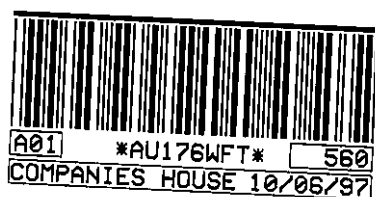




Portmeirion Potteries (Holdings) PLC

REPORT & ACCOUNTS

31st December 1996





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Registered Number 124842





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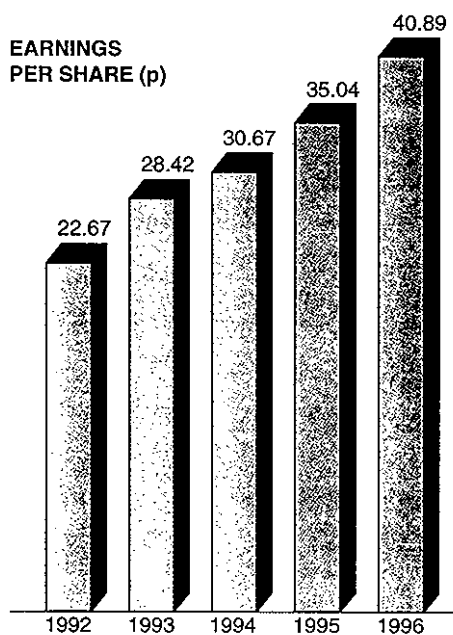
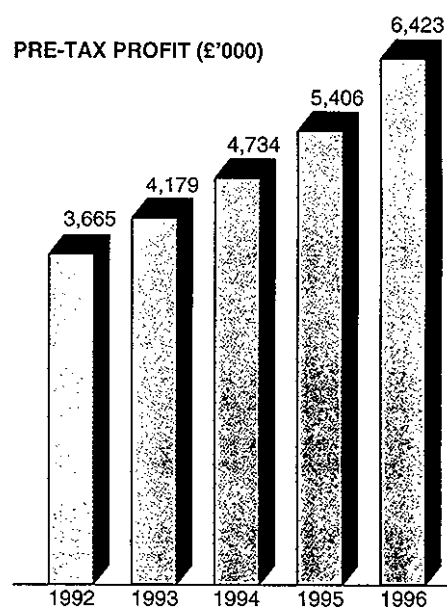
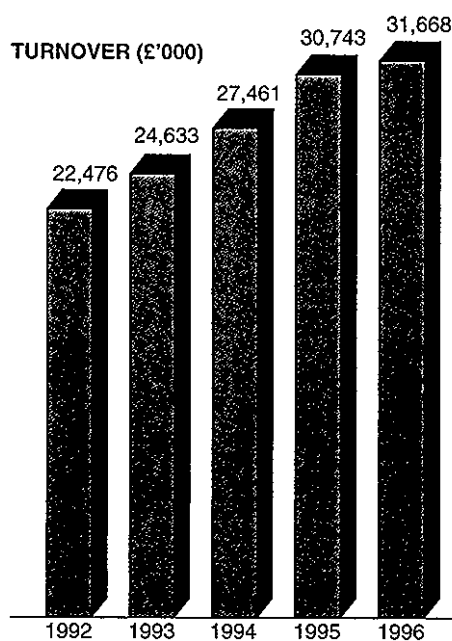
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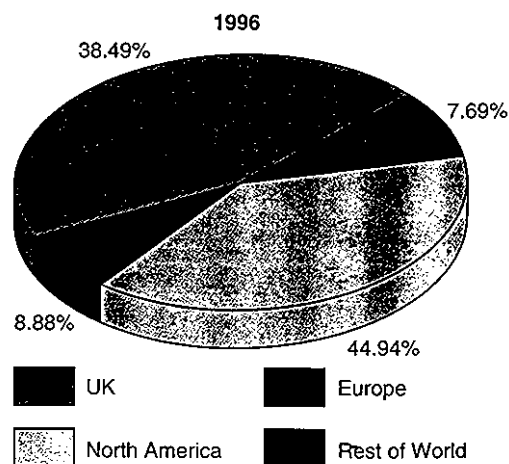


FINANCIAL HIGHLIGHTS

	1996	1995	Increase
	£000's	£000's	
Turnover	31,668	30,743	3.0%
Pre-tax profit	6,423	5,406	18.8%
Earnings per share – Basic	40.89p	35.04p	16.7%
Dividends per share	13.25p	11.50p	15.2%



GEOGRAPHICAL ANALYSIS – TURNOVER





(Chairman)
(Deputy Chairman)
(Chief Executive)
(Non-executive Director)
(Design Director)
(Operations Director)
(Sales Director)
(Finance Director)
(Non-executive Director)
(Non-executive Director)
(Development Director)
(Technical Director)

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CHAIRMAN'S STATEMENT

1996 Financial Results

I am pleased to report a record level of profit before tax in 1996 of £6.4 million (£5.4 million), which exceeded our own forecasts, and represents an increase of 18.8%. Pre-tax return on sales improved yet again to 20.3% (17.6%). Turnover was up by only 3.0% to £31.7 million (£30.7 million). Our U.K. sales were static, but export sales increased by 6.1%. Thanks to improved efficiency, earnings per share grew by 16.7% to 40.89p (35.04p). A final dividend of 9.95p (8.5p) is recommended by the Board, making an annual total of 13.25p (11.5p). This is an increase of 15.2% on 1995.

Financial Review

The balance sheet is very strong. The cash balance after 1996 capital expenditure of £1.8 million has risen to just over £5 million. We expect to fund planned capital expenditure without significant borrowing.

Our policy is to hedge against our major short term foreign currency risk; 60% of our expected U.S. dollar receipts for 1997 are covered.

Investment

Of the total capital spend, one million pounds was focused on manufacturing investment to increase quality whilst reducing costs and leadtime. Developments associated with improvements at our main factory site and work done in preparation for our proposed manufacturing extension and Visitors Centre accounted for £400,000. In our U.S. operation the planned physical extension of our warehouse in Connecticut cost nearly £300,000. It will enable us to offer a far more efficient service.

The performance of Cardew Design, in which we acquired a 15% interest in 1995, has not produced the expected benefits. However, we continue to work confidently with our partners.

People

The improvement in profit margin is an important achievement. It reflects the benefits of earlier years' capital expenditure, but in addition it is the result of a continuing drive to improve efficiency and to get all levels of the Group working together in close co-operation. Credit for this achievement goes to the whole team – management and workforce.



Members of our American sales force visiting the Group showroom in June 1996.



CHAIRMAN'S STATEMENT

Visits from our overseas sales teams continued when ten of our U.S. Sales Representatives spent a week with us in June 1996. Such visits bring mutual benefits.

Regular team briefing and the Chief Executive's annual presentation on the business to all employees (initiated two years ago) are key elements of our determination to involve everyone. This is underlined by the introduction of a profit related pay scheme in the U.K. This scheme contains no element of 'salary sacrifice', but allows employees to share in the Company's profits.

Health, safety and security have been given greater emphasis with active participation at all levels, including the Board.

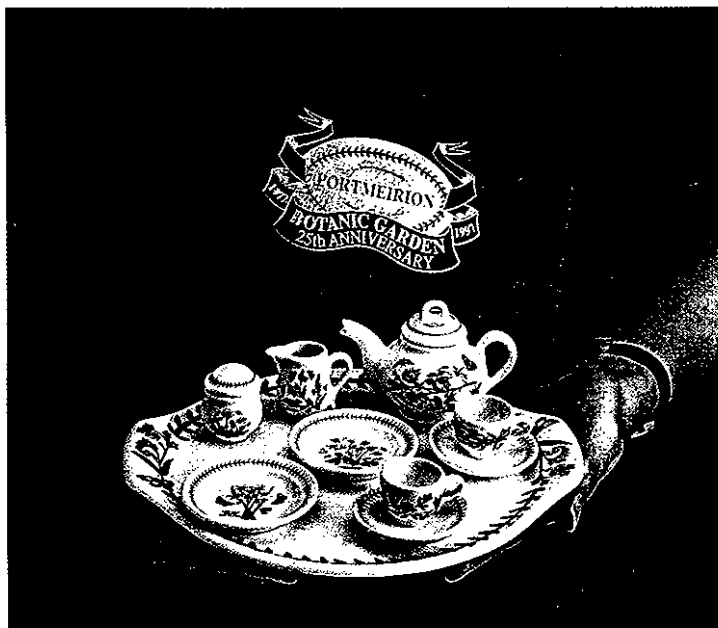
I am delighted to welcome two Executive Directors to the Board: Julian Teed, who has already contributed greatly to our product development and design success, as Development Director; and Alan Miles, who brings with him a wealth of experience of ceramic tableware, as Sales Director. I welcome the appointment of Arthur Ralley who brings to the Board his retailing background and experience, as a Non-executive Director.

Future

In 1996 we announced our intention to build a manufacturing extension at our Stoke-on-Trent factory. Planning permission was granted towards the end of the year and work on this project and our Visitors Centre development should begin in mid 1997. This will take some three years to complete at a total cost of approximately £8 million.

This new facility will enable us to produce with greater efficiency the increased output to meet the demand we expect as a result of our new design, product development and marketing plans.

Growth prospects are becoming increasingly apparent with the injection of new people and perspectives into our sales function. In 1997, the year when we celebrate the 25th anniversary of our major pattern, Botanic Garden, we look forward, with enthusiasm, to seizing the opportunities we see ahead.



Special 25th Anniversary Mini Tea Set and Tray.

Euan Cooper-Willis
Chairman



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

Introduction

1996 proved to be a year of challenge and achievement. Throughout last year, against a background of static markets and resistance to price increases, it was vital that we tightened still further our grip on costs. This we did and reduced operating costs by some 2% after allowing for inflation.

Trading Performance

The difficult trading of early last year, referred to in the 1995 annual report, continued in a number of markets throughout 1996, and particularly in the U.K. Further, with 60% of group sales being achieved overseas, the strength of sterling did not help, particularly in Continental Europe where only Belgium, Denmark, Greece and Spain saw significant sales growth.

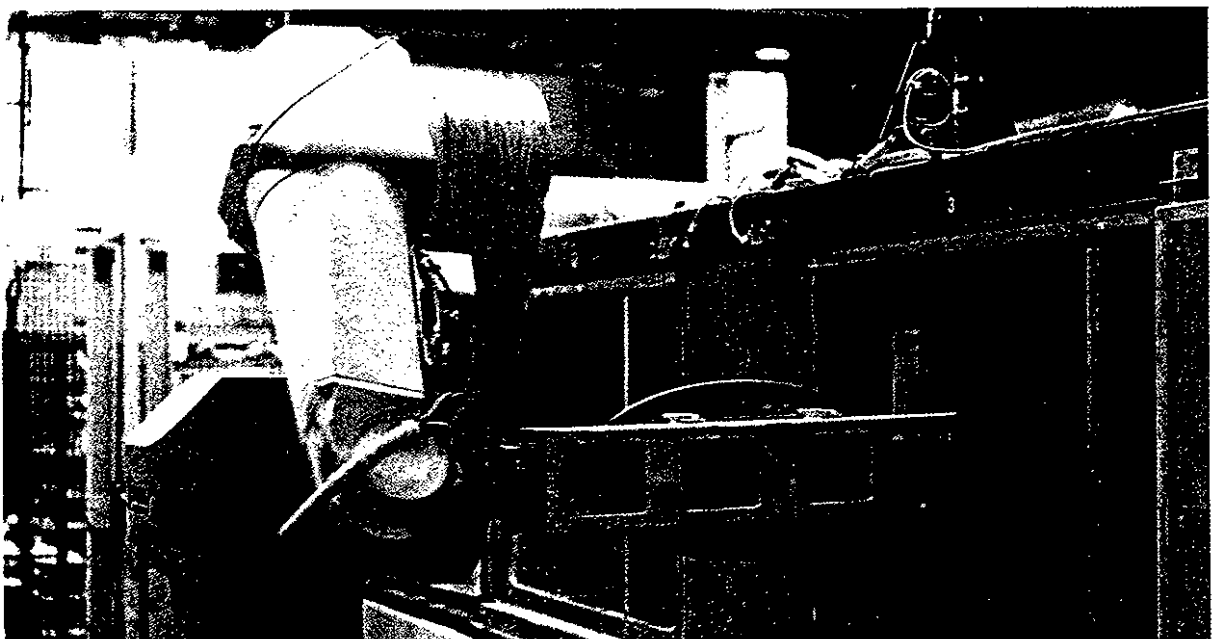
A thorough review of our U.K. sales operations has been carried out which incorporates the introduction of a new approach to merchandising that has already been well received in the market. Encouragingly, some new export opportunities were successfully identified.

Portmeirion U.S.A. once again put in a good performance, lifting their U.S. dollar sales by 11.5%. Sales of Portmeirion product by our Australian associate increased by 15.5% and by our Canadian associate were up on their previous year by 15.4%.

Despatches to the Far East grew by some 30% in 1996 with the market for our products being particularly buoyant in Korea with Japan showing encouraging growth.

Pattern Performance

Pomona, our fruit pattern launched in 1982, now accounts for approximately 20% of total sales: a significant increase compared with only a couple of years ago. It gained 9% in 1996, the largest percentage increase of our major patterns. Newly introduced products have benefited from Pomona's strong, vibrant colours and bold decoration. Birds of Britain, a minor pattern for a number of years, had its border decoration redesigned and nearly doubled its proportion of total sales in 1996.



Pressure casting robot arm at work.



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

Botanic Garden increased its annual sales as usual, maintaining its proportion of global sales at about 60%. New products are being introduced into this range during 1997 and in addition some commemorative pieces are available to celebrate the 25th Anniversary of this remarkable pattern. Botanic Garden has evolved continuously. New motifs regularly replace old ones and new items are added to its very wide range. This adds to its appeal and excitement and we believe the pattern has at least another 25 years of extraordinary potential.

Sales of Portmeirion China, still only available in a limited number of markets, grew in 1996. Two of the four initial patterns are proving to be particularly popular, Welsh Wild Flowers and Ladies Flower Garden.

An exciting newcomer, The Holly and The Ivy, achieved U.S. retail sales of an astonishing \$2 million in 1996, its first full year. New items are being added to the core range of tableware and serving pieces and the outlook is most encouraging.

Following the success of The Holly and The Ivy Christmas pattern, two other speciality decorations have been added. During the second half of 1996 Victorian Cook's Collection was launched: a range of oven-to-table and kitchen accessory pieces aimed at the would-be gourmet cook. The enthusiasm for this pattern, based on illustrations from Victorian cookbooks, has been considerable. Early in 1997 Portmeirion has launched its first children's tableware range, The Enchanted Garden. With its detailed illustrations of fairies and goblins at play it has stimulated considerable interest.

Innovation

Portmeirion's enviable record for innovation in design is complemented by a reputation for innovation in the systems and technology of high quality ceramic manufacture. Development of our pressure casting unit, specially designed for the manufacture of cookware items, has progressed very successfully with the introduction of an impressive robot to handle the wide variety of shapes being produced. This technology has provided a better quality product in terms of aesthetics and performance. It has shortened lead times and reduced costs. Demand for product manufactured by this method has risen significantly.



The Holly & The Ivy Soup Tureen with Ladle.

Work has begun to identify alternatives to some of the current raw materials, supplies of which are finite. Similarly, novel thinking is being applied to the reclamation and treatment of manufacturing waste and by-products.

Conclusion

The constructive response of our employees to the changes throughout 1996 has been very encouraging and has ensured that at year end the business is stronger, fitter and clearer in its focus. Very many individuals throughout the business, both in the U.K. and abroad, deserve sincere thanks and recognition for their contribution. The momentum must be maintained in 1997 and early signs are promising.

Mary-Lorraine Hughes
Chief Executive





REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their report together with the audited financial statements of the Company and its subsidiary undertakings for the year ended 31st December 1996.

Principal activity

The Group manufactures and sells pottery and markets associated products.

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 Chief Executive's Review on pages 4 and 6.

Results

The results for the year are set out on page 18. The profit for the year added to reserves amounted to £2,824,000 (1995 - £2,423,000).

Dividend

On 4th October 1996 an interim dividend of 3.3p (1995 - 3.0p) per share was paid on the Ordinary share capital. The Directors recommend that a final dividend of 9.95p per share be paid (1995 - 8.5p), making a total for the year of 13.25p (1995 - 11.5p) per share. The final dividend will be paid, subject to shareholders' approval, on 5th June 1997, to shareholders on the register at the close of business on 23rd May 1997.

Fixed assets

Details of movements in fixed assets are given in notes 11 and 12 on pages 28 and 29.

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 1996			As at 31st December 1995 or at date of appointment		
	5p Ordinary shares			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	—	—	5,975	—	—
C. A. Cooper-Willis	420,000	—	—	420,000	—	—
K. Farhadi	1,516,630	—	—	1,511,040	—	—
A. M. Miles (appointed 14th August 1996)	—	—	—	—	—	—
B. W. J. Phillips	555	—	21,900	555	—	21,900
A. J. Philpott	4,000	—	—	4,000	—	—
A. W. Ralley (appointed 1st November 1996)	—	—	—	—	—	—
J. R. T. Teed (appointed 1st July 1996)	1,105	—	1,380	1,105	—	1,380
P. J. White	15,250	—	—	17,250	—	1,900

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.

On 9th December 1996 P. J. White exercised a share option to acquire 1,900 Ordinary shares in the Company at a price of 373p per share. The market price on that date was 532.5p per share. No other share options have been exercised by Directors during the year.

On 21st January 1997 E. S. Cooper-Willis and S. C. Williams-Ellis each sold 1,000 Ordinary shares in the Company at a price of 520p per share.

There has been no other change in the interests of the Directors during the period from 1st January 1997 to 26th March 1997.

Details of transactions with Directors and other related parties are to be found in Note 24 on page 34.



REPORT OF THE DIRECTORS

(continued)

Directors proposed for re-election

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

E. S. Cooper-Willis

A. J. Philpott

P. J. White

The following Directors who were appointed since the last Annual General Meeting retire in accordance with the Articles of Association and, being eligible, offer themselves for re-election:

A. M. Miles

A. W. Ralley

J. R. T. Teed

The service contracts of A. M. Miles and J. R. T. Teed are currently being drafted but will be in all material respects similar to those of the other Executive Directors. The employment of A. M. Miles may be terminated on completion of six months' notice prior to 1st July 1997 and two years' notice after that date. The service contracts of all other Executive Directors expire on the completion of two years' notice. D. A. H. Baer has a fixed term contract which expires at the Annual General Meeting in 1998, A. W. Ralley and A. J. Philpott have three year contracts which expire on 1st November 1999 and 11th February 2000 respectively.

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.

A. W. Ralley

A. W. Ralley is a Director of Frame Express, a former Director of Mothercare, part of the Storehouse Group, and held the position of Buying Director within the Littlewoods Organisation.

Employee 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 1996, to complement these discussions, the Company has continued communicating information from Board level to all employees on a monthly basis via a programme of team briefing.

Share option and profit related pay schemes are 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 all efforts are made 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 26th March 1997:

	Number of shares	Percentage
Saffery Champness Trust Corporation	1,345,317	12.97%
Prudential Client (MSS) Nominees a/c PAC	394,000	3.80%
Clydesdale Bank (HO) Nominees Ltd a/c MGC	390,000	3.76%
Rysaffe Trustee Corporation (C.I.) Limited	325,167	3.13%

Saffery Champness Trust Corporation have notified the Company of their non-beneficial interest in 325,167 shares, these being the shares in which Rysaffe Trustee Corporation (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.



REPORT OF THE DIRECTORS

(continued)

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 to allot shares 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). This authority 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, the allotment of Ordinary shares pursuant to the terms of the employee share schemes and of up to £25,937 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.

Share option schemes

The Directors are proposing that the Company adopt two share option schemes more particularly described in the circular to shareholders dated 25th April 1997 and accompanying these accounts. Shareholders' approval is required for their adoption.

Creditor payment policy

Payment terms are agreed with each of the Company's major suppliers. The Company abides by these terms provided that the supplier also complies with them. The policy for other suppliers is generally to make payment by the end of the month following receipt of a valid invoice. All payment terms are stated at the time orders are placed.

Charitable and political contributions

Contributions to various charities in the form of goods during the year amounted to £9,383 (1995 – £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

Deloitte & Touche were appointed auditors following the resignation of KPMG at the 1996 Annual General Meeting. A resolution for their re-appointment as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board

E. R. Cook
Secretary

26th March 1997



===== CORPORATE GOVERNANCE STATEMENT =====

The Board of Directors

The Board of Directors, now comprising nine Executives and three 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 ("the Code").

Compliance with the Code of Best Practice

For the year ended 31st December 1996 the Company did not comply with paragraph 4.3 of the Code prior to the appointment of a third Non-executive Director. From 1st November 1996 the requirements of the Code have been met in full. 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.

Board Committees

The Audit Committee was established 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 on page 13.

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.

Going concern

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 financial statements continue to be prepared on a going concern basis.

Internal financial control

The Directors are responsible for the Group's system of internal financial control. Such a system has been established to:

- safeguard the assets against unauthorised use or disposition;
- maintain proper accounting records and ensure the reliability of financial information used within the business or for publication.

Any such systems can provide only reasonable and not absolute assurance against material misstatement or loss. The key procedures of the system of internal financial control are:

Control environment – the Directors have established an organisational structure with clearly defined lines of responsibility 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 system of financial reporting incorporates 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 review and the Audit Committee.

The Directors confirm that they have reviewed the effectiveness of the Group's system of internal financial control for the year to 31st December 1996 and to the date of these financial statements.



REPORT OF THE REMUNERATION COMMITTEE

Remuneration Committee

The Remuneration Committee comprises the Non-executive Directors, the Chairman of the Board and the Chief Executive. Except as regard its composition, the Remuneration Committee has complied throughout the year with the requirements of Section A of the best practice provisions annexed to the Listing Rules regarding remuneration committees. The Remuneration Committee believes that the presence of the Chairman and the Chief Executive is important in determining remuneration of the other Executive Directors. The Chairman and Chief Executive do not participate in discussions nor vote on matters relating to their personal remuneration. In framing its policy the Remuneration Committee has given full consideration to Section B of the best practice provisions annexed to the Listing Rules regarding remuneration policy, service contracts and compensation.

General

The remuneration and emoluments of Executive Directors are determined by the Remuneration Committee. 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 and contract terms of the Executive Directors are 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 £	1996 Total £	1995 Total £
<i>Executive</i>					
E. S. Cooper-Willis	58,762	11,951	11,556	82,269	71,541
S. C. Williams-Ellis	58,762	—	11,556	70,318	64,338
M-L. Hughes	87,975	6,933	17,301	112,209	103,309
C. A. Cooper-Willis	56,925	6,661	11,195	74,781	67,912
K. Farhadi	70,463	7,128	13,858	91,449	81,302
A. M. Miles (1)	22,951	1,598	—	24,549	—
B. W. J. Phillips	69,000	6,684	13,570	89,254	80,783
J. R. T. Teed (2)	23,880	2,323	4,696	30,899	—
P. J. White	59,254	6,114	11,653	77,021	71,181
<i>Non-executive</i>					
D. A. H. Baer	8,500	—	—	8,500	7,500
A. J. Philpott	8,500	—	—	8,500	7,500
A. W. Ralley (3)	1,417	—	—	1,417	—
Total				671,166	555,366

Notes

(1) The 1996 total for A. M. Miles is for the period from 14th August 1996.

(2) The 1996 total for J. R. T. Teed is for the period from 1st July 1996.

(3) The 1996 total for A. W. Ralley is for the period from 1st November 1996.

(4) The 1995 total, inclusive of the Directors resigning in that year, was £662,762.

The benefits shown above arise from the provision of company cars and private medical insurance.

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.



STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the Directors to prepare financial statements 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 financial statements, 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 financial statements;
- prepare the financial statements 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 financial statements 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 financial statements on pages 18 to 35 which have been prepared under the accounting policies set out on pages 23 and 24 and the detailed information disclosed in respect of any Directors' remuneration set out in the report of the Remuneration Committee on pages 13 and 14.

Respective responsibilities of Directors and Auditors

As described on page 16 the Company's Directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements 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 financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, 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 financial statements 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 financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31st December 1996 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche
Chartered Accountants and Registered Auditors
Birmingham

26th March 1997



===== CONSOLIDATED PROFIT AND LOSS ACCOUNT =====

For the year ended 31st December 1996

	Notes	1996 £000's	1995 £000's
Turnover – continuing operations	1	31,668	30,743
Raw materials and operating costs	2	<u>(25,702)</u>	<u>(25,680)</u>
Operating profit – continuing operations	4	5,966	5,063
Share of profit of associated undertakings		255	220
Interest receivable and similar income	5	203	129
Interest payable and similar charges	6	<u>(1)</u>	<u>(6)</u>
Profit on ordinary activities before taxation		6,423	5,406
Taxation on profit on ordinary activities	7	<u>(2,192)</u>	<u>(1,790)</u>
Profit on ordinary activities after taxation being the profit for the financial year	8	4,231	3,616
Dividends	9	<u>(1,407)</u>	<u>(1,193)</u>
Retained profit for the financial year	18	<u><u>2,824</u></u>	<u><u>2,423</u></u>
Earnings per share	10	<u><u>40.89p</u></u>	<u><u>35.04p</u></u>
Dividends per share	9	<u><u>13.25p</u></u>	<u><u>11.50p</u></u>

Movements on reserves during the year are shown in note 18 on page 32.



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

As at 31st December 1996

	Notes	1996 £000's	1995 £000's
Fixed assets			
Tangible assets	11	9,820	9,398
Investments	12	1,823	1,688
		<u>11,643</u>	<u>11,086</u>
Current assets			
Stocks	13	6,202	5,810
Debtors	14	6,415	5,861
Cash at bank and in hand		5,043	1,881
		<u>17,660</u>	<u>13,552</u>
Creditors: amounts falling due within one year	15	<u>(7,065)</u>	<u>(5,270)</u>
Net current assets		<u>10,595</u>	<u>8,282</u>
Net assets		<u>22,238</u>	<u>19,368</u>
Capital and reserves			
Called up share capital	17	518	516
Share premium account	18	4,457	4,286
Profit and loss account	18	17,263	14,566
Equity shareholders' funds		<u>22,238</u>	<u>19,368</u>

These financial statements were approved by the
Board of Directors on 26th March 1997
and signed on its behalf by:

M-L. Hughes

B. W. J. Phillips

} Directors



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

As at 31st December 1996

	Notes	1996		1995	
		£000's	£000's	£000's	£000's
Fixed assets					
Investment in subsidiary undertakings	12		1,455		1,455
Current assets					
Debtors – loans owed by subsidiary undertakings					
falling due after more than one year		10,911		10,911	
Debtors – amounts owed by subsidiary undertaking		4,664		3,083	
		15,575		13,994	
Creditors: amounts falling due within one year	15	(1,704)		(1,610)	
Net current assets			13,871		12,384
Net assets			15,326		13,839
Capital and reserves					
Called up share capital	17		518		516
Share premium account	18		4,457		4,286
Other reserves	18		197		197
Profit and loss account	18		10,154		8,840
Equity shareholders' funds			15,326		13,839

These financial statements were approved by the
Board of Directors on 26th March 1997
and signed on its behalf by:

M-L. Hughes

B. W. J. Phillips

} Directors



===== CONSOLIDATED CASH FLOW STATEMENT =====

For the year ended 31st December 1996

	Notes	1996 £000's	1995 £000's
Cash flow from operating activities	19	7,409	4,452
Returns on investments and servicing of finance	20	194	125
Taxation		(1,747)	(1,568)
Capital expenditure and financial investment	20	(1,605)	(1,958)
Acquisitions and disposals	20	—	(816)
Equity dividends paid		(1,221)	(1,083)
Cash inflow/(outflow) before use of liquid resources and financing		3,030	(848)
Financing	20	132	—
Increase/(decrease) in cash in the year		3,162	(848)
Reconciliation of net cash flow to movement in net cash (Note 21)			
Increase/(decrease) in cash in the year		3,162	(848)
Cash outflow from repayment of loan notes		41	—
Movement in net cash in the year		3,203	(848)
Net cash at 1st January		1,840	2,688
Net cash at 31st December		5,043	1,840



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

For the year ended 31st December 1996

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	1996 £000's	1995 £000's
Profit for the financial year	4,231	3,616
Currency translation differences	(127)	(67)
Total recognised gains and losses for the financial year	<u>4,104</u>	<u>3,549</u>

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1996 £000's	1995 £000's
Profit for the financial year	4,231	3,616
Dividends	(1,407)	(1,193)
Currency translation differences	(127)	(67)
Shares issued under employee share schemes	173	—
Net addition to shareholders' funds	<u>2,870</u>	<u>2,356</u>
Opening shareholders' funds	<u>19,368</u>	<u>17,012</u>
Closing shareholders' funds	<u>22,238</u>	<u>19,368</u>



ACCOUNTING POLICIES

(a) Accounting basis

The financial statements are 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. All accounts for subsidiaries and associated companies have been prepared for the year ended 31st December 1996 except for the accounts of Portmeirion Canada Inc. which for administrative reasons have been prepared for the year ended 30th June 1996, 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 1997. 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.

(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 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) Investments

Investments held as fixed assets are stated at cost or at the Group's share of the underlying net assets. Provision is made for permanent diminution in value.

(e) 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.

(f) Turnover

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

(g) Research and development

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



ACCOUNTING POLICIES

(continued)

(h) 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 a liability may become payable in the foreseeable future.

(i) 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 average forward contract rate is 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 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.

(j) 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.



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

	1996 £000's	1995 £000's
United Kingdom	12,189	12,381
North America	14,233	13,246
Europe	2,811	2,762
Rest of the World	2,435	2,354
	<u>31,668</u>	<u>30,743</u>

Turnover by origin

	Total sales £000's	1996 Inter- segment sales £000's	Sales to third parties £000's	Total sales £000's	1995 Inter- segment sales £000's	Sales to third parties £000's
United Kingdom	26,253	(8,117)	18,136	23,680	(5,501)	18,179
North America	13,532	–	13,532	12,564	–	12,564
	<u>39,785</u>	<u>(8,117)</u>	<u>31,668</u>	<u>36,244</u>	<u>(5,501)</u>	<u>30,743</u>

Operating profit by origin

	1996 £000's	1995 £000's
United Kingdom	4,981	4,115
North America	985	948
Operating profit	<u>5,966</u>	<u>5,063</u>

Net assets by origin

	1996 £000's	1995 £000's
United Kingdom	15,926	14,378
North America	5,559	4,227
Operating net assets	<u>21,485</u>	<u>18,605</u>
Unallocated net assets	<u>753</u>	<u>763</u>
Total net assets	<u>22,238</u>	<u>19,368</u>

Unallocated net assets consist of interest bearing liabilities of £nil (1995 – £41,000), dividends payable of £1,070,000 (1995 – £884,000), investments in associated undertakings of £1,007,000 (1995 – £872,000) and investment in a partnership interest of £816,000 (1995 – £816,000).



NOTES TO THE ACCOUNTS

(continued)

2. Raw materials and operating costs

	1996 £000's	1995 £000's
Change in stocks of finished goods and work in progress	(450)	(515)
Raw materials and consumables	8,035	8,240
Other external charges	7,158	7,608
Staff costs (see note 3)	9,782	9,207
Depreciation of tangible fixed assets	1,177	1,140
	<u>25,702</u>	<u>25,680</u>

3. Staff numbers and costs

	1996 Number	1995 Number
<i>The average number of persons employed during the year, including Directors:</i>		
Operatives	471	476
Staff	159	160
	<u>630</u>	<u>636</u>
<i>Staff costs:</i>	£000's	£000's
Wages and salaries	8,344	7,893
Social security costs	609	596
Other pension costs	829	718
	<u>9,782</u>	<u>9,207</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 17 on page 31.

4. Operating profit

	1996 £000's	1995 £000's
Operating profit is stated after charging:		
Research and development	176	106
Auditors' remuneration – audit	24	36
– other services	29	64
Operating lease rentals – plant and machinery	–	–
– other	232	299

The 1996 total of auditors' remuneration for other services includes £3,000 paid to KPMG in respect of work carried out prior to their resignation.



NOTES TO THE ACCOUNTS

(continued)

5. Interest receivable and similar income

	1996 £000's	1995 £000's
Bank deposits	<u>203</u>	<u>129</u>

6. Interest payable and similar charges

	1996 £000's	1995 £000's
Bank loans, overdrafts and other loans repayable within five years	<u>1</u>	<u>6</u>

7. Taxation on profit on ordinary activities

	1996 £000's	1995 £000's
United Kingdom Corporation tax at 33% (1995: 33%)	2,467	1,389
Double taxation relief	(184)	(165)
Overseas taxation	480	410
Associated undertakings	89	82
Deferred taxation	<u>(550)</u>	<u>74</u>
	2,302	1,790
Adjustment in respect of prior years:		
Deferred taxation	<u>(110)</u>	<u>-</u>
	<u>2,192</u>	<u>1,790</u>

8. Profit for the financial year

No profit and loss account is presented for the Parent Company as permitted by section 230 of the Companies Act 1985. The consolidated profit of £4,231,000 (1995 – £3,616,000) includes £2,721,000 (1995 – £3,255,000) which is dealt with in the financial statements of the Parent Company.



NOTES TO THE ACCOUNTS

(continued)

9. Dividends

	1996 £000's	1995 £000's
Interim 3.3p per share paid (1995 – 3.0p)	343	309
Final 9.95p per share proposed (1995 – 8.5p)	1,064	884
Total 13.25p per share (1995 – 11.5p)	1,407	1,193

10. Earnings per share

The earnings per share calculation is based on earnings of £4,231,000 (1995 – £3,616,000) and the weighted average number of Ordinary shares in issue during the year of 10,346,215 (1995 – 10,319,950).

A fully diluted earnings per share is not provided as the dilution is not material.

11. Tangible fixed assets – Group

	Land and buildings			Plant and vehicles	Total
	Freehold £000's	Long leasehold £000's	Short leasehold £000's	£000's	£000's
<i>Cost</i>					
At 31st December 1995	5,184	161	362	9,984	15,691
Additions	669	–	116	1,041	1,826
Disposals	–	(161)	–	(334)	(495)
At 31st December 1996	5,853	–	478	10,691	17,022
<i>Depreciation</i>					
At 31st December 1995	681	28	82	5,502	6,293
Charge for year	105	2	20	1,050	1,177
On disposals	–	(30)	–	(238)	(268)
At 31st December 1996	786	–	102	6,314	7,202
<i>Net book value</i>					
At 31st December 1996	5,067	–	376	4,377	9,820
At 31st December 1995	4,503	133	280	4,482	9,398



12. Investments

At 31st December 1996 the Company had the following subsidiary and associated undertakings and partnership interest:

Associated undertakings

Partnership interest

Manufacture and marketing of collectable teapots

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

** Wholly owned by Naugatuck Triangle Corporation.



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

(continued)

13. Stocks

	Group	
	1996	1995
	£000's	£000's
Raw materials and other consumables	1,428	1,486
Work in progress	861	581
Finished goods	3,913	3,743
	<u>6,202</u>	<u>5,810</u>

14. Debtors

	Group	
	1996	1995
	£000's	£000's
Trade debtors	4,832	5,131
Amounts owed by associated undertakings	385	396
Other debtors	829	88
Prepayments and accrued income	369	246
	<u>6,415</u>	<u>5,861</u>

Other debtors includes ACT recoverable in more than one year of £266,000.

15. Creditors: amounts falling due within one year

	Group		Company	
	1996	1995	1996	1995
	£000's	£000's	£000's	£000's
4% Loan notes 1996	—	41	—	—
Trade creditors	3,276	2,657	—	—
Amounts owed to subsidiary undertakings	—	—	67	362
Amounts owed to associated undertakings	22	—	—	—
Corporation tax	2,386	1,276	561	358
Other taxation and social security	308	301	6	6
Dividend payable	1,064	884	1,064	884
Other creditors	9	74	6	—
Accruals	—	37	—	—
	<u>7,065</u>	<u>5,270</u>	<u>1,704</u>	<u>1,610</u>

16. Provisions for liabilities and charges

	£000's
Deferred taxation:	
Balance at 1st January 1996	181
Current year credit	(550)
Adjustment in respect of prior years	(110)
Balance at 31st December 1996	(479)

This is included in other debtors in note 14.



NOTES TO THE ACCOUNTS

(continued)

16. Provisions for liabilities and charges (continued)

	1996		1995
	Full potential liability £000's	Provided in the accounts £000's	Full potential liability £000's
Deferred taxation:			
Accelerated capital allowances	698	–	708
Short term timing differences	(479)	(479)	70
	219	(479)	778
Less advance corporation tax recoverable	(219)	–	(221)
	–	(479)	557
	–	–	181

No provision is required for deferred taxation in the accounts of the Parent Company (1995 – £nil).

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

17. Share capital

	1996		1995
	Number 000's	£000's	Number 000's
Authorised share capital:			
Ordinary shares of 5p each	15,000	750	15,000
Allotted, called up and fully paid share capital:			
Ordinary shares of 5p each	10,368	518	10,320
	516		

The market price of the Company's shares at 31st December 1996 was 532.5p per share. During the year the price ranged between 473p and 565p per share.

Ordinary shares of 5p were allotted during the year ended 31st December 1996 as follows:

- i) 1,440 Ordinary shares were allotted to employees on various dates for cash consideration of £778 under the Group's 1986 Executive Share Option Scheme.
- ii) 46,345 Ordinary shares were allotted to employees on various dates for cash consideration of £172,867 under the Group's 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 1996 were as follows:

	Number of shares	Option price per share	Dates on which exercisable Earliest	Latest
The 1988 Executive Share Option Scheme	27,935	373p	28.4.1996	28.4.1997
The 1988 Executive Share Option Scheme	72,840	525p	26.4.1997	26.4.1998
The 1988 Executive Share Option Scheme	11,800	525p	8.9.1998	8.9.1999

Included in the above are options held by B. W. J. Phillips to acquire 1,900 shares in the Company at a price of 373p per share and by M-L. Hughes and B. W. J. Phillips to acquire 50,000 and 20,000 shares respectively at a price of 525p per share. No options have been granted to Directors in the year and none have lapsed unexercised.



NOTES TO THE ACCOUNTS

(continued)

18. Share premium account and reserves

	Share premium account £000's	Profit and loss account £000's
<i>Group</i>		
As at 31st December 1995	4,286	14,566
Retained profit for the year	–	2,824
Exchange adjustment	–	(127)
Premium on shares issued under option schemes	171	–
As at 31st December 1996	4,457	17,263

The cumulative amount of goodwill written off at 31st December 1996 was £515,000 (1995 – £515,000).

The balance carried forward on the profit and loss account of £17,263,000 (1995 – £14,566,000) includes the Group's share of associated undertakings' post acquisition reserves of £932,000 (1995 – £797,000).

	Other reserves £000's	Share premium account £000's	Profit and loss account £000's
<i>Company</i>			
As at 31st December 1995	197	4,286	8,840
Retained profit for the year	–	–	1,314
Premium on shares issued under option schemes	–	171	–
As at 31st December 1996	197	4,457	10,154

19. Reconciliation of operating profit to operating cash flows

	1996 £000's	1995 £000's
Operating profit	5,966	5,063
Depreciation	1,177	1,140
Exchange loss	(96)	(67)
Loss/(profit) on sale of tangible fixed assets	6	(9)
Increase in stocks	(392)	(314)
Decrease/(increase) in debtors	206	(1,155)
Increase/(decrease) in creditors	542	(206)
Net cash inflow from operating activities	7,409	4,452

All of the above relate to continuing operations.



NOTES TO THE ACCOUNTS

(continued)

20. Analysis of cash flows for headings netted in the cash flow statement

	1996 £000's	1995 £000's
Returns on investments and servicing of finance		
Interest received	197	130
Interest paid	(3)	(5)
Net cash inflow for returns on investments and servicing of finance	<u>194</u>	<u>125</u>
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(1,826)	(2,032)
Sale of tangible fixed assets	221	74
Net cash outflow for capital expenditure and financial investments	<u>(1,605)</u>	<u>(1,958)</u>
Acquisitions and disposals		
Investment in Cardew Design	-	(816)
Net cash outflow for acquisitions and disposals	<u>-</u>	<u>(816)</u>
Financing		
Loan notes repaid	(41)	-
Issue of ordinary shares under Executive Share Option Schemes	173	-
Net cash inflow from financing	<u>132</u>	<u>-</u>

21. Analysis of net cash

	At 1st January 1996 £000's	Cash flow £000's	At 31st December 1996 £000's
Cash in hand, at bank	1,881	3,162	5,043
Loan notes due within one year	(41)	41	-
Total	<u>1,840</u>	<u>3,203</u>	<u>5,043</u>



NOTES TO THE ACCOUNTS

(continued)

22. Commitments

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

	1996		1995	
	Land and buildings £000's	Other £000's	Land and buildings £000's	Other £000's
On leases expiring:				
Within one year	15	—	3	—
In two to five years	—	—	84	—
After five years	144	—	144	—
	159	—	147	—

Capital commitments are as follows:

	1996 £000's	1995 £000's
Contracted for	7	271

23. Contingent liabilities

The Company has given an unlimited guarantee to Midland Bank plc in respect of the bank borrowings of Portmeirion Potteries Limited and Portmeirion Finance Limited. At 31st December 1996 the gross borrowings of Portmeirion Potteries Limited and Portmeirion Finance Limited amounted to £nil (1995 – £nil).

24. Related party transactions

The transactions during the year, and outstanding balances at 31st December 1996, with associated undertakings and the partnership interest (see note 12) were:

	Purchases £000's	Sales £000's	Debtor £000's	Creditor £000's
Portmeirion Canada Inc.	—	539	276	—
Portmeirion Australia Pty. Limited	—	359	83	—
The Furlong Mills Company Limited	446	—	—	22
Cardew Design	990	—	116	—

Several of the Directors made purchases of goods from the Group during the year on the same terms as those available to all employees. Total purchases did not exceed £250 for each Director except for B. W. J. Phillips whose purchases totalled £703.

On 19th September 1996 the Group purchased various books and ceramics from E. S. Cooper-Willis to the value of £102,850, and E. S. Cooper-Willis purchased a leasehold property from the Group at a price of £157,000. Both of these amounts were determined by third party valuations. E. S. Cooper-Willis, S. C. Williams-Ellis, his wife, and C. A. Cooper-Willis, his daughter, were all absent from the meeting at which these transactions were approved.

No other 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.



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

(continued)

24. Pensions

The Group operates one 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 1996. 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 6.5% 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 £6,512,000. The level of funding on an ongoing basis was 87%.

The scheme had a deficiency of £931,000 at the date of the last valuation. The valuation identified that a contribution rate of 18.4% of total pensionable salaries would spread the deficiency over the remaining service lives of the current scheme members. The contribution rate was increased to this level with effect from 1st January 1997.

The assets of the funded unapproved retirement benefits scheme are also held in a separate trustee administered fund. Its costs are also determined on the advice of an independent, qualified actuary.

In the United States there was a provision for payments into the money purchase scheme of £68,000 (1995 – £67,000) at 31st December 1996.

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



===== FIVE YEAR SUMMARY =====

CONSOLIDATED PROFIT AND LOSS ACCOUNTS

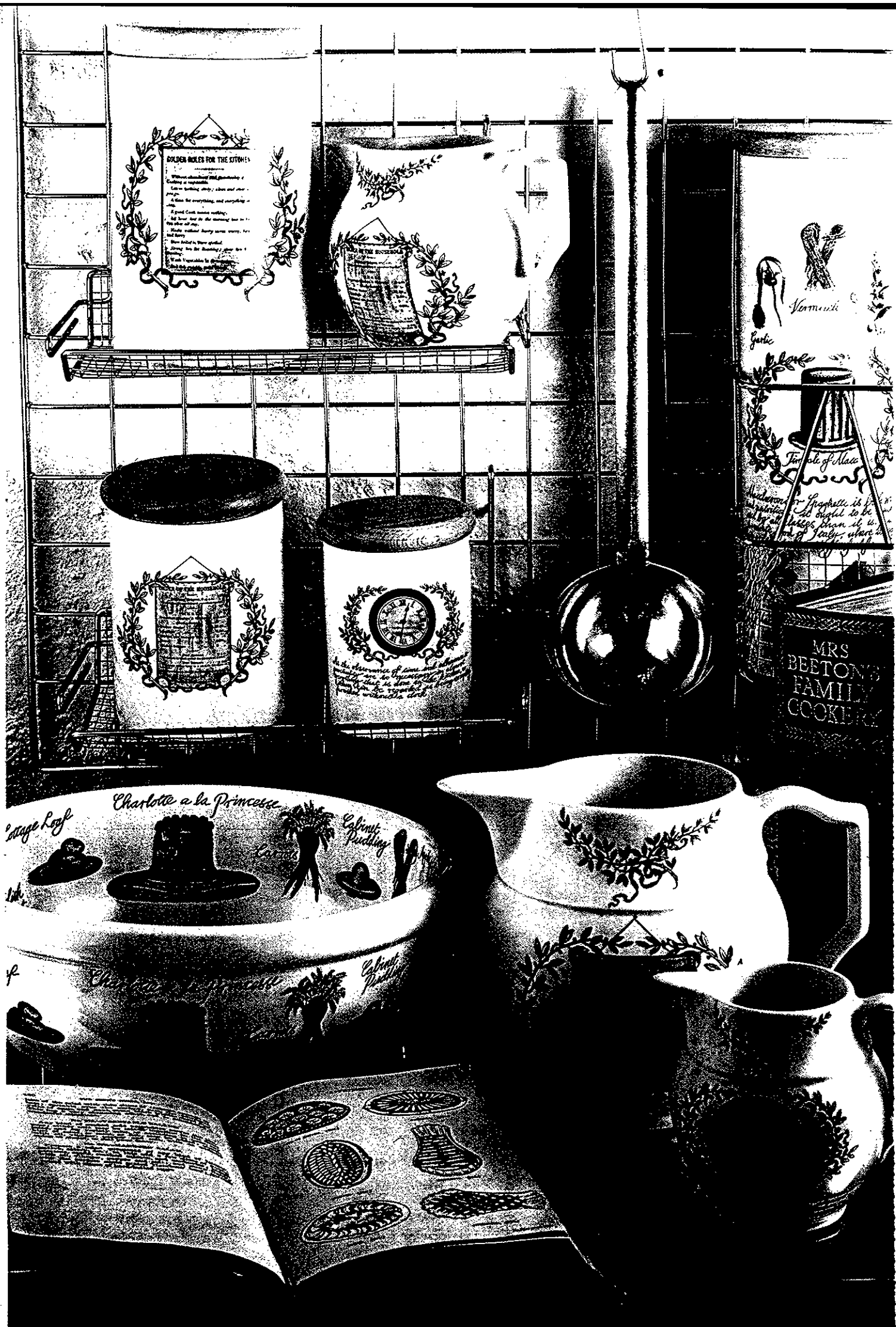
Years ended 31st December

	1992 £000's	1993 £000's	1994 £000's	1995 £000's	1996 £000's
Turnover	<u>22,476</u>	<u>24,633</u>	<u>27,461</u>	<u>30,743</u>	<u>31,668</u>
Profit on ordinary activities before taxation	3,665	4,179	4,734	5,406	6,423
Taxation	<u>(1,407)</u>	<u>(1,278)</u>	<u>(1,571)</u>	<u>(1,790)</u>	<u>(2,192)</u>
Profit on ordinary activities after taxation	2,258	2,901	3,163	3,616	4,231
Dividends	<u>(783)</u>	<u>(927)</u>	<u>(1,032)</u>	<u>(1,193)</u>	<u>(1,407)</u>
Retained Profits	<u>1,475</u>	<u>1,974</u>	<u>2,131</u>	<u>2,423</u>	<u>2,824</u>
Earnings per share	<u>22.67p</u>	<u>28.42p</u>	<u>30.67p</u>	<u>35.04p</u>	<u>40.89p</u>

CONSOLIDATED BALANCE SHEETS

At 31st December

	1992 £000's	1993 £000's	1994 £000's	1995 £000's	1996 £000's
Capital employed					
Fixed assets	8,839	8,858	9,314	11,086	11,643
Net current assets	4,953	6,801	7,739	8,282	10,595
Creditors due after more than one year and deferred taxation	<u>(1,272)</u>	<u>(842)</u>	<u>(41)</u>	<u>-</u>	<u>-</u>
	<u>12,520</u>	<u>14,817</u>	<u>17,012</u>	<u>19,368</u>	<u>22,238</u>
Financed by					
Called up share capital	506	514	516	516	518
Share premium account and reserves	<u>12,014</u>	<u>14,303</u>	<u>16,496</u>	<u>18,852</u>	<u>21,720</u>
	<u>12,520</u>	<u>14,817</u>	<u>17,012</u>	<u>19,368</u>	<u>22,238</u>





===== 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, 29th May 1997 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 1996.
2. To declare a final dividend of 9.95p per share payable on 5th June 1997 to shareholders on the register at the close of business on 23rd May 1997.
3. (a) To re-elect as a Director Mr. E. S. Cooper-Willis who retires by rotation.
(b) To re-elect as a Director Mr. A. J. Philpott who retires by rotation.
(c) To re-elect as a Director Mr. P. J. White who retires by rotation.
(d) To re-elect as a Director Mr. A. M. Miles who retires in accordance with the Articles of Association of the Company.
(e) To re-elect as a Director Mr. A. W. Ralley who retires in accordance with the Articles of Association of the Company.
(f) To re-elect as a Director Mr. J. R. T. Teed who retires in accordance with the Articles of Association of the Company.
4. To re-appoint Deloitte & Touche as auditors of the Company to hold office until the Annual General Meeting of the Company to be held in 1998 and to authorise the Directors to fix their remuneration.

As special business: to consider and if thought fit pass the following resolutions which will be proposed as to resolution 5 as a special resolution and as to resolution 6 as an ordinary 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 518,740 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 1998 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.



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

(continued)

6. That:

- (a) the rules of the Portmeirion Potteries (Holdings) PLC 1997 Approved Company Share Option Plan (the "Approved Scheme") and the Portmeirion Potteries (Holdings) PLC 1997 Unapproved Share Option Scheme (the "Unapproved Scheme", together the "Schemes") more particularly described in the circular to shareholders dated 25th April 1997 be approved;
- (b) the Directors of the Company be authorised to do all acts and things necessary to establish and carry into effect the Schemes, including the making of such amendments to the Approved Scheme as may be necessary to obtain its approval by the Commissioners of Inland Revenue pursuant to the Income and Corporation Taxes Act 1988;
- (c) if and so far as necessary the Articles of Association of the Company be relaxed so that each Director may be counted in the quorum and authorised to vote on any matter arising in connection with the Schemes save in respect of his own individual rights of participation (if any) in the Schemes notwithstanding that he is or may be interested in such matters; and
- (d) the Directors be authorised to establish further schemes for the benefit of overseas employees based on the Schemes, but modified as may be necessary or desirable to take account of overseas tax, exchange control, or securities laws, but so that any shares made available under the Schemes would be treated as counting against any limits on individual participation in such further schemes (as appropriate) and any new shares made available under such further schemes would be treated as counting against any limits on overall participation in the Schemes (as appropriate).

By order of the Board

E. R. Cook

Secretary

25th April 1997

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. A statement for the year ended 31st December 1996 of the transactions of each Director of the Company and his family in the shares of the Company 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.
- 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.
- 4. With reference to special business resolution 6, particulars of the Schemes are described in the circular to shareholders dated 25th April 1997 and accompanying this notice.



=====FINANCIAL CALENDAR=====

Annual General Meeting		May
Interim Report		August
Dividends: Interim	Announced	August
	Paid	October
Final	Announced	March
	Paid	June

