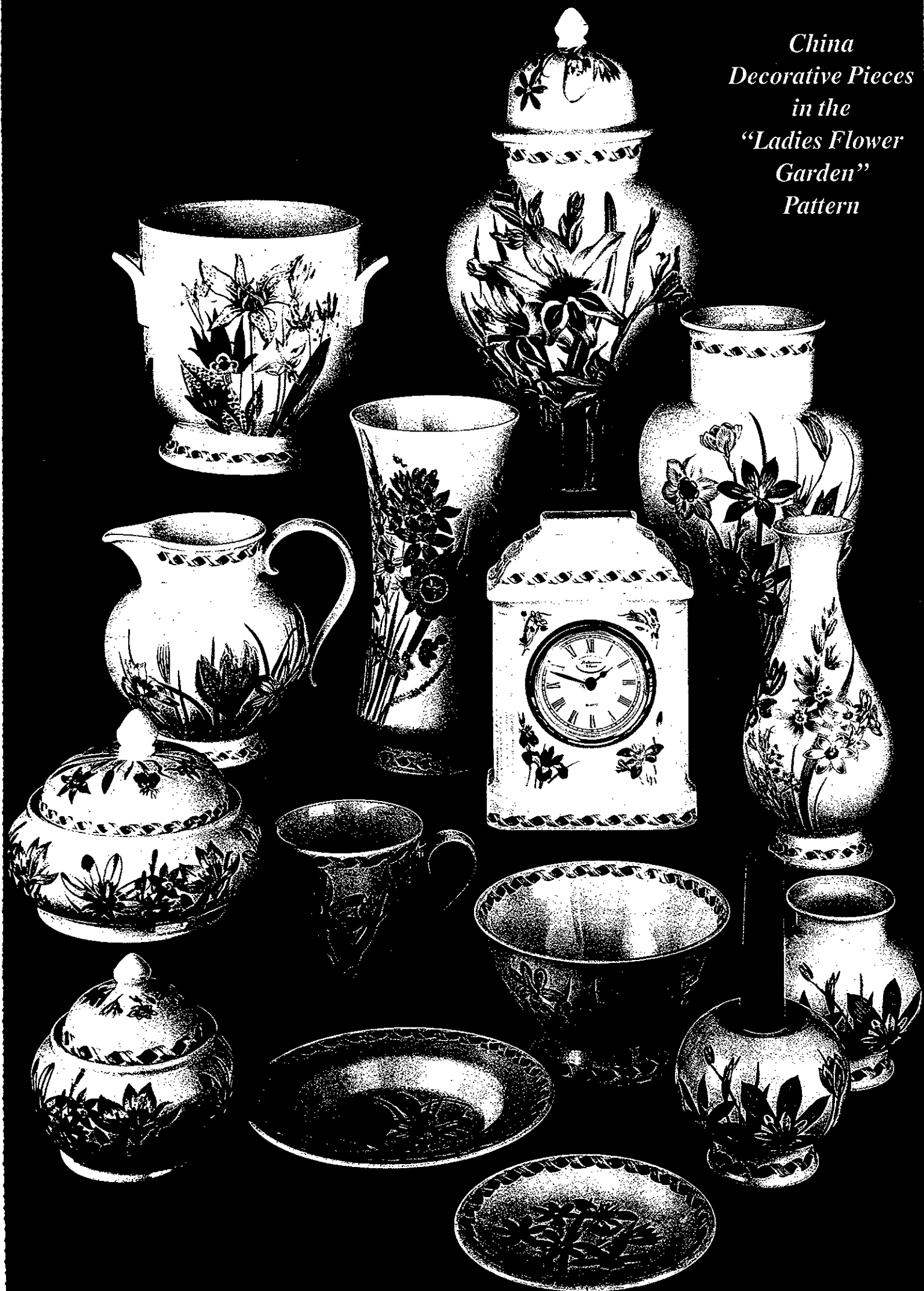
	1991 £000's	1992 £000's	1993 £000's	1994 £000's	1995 £000's
<b>Turnover</b>	<u>20,388</u>	<u>22,476</u>	<u>24,633</u>	<u>27,461</u>	<u>30,743</u>
<b>Profit on ordinary activities before taxation</b>	2,608	3,665	4,179	4,734	5,406
Taxation	<u>(968)</u>	<u>(1,407)</u>	<u>(1,278)</u>	<u>(1,571)</u>	<u>(1,790)</u>
<b>Profit on ordinary activities after taxation</b>	1,640	2,258	2,901	3,163	3,616
Dividends	<u>(725)</u>	<u>(783)</u>	<u>(927)</u>	<u>(1,032)</u>	<u>(1,193)</u>
<b>Retained Profits</b>	<u>915</u>	<u>1,475</u>	<u>1,974</u>	<u>2,131</u>	<u>2,423</u>
<b>Earnings per share</b>	<u>16.68p</u>	<u>22.67p</u>	<u>28.42p</u>	<u>30.67p</u>	<u>35.04p</u>

### CONSOLIDATED BALANCE SHEETS

At 31st December

	1991 £000's	1992 £000's	1993 £000's	1994 £000's	1995 £000's
<b>Capital employed</b>					
Fixed assets	8,026	8,839	8,858	9,314	11,086
Net current assets	3,525	4,953	6,801	7,739	8,282
Creditors due after more than one year and deferred taxation	<u>(665)</u>	<u>(1,272)</u>	<u>(842)</u>	<u>(41)</u>	<u>-</u>
	<u>10,886</u>	<u>12,520</u>	<u>14,817</u>	<u>17,012</u>	<u>19,368</u>
<b>Financed by</b>					
Called up share capital	492	506	514	516	516
Share premium account and reserves	<u>10,394</u>	<u>12,014</u>	<u>14,303</u>	<u>16,496</u>	<u>18,852</u>
	<u>10,886</u>	<u>12,520</u>	<u>14,817</u>	<u>17,012</u>	<u>19,368</u>

*China  
Decorative Pieces  
in the  
"Ladies Flower  
Garden"  
Pattern*





## ===== NOTICE OF MEETING =====

Notice is hereby given that the Annual General Meeting of the Company will be held at the registered office of the Company at London Road, Stoke-on-Trent, on Thursday, 30th May 1996 at 2.30 p.m. for the following purposes:

**As ordinary business:**

1. To receive, approve and adopt the report of the Directors and the audited accounts for the year ended 31st December 1995.
2. To declare a final dividend of 8.5p per share payable on 6th June 1996 to shareholders on the register at the close of business on 21st May 1996.
3. (a) To re-elect as a Director Mr. K. Farhadi who retires by rotation.  
(b) To re-elect as a Director Ms. S. C. Williams-Ellis who retires by rotation.
4. Special Notice having been received by the Company, to appoint Deloitte & Touche as auditors of the Company and authorise the Directors to fix their remuneration, following KPMG's notification that they do not wish to seek re-appointment as auditors.

**As special business:** to consider and if thought fit pass the following special resolution:

5. That the Directors be hereby empowered to make allotments of equity securities pursuant to the authority conferred on them by a resolution of the shareholders passed on 31st May 1995 as if sub-section (1) of Section 89 of the Companies Act 1985 did not apply to any such allotment, provided that this power be limited:
  - (a) to the allotment of equity securities in connection with an issue in favour of Ordinary shareholders where equity securities respectively attributable to the interests of the Ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of Ordinary shares held by them, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with legal or practical problems in respect of overseas shareholders, fractional entitlements or otherwise; and
  - (b) to the allotment of equity securities pursuant to the terms of any share scheme for employees approved by the members in General Meeting; and
  - (c) to the allotment otherwise than pursuant to sub-paragraphs (a) or (b) above of equity securities up to an aggregate of 515,000 Ordinary shares of 5p each being approximately 5 per cent of the Company's issued share capital;

and that this power shall expire at the Annual General Meeting of the Company to be held in 1997 save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may, notwithstanding such expiry, allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

By order of the Board

E. R. Cook  
Secretary

26th April 1996



## ===== NOTICE OF MEETING =====

(continued)

### Notes:

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint one or more proxies to attend and vote on his behalf. A proxy need not be a member of the Company. To be valid the form of proxy should reach the offices of the Company's registrars at least forty-eight hours before the time appointed for holding the meeting. Appointment of a proxy will not prevent members from attending this meeting and voting in person.
2. The following documents will be available for inspection at the registered office of the Company during usual business hours from the date of this notice until the date of the meeting, and at the place of the meeting from 15 minutes prior to and during the meeting:
  - (a) A statement for the year ended 31st December 1995 of the transactions of each Director of the Company and his family in the shares of the Company.
  - (b) Copies of the Directors' service contracts with the Company.
3. With reference to special business, item 5:
  - (a) it is not the present intention of the Directors to exercise the authority to allot except in relation to the allotment of shares under the share option schemes;
  - (b) if the authority to allot is approved, any new securities subsequently allotted would rank pari passu with existing Ordinary shares of the Company, as regards dividend, interest and all other matters. The date of issue of such shares and the date on which dealings in the shares would commence depend upon the actions of the individuals in whose favour the share options are granted.