PORTMEIRION GROUP PLC

Report & Accounts 2008

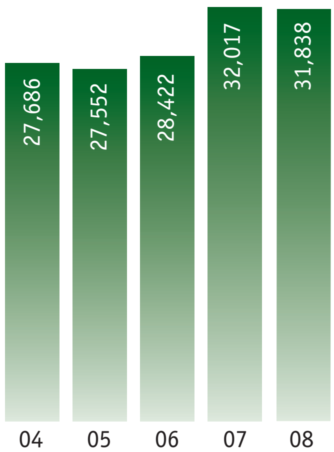
Contents

Registered number 124842

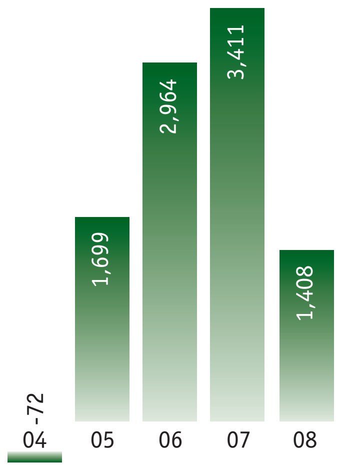
Financial Highlights

	2008 £'000	2007 £'000	Decrease %
Revenue	**31,838**	32,017	(0.6)
Pre-tax profit before exceptional items (note 5)	**1,408**	3,411	(58.7)
Pre-tax profit after exceptional items (note 5)	**1,090**	4,419	(75.3)
Cash generated from/(absorbed by) operations	**3,154**	(1,052)	–
Basic earnings per share	**5.81p**	30.77p	(81.1)
Dividends paid and proposed per share in respect of the year (note 13)	**14.70p**	14.70p	–

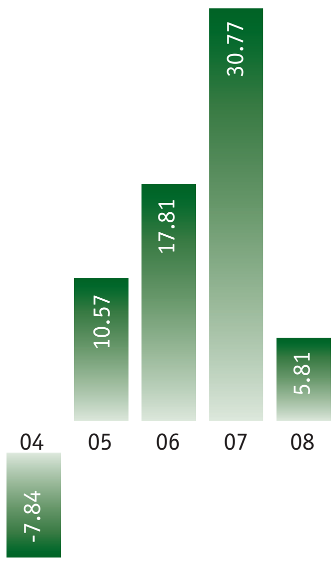
REVENUE (£'000)



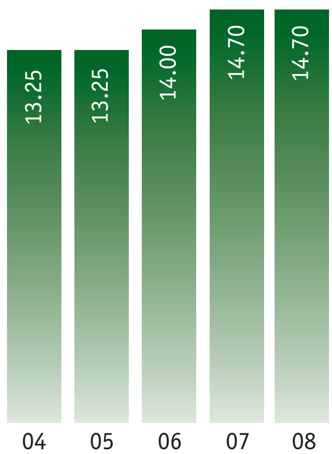
PRE-TAX PROFIT/(LOSS) BEFORE EXCEPTIONAL ITEMS (£'000)



BASIC EARNINGS/(LOSS) PER SHARE (p)



DIVIDENDS PAID AND PROPOSED PER SHARE IN RESPECT OF THE YEAR (p)



Information for the years ended 31 December 2004 and 2005 are prepared in accordance with UK GAAP. All other figures are prepared in accordance with IFRS.

Dividend

The board is recommending a final dividend of 11.15p bringing the total paid and proposed for the year to 14.70p, level with 2007. The dividend will be paid, subject to shareholders' approval, on 29 May 2009 to shareholders on the register at the close of business on 1 May 2009.

Results for the year

Revenue of £31.8 million in 2008 was 0.6% below 2007. In real terms, adjusting for the US dollar effect in translating Portmeirion USA revenues, our revenue reduction compared to 2007 would have been 3.1% using a constant US Dollar exchange rate. The pre-exceptional profit before tax was £1.408 million (2007 – £3.411 million) and pre-exceptional EBITDA was £2.5 million (2007 – £4.2 million). Profit before tax was £1.090 million (2007 – £4.419 million). Given global trading conditions, we consider these results to have been hard won.

The profitability in 2008 was lower than 2007 due predominantly to the 17% drop in US sales (in US dollars) which was mainly on own manufactured product. As a result of this, combined with higher fuel costs and a full year of higher warehousing costs, 2008 operating margins were significantly down. The tax charge of £515,000 is high being 47% of pre-tax profit. The two main reasons for this are that it includes a one-off charge of £134,000 required under International Financial Reporting Standards in respect of the abolition of industrial building allowances, and that the non-operating exceptional write down of the investment in associated undertaking does not attract tax relief.

Cash generation was strong. We finished the year with cash balances of £3.9 million (2007 – £2.7 million) which include some £0.7 million as the disposal proceeds of a freehold property in the USA.

Although our sales figures were creditable, they were below the levels that we had planned for; in consequence our stock balances remained above optimum levels at £10.3 million (2007 – £9.6 million), although this increase would have been a decrease of £0.1 million using a constant US Dollar exchange rate. We plan to reduce stock levels in 2009.

Our pension scheme deficit is £4.22 million under IAS19 *Employee Benefits*, a £1.7 million increase on 2007. We made a

cash contribution of £0.3 million (2007 – £0.3 million) to this final salary scheme which has now been closed for nearly ten years.

Our five largest markets account for 91% of our revenues (2007 – 93%), USA 34% (2007 – 38%), UK 32% (2007 – 29%), South Korea 17% (2007 – 17%), Canada 6% (2007 – 6%), Italy 2% (2007 – 3%). Although we continue to maintain a broad equivalence between US Dollar receipts and payments, we do have a small exposure to Euro receipts.

Products

A list of our current patterns can be found on the inside back cover of this document, and also at www.portmeirion.com where pictures and shapes can also be viewed.

Our heritage ranges – Botanic Garden, Pomona and Holly & Ivy account for 66% of sales (2007 – 72%). Sophie Conran, which was launched in 2006, has continued to strengthen and now accounts for 11% of sales (2007 – 8%). Pimpernel, which we acquired in 2006, now accounts for 6% of sales (2007 – 5%).

One of the key strengths of Botanic Garden is the way that the range constantly grows; this is what gives it its longevity. In 2008 we added sixty more products to the Botanic Garden range. New ceramic patterns which we have launched during the year include Eden Fruits, Eden Flowers and another Sophie Conran range – White Oak. Commercial design is at the heart of our business.

Sourcing

Our drive for manufacturing efficiencies has continued. One of our largest efficiency gains was at our Stoke-on-Trent pottery where we have managed the transfer of more production into our continuous rather than intermittent kilns such that we have now decommissioned four out of six of our intermittent kilns. This major transfer, which took place in the second half of the year, was technically challenging as we had to re-specify some product. The saving in energy consumption in 2009 is estimated to be 14%.

We have transferred the production of our ceramics in China to a new supplier in order to obtain cost and technical benefits.

The split between own manufactured product from Stoke-on-Trent and outsourced supply is now 58%: 42%.

People

Over the period from 2005 to 2008 we have increased sales per employee from £48,252 to £64,190, an increase of 33%. Constantly seeking increases in sales per employee will help us to continue to prosper as a business. During 2008 we reduced the number of people employed by the Group by 46 or 9%. In 2007 and 2006 the reductions were 4% and 6% respectively.

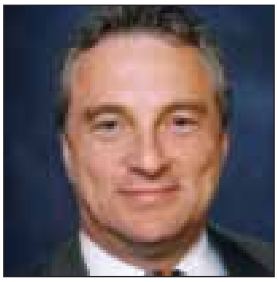
Personal Development Plans are created through the appraisal process where appropriate and the majority of our people have them in place. Through these Plans we seek to secure the involvement of our people in the expansion of skill levels to benefit them and the business.

Health and Safety is a major agenda item at Portmeirion. Our record is excellent and it has been recognised outside the Company by a number of prestigious awards.

Outlook

In 2008 we faced a very difficult international trading environment. While the UK pottery industry has encountered severe difficulties Portmeirion has remained strong. Our task is clear: to develop the brand with an emphasis on product design in order to generate long term sales increases. We have the brand, we have the product and we have the people. We will continue to drive sales, return on sales and dividend payments.

Sales for the first two months of the current year have shown a 6% increase over the corresponding period last year.



Richard Steele
Non-executive Chairman

Lawrence Bryan
Chief Executive


中国名茶
CHINA'S TEA

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 31 December 2008.

Principal activities

The Group markets ceramic tableware, cookware and giftware, glassware, candles, placemats, coasters and other associated products, and manufactures ceramics. There have been no changes in activities during the year.

Business review

A full review of the performance of the Group for the year is given in the section of the Business Review entitled "Results for the year" on page 3. Current trading and the future are commented on in the Business Review, on page 5. That information is incorporated into this report by reference and together with the paragraphs that follow, comprise the business review required by the Companies Act 1985.

Information about the use of financial instruments by the Company and its subsidiaries is given in note 31 to the financial statements.

Principal risks and uncertainties

The Group Board considers the risks to the business at every Board meeting. It formally reviews and documents the principal risks to the business at least annually.

Principal risks identified include:

- Economic downturn – the global economic downturn is a risk for the Group. The Group monitors and maintains close relationships with its key customers and suppliers to be able to identify signs of financial difficulties early. Sales trends in its major markets are constantly reviewed to enable early action to be taken in the event of sales declining.
- Competitor pressure – competitor pressure is a continuing risk for the Group, which could result in losing sales to key competitors. The Group manages risk by providing quality products and maintaining strong relationships with its key customers.
- Reliance on key suppliers – the Group's purchasing activities could expose it to over reliance on certain suppliers. To mitigate this, the Group seeks to ensure there is enough breadth in their supplier base that this risk remains manageable.
- Loss of key personnel – the loss of key personnel would present significant operational difficulties for the Group. Management seek to ensure that key personnel are appropriately remunerated to ensure that good performance is recognised.

Details of the Group's financial risk management policies are included in note 31 on page 52.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review on pages 3 to 5. In addition, note 31 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The Group ended 2008 with a cash balance of £3.9 million, no borrowings and an unused overdraft facility of £1.5 million. It manufactures approximately half of its products and sources the other half from third party suppliers. The Group sells into a number of different markets worldwide and has a spread of customers within its major UK and US markets. Consequently, the Directors believe that the Group is well placed to manage its business risks successfully despite the uncertain economic outlook.

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Key performance indicators

The Group Board use a range of performance measures to monitor and manage the business. The Board regards measures relating to the delivery of shareholder value as particularly important. These measures, together with their comparatives, are shown in the financial highlights on page 2.

There are a number of non-financial performance measures used to manage the business. These include customer service levels, incidence of accidents and new product delivery performance. During 2008, 7 (2007 – 7) new ranges were introduced on schedule.

Results

The results for the year are set out on page 23. The movements on reserves are shown in notes 25 and 26.

Research and development

The Group continues to research into methods of tackling the environmental issues facing it as a ceramics manufacturer while improving manufacturing efficiency. The development of innovative new products and designs is a key part of the Group's strategy.

Dividend

On 1 October 2008 an interim dividend of 3.55p (2007 – 3.55p) per share was paid on the Ordinary share capital. The Directors recommend that a final dividend of 11.15p per share be paid (2007 – 11.15p), making a total for the year of 14.70p (2007 – 14.70p) per share. The final dividend will be paid, subject to shareholders' approval, on 29 May 2009, to shareholders on the register at the close of business on 1 May 2009.

Capital structure

Details of the authorised and issued share capital, together with details of the movements in the Company's issued share capital during the year are shown in note 24. The Company has one class of ordinary shares which carry no right to fixed income. Each share carries the right to one vote at general meetings of the Company.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights.

Details of employee share schemes are set out in notes 24 and 32.

No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Association, the Companies Act and related legislation. The Articles themselves may be amended by special resolution of the shareholders. By proposal of a special resolution at the Annual General Meeting, shareholders will be asked to adopt new Articles of Association for the Company to replace the Company's current Articles so as to take account of changes brought about by the Companies Act 2006.

The powers of Directors are described in the Corporate Governance Statement on page 17.

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 20 May 2008 in respect of £164,763 of share capital. This authority expires on 19 May 2013. The Company's practice is to replace this authority annually and approval is being sought in Resolution 7 at the Annual General Meeting in respect of a general authority to allot up to £165,332 of share capital, approximately equal to a third of the present issued share capital excluding treasury shares.

Approval is being sought in Resolution 8 at the Annual General Meeting to allow the Directors, pursuant to Section 95 of the Companies Act 1985, to allot shares and to sell treasury shares for cash without first offering them to shareholders in accordance with that Act. This authority is limited to the issue of equity securities and/or sale of treasury shares for cash up to a maximum nominal value of £49,599, which is equivalent to 10 per cent of the total issued share capital of the Company excluding treasury shares, and allotments of equity securities and/or sale of treasury shares in connection with a rights issue or other offer to shareholders. This authority is in accordance with recent guidelines issued by the National Association of Pension Funds.

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

Authority for market purchase of own shares

Resolution 9 at the Annual General Meeting is a special resolution which will provide the authority for the Company to make market purchases of its own shares. There are a number of restrictions on the Company's ability to make market purchases, as detailed in the Notice of Annual General Meeting, and in particular the maximum number of Ordinary shares that may be purchased is 991,995, approximately equal to ten per cent of the present issued share capital of the Company excluding treasury shares. The Directors intend to propose that this authority be renewed annually.

Directors

The Directors, who served throughout the year, were as follows:

Lawrence F. Bryan – Chief Executive
Lawrence Bryan is the Group's Chief Executive and President of Portmeirion USA. He first joined the Group in 1991, as Vice President, Sales of Portmeirion USA, leaving in 1994. He rejoined the Group in 1997 as President of Portmeirion USA, became a Director on 1 January 2000 and was promoted to Chief Executive on 15 August 2001. His career in the glass, ceramics and gift industry is extensive. He has previously held the positions of Vice President, Sales of Waterford Wedgwood USA, President, Waterford Wedgwood USA Retail and President of International China Company. He is a Fellow of the Royal Society of Arts.

Michael Haynes – Group Sales & Marketing Director
Michael Haynes is Group Sales & Marketing Director and was appointed to the Board on 1 January 2007. He has over 40 years experience in this field, 32 of these being in the tableware and housewares business. He joined the Group in 2004. He was an international marketing consultant for 20 years, and helped many companies increase their export sales.

Brett W. J. Phillips – Group Finance Director and Company Secretary
Brett Phillips is Group Finance Director. He joined the Group in 1988 and became a Director in September 1988. He qualified as a Chartered Accountant in 1982. He is responsible for all aspects of financial control, information systems, and management reporting; human resources; intellectual property; legal and company secretarial matters. He represents the Group on all subsidiary boards, and on the board of Furlong Mills Limited.

Non-executive Directors

Richard J. Steele – Non-executive Chairman
Prior to being appointed Chairman, Dick Steele was the Senior Non-executive Director and is a Chartered Accountant and a Member of the Institute of Taxation. He has spent ten years as Group Finance Director of listed companies, latterly with Storehouse and before that Lloyds Chemists.

Janis Kong
Janis Kong is a Non-executive Director of Kingfisher PLC, a Director of VisitBritain and Chairman of the board of trustees of Forum for the Future. She is a former Non-executive Director of the Royal Bank of Scotland Group PLC, a former Executive Chairman of Heathrow Airport Limited, former Chairman of Heathrow Express Limited and a former member of the BAA plc Board. She holds an honorary Doctorate with the Open University and has received an OBE.

Lady Judge
Lady Judge is a lawyer, international banker and entrepreneur. She is Chairman of the UK Atomic Energy Authority, Deputy Chairman of Friends' Provident plc as well as Chairman of the School of Oriental and African Studies. Formerly she was a commissioner of the United States Securities and Exchange Commission and an Executive Director of News International and Samuel Montagu plc.

Directors proposed for re-election

Lawrence Bryan and Janis Kong retire by rotation at the next annual general meeting and, being eligible, offer themselves for re-election. Further details on the composition of the Board and appointment of Directors is given on page 17 of the Corporate Governance Statement.

Directors' interests

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 shown below.

	As at 31 December 2008 5p Ordinary shares			As at 31 December 2007 5p Ordinary shares		
	Beneficial	**Non-beneficial**	**Options**	Beneficial	Non-beneficial	Options
L.F. Bryan	**177,144**	**–**	**137,000**	150,000	–	300,000
M. Haynes	**10,000**	**–**	**79,000**	10,000	–	65,000
Lady Judge	**5,000**	**–**	**–**	5,000	–	–
J. Kong	**5,000**	**–**	**–**	5,000	–	–
B.W.J. Phillips	**20,445**	**–**	**130,199**	10,455	–	275,000
R.J. Steele	**20,000**	**–**	**–**	18,000	–	–

Details of changes in share options can be found in the Directors' Remuneration Report on pages 15 and 16.

Details of transactions with Directors and other related parties are to be found in note 29 on page 48.

The Company has qualifying third party indemnity provisions for the benefit of its Directors which remain in force at the date of this report.

Environment

The Group recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to reduce damage that might be caused by the Group's activities. Initiatives designed to reduce the Group's impact on the environment include safe disposal of manufactured waste, recycling and reducing energy consumption.

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 2008, to complement these discussions, the Group has continued communicating information from Board level to all employees on a monthly basis via a programme of team briefings.

Share option and profit related bonus schemes are operated to encourage the involvement of employees in the Group's performance. Portmeirion Potteries Limited, the employer of the Group's UK based employees is an Investor in People. The Directors are committed to the continuing development of the Group's employees via the principles of Investors in People. See note 8 on page 37 for staff numbers and costs.

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, including the consideration of any reasonable adjustments to the job or workplace. 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.

Creditor payment policy

Payment terms are agreed with each of the Group's major suppliers. The Group abides by these terms provided that the supplier also complies with the agreed terms and conditions. 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. The number of days purchases represented by trade creditors at 31 December 2008 was 41 (2007 – 34). The Company has no trade creditors.

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 excluding treasury shares as at 12 March 2009:

	Number of shares	Percentage
New Fortress Finance Holdings Ltd. BVI*	2,778,013	28.0%
Saffery Champness Trust Corporation*	1,436,195	14.5%
Shahrzad Farhadi	632,333	6.4%
Kamrouz Farhadi	562,917	5.7%
Susan Cooper-Willis (deceased)	605,000	6.1%
Rysaffe Trustee Company (C.I.) Limited*	356,077	3.6%
Small Companies Dividend Trust Plc*	325,000	3.3%

*Shareholding held indirectly through a nominee.

Financial position

The Group's net funds at 31 December 2008 were £3.9 million (2007 – £2.7million).

Charitable and political contributions

Contributions to various charities in the form of goods during the year amounted to £1,933 (2007 – £1,894) at cost. There were no political contributions during the year.

Acquisition of the Company's own shares

The Company did not purchase any of its own shares during the year. The Company holds 643,074 treasury shares, purchased at an average cost of 187p per share.

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

On 1 December 2008, Deloitte & Touche LLP changed their name to Deloitte LLP. Deloitte LLP have expressed their willingness to continue in office as auditors. A resolution for their re-appointment is to be proposed at the forthcoming Annual General Meeting.

Each of the persons who is a Director at the date of approval of this report confirms that:

(1) so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and

(2) the Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

Annual General Meeting

The Annual General Meeting will be held at the registered office of the Company at London Road, Stoke-on-Trent, on 22 May 2009 at 12.00 noon. It is proposed to adopt new Articles of Association at the meeting to update the Company's current Articles of Association primarily to take account of changes in English company law. All ordinary and special resolutions to be proposed at that meeting are detailed in the Notice of Annual General Meeting.

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

B.W.J. Phillips
Company Secretary
12 March 2009

Introduction

As a company listed on the Alternative Investment Market (AIM), the Company is not required to comply with the Directors' Remuneration Report Regulations 2002 (the "Regulations"). Whilst the Company is not required to comply with the Regulations, it has used the Regulations as best practice guidance and voluntarily presented disclosures that reflect the extent of the Company's application of the Regulations. A resolution to approve the report will be proposed at the Annual General Meeting of the Company at which the financial statements will be approved.

Unaudited information

Remuneration committee

The members of the Remuneration Committee during 2008 were R.J. Steele (Non-executive Chairman), J. Kong and Lady Judge (both independent Non-executive Directors). R.J. Steele is chairman of the Remuneration Committee. There have been no changes in the composition or chairmanship of the Remuneration Committee during the year.

None of the Committee has any personal financial interest (other than as shareholders), conflicts of interests arising from cross directorships or day to day involvement in running the business. The Committee makes recommendations to the Board. No Director plays a part in any discussion about his or her own remuneration. In determining the Directors' remuneration for the year, the Committee consulted L.F. Bryan, Chief Executive, about its proposals.

Remuneration policy

Executive remuneration packages are prudently designed to attract, motivate and retain directors of high calibre and to reward them for enhancing value to shareholders. The performance measurement of the Executive Directors and the determination of their annual remuneration package are undertaken by the Remuneration Committee. The remuneration of the Non-executive Directors is determined by the Executive Directors. There are five main elements of the remuneration package for Executive Directors and senior management:

- Basic annual salary (including Directors' fees) and benefits;
- Annual bonus payments;
- Share option incentives;
- Long-term incentives; and
- Pension arrangements.

The Company's policy is that a substantial proportion of the remuneration of the Executive Directors should be performance related.

Executive Directors are entitled to accept appointments outside the Group providing that the Chairman's permission is granted.

Basic salary and benefits in kind

Salary is normally reviewed annually, on 1 January, or when responsibilities change. In deciding the appropriate levels, the Committee takes into account factors which it considers necessary including industry standard executive remuneration and comparable pay levels within the Company. Each Executive Director is provided with health care benefits. The Chief Executive is provided with a car.

Annual performance related bonus

Each Executive Director's remuneration package includes a performance related bonus. If the 2009 profit before taxation (PBT) exceeds an annual target, then a bonus pool is calculated. The bonus pool is shared between the three Executive Directors in proportion to their basic salary. The maximum bonus payable is 100% of basic salary.

Demanding budgets and targets are established by the Board and reviewed at the end of each year to determine the degree of successful achievement.

Share options

The Company's policy is to grant options to Directors at the discretion of the Committee taking into account individual performance. It is the Company's policy to phase the granting of share options rather than to award them in a single large block to any individual.

The Company has one share option scheme, the Portmeirion 2002 Share Option Scheme.

Options granted to the Executive Directors under the Portmeirion 2002 Share Option Scheme on 4 April 2007 can normally only be exercised if the basic earnings per share of the Group for the year ending 31 December 2009 is more than 20 per cent higher than the basic earnings per share of the Group for the year ended 31 December 2006.

Options granted to the Executive Directors under the Portmeirion 2002 Share Option Scheme on 15 April 2008 can normally only be exercised if the basic earnings per share of the Group for the year ending 31 December 2010 is more than 20 per cent higher than the basic earnings per share of the Group for the year ended 31 December 2007.

The reasons for selecting earnings per share as a measure of performance is that it directly reflects operational performance and also is a significant factor in determining the market's view of the Group's value.

Long-term incentive schemes

There are no outstanding incentives granted under long-term incentive schemes, nor are any currently planned to be awarded for the year ending 31 December 2009.

Pensions

B.W.J. Phillips and M. Haynes are members of the Portmeirion Potteries Group Stakeholder Pension Plan, a defined contribution scheme. Details of contributions paid by the Group into the Plan for the benefit of the Directors are shown in the Directors' emoluments table that follows.

On 31 October 2002 the Portmeirion Potteries Pension Plan, a contracted-in money purchase occupational pension plan, closed. B.W.J. Phillips was a member of the plan at that time and holds preserved benefits.

On 5 April 1999, the defined benefit UK pension scheme was closed to new entrants and to future accrual. B.W.J. Phillips was a member of the scheme at that time and holds preserved benefits.

L.F. Bryan receives pension contributions from a money purchase pension operated by the Group in the United States.

Annual performance related bonuses are not subject to contributions by the Group to the money purchase pension arrangements maintained for the Directors.

Directors' contracts

It is the Company's policy that Executive Directors should have contracts with an indefinite term providing for a maximum of one year's notice.

The details of the Executive Directors' contracts are summarised in the table below:

	Date of Contract	Notice Period
L.F. Bryan	8.11.2002	12 months
M. Haynes	1.01.2007	12 months
B.W.J. Phillips	15.03.2000	12 months

In the event of early termination, the Directors' contracts provide for compensation of an amount equal to the gross salary and benefits that the executive would have received during the balance of the notice period, plus any bonus, once declared to which he would have become entitled had contractual notice been given.

Non-executive Directors

All Non-executive Directors have service contracts with an indefinite term providing for a maximum of one year's notice, without liability for compensation. Their remuneration is determined by the Board taking into account their duties and the level of fees paid to Non-executive Directors of similar companies. The Non-executive Directors do not participate in the Company's bonus, long-term incentive or share option schemes and no pension contributions are made in respect of them.

Janis Kong is proposed alongside L. F. Bryan for re-election at the next Annual General Meeting. They both have contracts which provide for a notice period of twelve months.

Audited information

Aggregate Directors' remuneration
The total amounts for Directors' remuneration were as follows:

	2008 £	2007 £
Emoluments	**876,451**	600,045
Money purchase pension contributions	**38,368**	38,706
	914,819	638,751

Note
The remuneration for 2007 includes that paid to A.W. Ralley, who retired on 30 April 2007.

Directors' emoluments

	Salary & fees £	**Benefits** £	**Bonus** £	**Gains made on exercise of share options** £	**Total** £	**Pension contri-butions** £	**2008 Total** £	2007 Total £
Executive								
L.F. Bryan[4]	215,831	13,526	103,842[3]	17,833	351,032	12,443	363,475	192,977
M. Haynes	130,000	4,291	38,304[5]	–	172,595	7,800	180,395	143,141
B.W.J. Phillips	145,000	6,053	91,021[3]	1,750	243,824	18,125	261,949	174,196
Non-executive								
Lady Judge[1]	22,500	–	–	–	22,500	–	22,500	20,000
J. Kong	22,500	–	–	–	22,500	–	22,500	20,000
R.J. Steele[2]	64,000	–	–	–	64,000	–	64,000	45,000
	599,831	**23,870**	**233,167**	**19,583**	**876,451**	**38,368**	**914,819**	595,314

Notes
(1) The remuneration for Lady Judge was made to BT Consulting Inc. Limited in respect of her services.
(2) The remuneration for R.J. Steele was made to Adsum Limited in respect of his services.
(3) Discretionary bonus issued on basis Director surrendered share options. See note 2 on page 16.
(4) L.F. Bryan is remunerated in US dollars and his remuneration is translated into sterling at the average exchange rate for the year in 2008. This was $1.8533/£ (2007 – $2.0022/£).
(5) Payment to provide parity with other Executive Director share option entitlements.

The benefits shown above arise from the provision of a company car, life assurance, permanent disability insurance and private medical insurance.

Directors' pension entitlements

B.W.J. Phillips is a member of the Group's defined benefit pension scheme which closed on 5 April 1999. He had accrued entitlements under the scheme as follows:

	Accrued pension at 01.01.08 £	Increase in accrued pension in the year £	Accrued pension at 31.12.08 £
B.W.J. Phillips	21,645	888	22,533

His accrued benefits under the scheme were as follows:

	Transfer value at 01.01.08 £	Increase in transfer value in the period net of contributions £	Transfer value at 31.12.08 £
B.W.J. Phillips	302,098	216,801	518,899

Notes:

1. The basis on which the transfer value is calculated has changed since last year's disclosure, following the adoption of a revised transfer value basis by the Scheme Trustees on 3 December 2008. The opening transfer value was calculated in a manner consistent with "Retirement Benefit Schemes – Transfer Values (GN11)" published by the Institute of Actuaries and the Faculty of Actuaries. The closing transfer value was calculated on a basis in accordance with the Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 (SI 2008/1050).
2. In the calculation of the transfer values above, it is assumed that the Scheme will have adopted amendments to its Rules replacing previous Revenue limits with the allowances facilitated by the Finance Act 2004 by the time the transitional period ends on 5 April 2011.

Directors' share options

Aggregate emoluments disclosed above do not include any amounts for the value of options to acquire Ordinary shares in the Company granted to or held by the Directors.

Details of options for Directors who served during the year are as follows:

		Number of Options						Dates on which exercisable	
Director	At 01.01.08	Granted	Exercised	Surrendered	Lapsed	At 31.12.08	Exercise price	Earliest	Latest
L.F. Bryan	150,000	–	24,144	106,856	–	19,000	167.5p	25.03.2008	23.03.2009
L.F. Bryan	70,000	–	–	–	(70,000)	–	222.5p	26.04.2009	24.04.2010
L.F. Bryan	80,000	–	–	–	–	80,000	345.0p	05.04.2010	03.04.2011
L.F. Bryan	–	38,000	–	–	–	38,000	260.0p	16.04.2011	14.04.2012
M. Haynes	10,000	–	–	–	(10,000)	–	222.5p	26.04.2009	24.04.2010
M. Haynes	55,000	–	–	–	–	55,000	345.0p	05.04.2010	03.04.2011
M. Haynes	–	24,000	–	–	–	24,000	260.0p	16.04.2011	14.04.2012
B.W.J. Phillips	150,000	–	10,000	88,801	–	51,199	167.5p	25.03.2008	23.03.2009
B.W.J. Phillips	70,000	–	–	–	(70,000)	–	222.5p	26.04.2009	24.04.2010
B.W.J. Phillips	55,000	–	–	–	–	55,000	345.0p	05.04.2010	03.04.2011
B.W.J. Phillips	–	24,000	–	–	–	24,000	260.0p	16.04.2011	14.04.2012

Notes:

1. The performance criteria attaching to share options are detailed on page 13.

2. During the year the Company agreed to issue a discretionary bonus to the following Directors on the basis that they surrendered the following options issued pursuant to the Portmeirion 2002 Share Option Scheme:

Director	Date of surrender	Number of options surrendered	Cash bonus received £
L.F. Bryan	15.04.2008	56,856	52,592
L.F. Bryan	30.05.2008	50,000	51,250
B.W.J. Phillips	30.05.2008	88,801	91,021

The cash bonus received equates to the gain that would have been made if the options had been exercised on the date of surrender.

3. The share price reached a high of 282.5p and a low of 102.5p during 2008. The average share price during 2008 was 221.5p. The share price on 31 December 2008 was 112.5p.

4. L.F. Bryan exercised 18,144 options on 15 April 2008 and 6,000 options on 11 August 2008 in accordance with the Portmeirion 2002 Share Option Scheme provisions. The share price on those dates was 260p and 185p respectively. The gains on exercise were £16,783 on 15 April 2008 and £1,050 on 11 August 2008.

5. B.W.J. Phillips exercised 10,000 shares on 11 August 2008 in accordance with the Portmeirion 2002 Share Option Scheme provisions. The share price on 11 August 2008 was 185p and the gains made on exercise on that day were £1,750.

6. None of the Directors exercised options in 2007.

7. Options granted on 25 April 2006 and normally exercisable between 26 April 2009 and 24 April 2010 lapsed on 31 December 2008 when the performance condition relating to those options was not met.

Approval

This report was approved by the Board and signed on its behalf by:

B.W.J. Phillips
Company Secretary
12 March 2009

Corporate Governance Statement

As a Company listed on the Alternative Investment Market (AIM) the Company is not required to adhere to the Combined Code on Corporate Governance (the "Code") June 2008. Whilst the Company is not required to comply with the Code, it has used the Code as best practice guidance and voluntarily presented disclosures that reflect the extent of the Company's application of the Code.

The Board

The Company is controlled by the Board of Directors. The Board comprises three Executive and three Non-executive Directors. The Board considers, after careful and rigorous review, that the Non-executive Directors bring an independent judgement to bear. All Non-executive Directors have contracts which expire on the completion of one year's notice. These are available for inspection at the Company's registered office and at the Annual General Meeting. All Directors retire by rotation at regular intervals in accordance with the Company's Articles of Association and the principles of the Code. The Board does not believe it is necessary for Non-executive Directors of the Company who have served more than nine years to offer themselves for re-election annually. The Non-executive Directors continue to retire for re-election at least every third year. All Directors undergo a performance evaluation before being proposed for re-election to ensure their performance continues to be effective, that where appropriate they maintain their independence and that they are demonstrating continued commitment to the role.

R.J. Steele, the Non-executive Chairman, is responsible for the running of the Board and L.F. Bryan, the Chief Executive, has executive responsibility for running the Company's business and implementing Group strategy. Following the appointment of R.J. Steele as Non-executive Chairman on 30 April 2007, the Board has not appointed a Senior Non-executive Director. The Board believes that, for a Board of its size, there is sufficient opportunity for shareholders to raise any concerns they may have with the Non-executive Chairman, Chief Executive, Finance Director or the other two Non-executive Directors. The Board meets at least six times each year and has a formal schedule of matters reserved to it. It is responsible for overall Group strategy; approval of major capital expenditure projects; approval of the annual and interim results; annual budgets; dividend policy; and Board structure. It monitors the exposure to key business risks and reviews the strategic direction of all trading subsidiaries, their annual budgets, their performance in relation to those budgets and their capital expenditure.

All Directors receive regular and timely information on the Group's operational and financial performance. Relevant information is circulated to the Directors in advance of meetings. In addition, minutes of the meetings of the Directors of the main UK subsidiary are circulated to the Group Board of Directors. All Directors have direct access to the advice and services of the Company Secretary and are able to take independent professional advice in the furtherance of their duties, if necessary, at the Company's expense.

The following table shows the attendance of the Directors at meetings of the Board and its principal committees.

	Board	Audit Committee	Remuneration Committee	Nomination Committee
Total meetings held	**6**	**3**	**4**	**1**
Meetings attended				
R.J. Steele (Non-executive Chairman)	6	3	4	1
L.F. Bryan (Chief Executive)	6	3*	2*	1
M. Haynes (Group Sales and Marketing Director)	6	3*	–	1*
Lady Judge (Non-executive)	5	1	4	1
J. Kong (Non-executive)	6	3	4	1
B.W.J. Phillips (Group Finance Director)	6	3*	1*	1*

Notes:
Attendance is shown as nil if not a committee member.

*Meetings which the Director attended, in whole or in part, by invitation.

During the year the Board carried out an evaluation of its own performance. The evaluation was based on the guidance included in Suggestions for Good Practice from the Higgs Report. The Board concluded that it had performed effectively. During the year appropriate appraisals were carried out with the Directors. The Group Finance Director and Group Sales and Marketing Director were appraised by the Chief Executive who, in turn, was appraised by the Chairman. Additionally, the Chairman appraised the Non-executive Directors and they appraised the Chairman.

Nomination Committee

The Nomination Committee is chaired by R.J. Steele and comprises all the Non-executive Directors and the Chief Executive. It makes recommendations to the Board on all new Board appointments. It meets at least once a year and also considers the re-election of Directors retiring by rotation. The Company's Articles of Association stipulate that one third of the Directors other than the Chief Executive or the nearest whole number below one third shall retire each year. The Company requires all Directors to submit themselves for re-election at least every three years. The new Articles of Association proposed for adoption at the Annual General Meeting do not exempt any Directors from retirement by rotation.

Remuneration Committee

The Remuneration Committee is chaired by R.J. Steele and comprises all the Non-executive Directors. The Board considers it appropriate that R.J. Steele with his experience and expertise in this area chairs this committee. The Remuneration Committee is responsible for making recommendations to the Board in relation to all aspects of remuneration for Executive Directors. The Remuneration Committee believes that the presence of the Chief Executive is important when determining the remuneration of the other Executive Directors. The Chief Executive does not participate in discussions relating to his personal remuneration. In framing its policy the Remuneration Committee takes into account any factors which it deems necessary, including industry standard executive remuneration, differentials between executive and employee remuneration and differentials between executives. When designing schemes of performance-related remuneration the Remuneration Committee considers the provisions in Schedule A to the Code. The remuneration of the Non-executive Directors is determined by the Executive Directors.

Audit Committee

The Audit Committee is chaired by R.J. Steele and comprises all the Non-executive Directors. The Board considers it appropriate that R.J. Steele with his experience and expertise in this area chairs this committee. The Audit Committee meets at least twice each year. It considers any matter relating to the financial affairs of the Group and to the Group's external audit that it determines to be desirable. In particular the Committee overviews the monitoring of the adequacy of the Group's internal controls, accounting policies and financial reporting and provides a forum through which the Group's external auditors report to the Non-executive Directors.

Internal control

The Board acknowledges that it is responsible for the Group's system of internal control and for reviewing its effectiveness.

An ongoing process for identifying, evaluating and managing the significant risks faced by the Group has been in place throughout the financial year and has remained in place up to the approval date of the annual report and accounts. That process is regularly reviewed by the Board and accords with the internal control guidance published in October 2005 (the Turnbull Guidance).

The Board intends to keep its risk control procedures under constant review particularly with regard to the need to embed internal control and risk management procedures further into the operations of business, both in the UK and overseas, and to deal with areas of improvement which come to management's and the Board's attention.

As might be expected in a group of this size, a key control procedure is the day to day supervision of the business by the Executive Directors, supported by the senior managers with responsibility for key operations.

The Executive Directors are involved in the budget setting process, constantly monitor key performance indicators and review management accounts on a monthly basis, noting and investigating major variances. All significant capital expenditure decisions are approved by the Board as a whole.

The Group's significant risks, together with the relevant control and monitoring procedures, are subject to regular review to enable the Board to assess the effectiveness of the system of internal control. The adequacy of internal controls with regard to the risks identified are reviewed at every Board meeting. The Board has also specifically reviewed the effectiveness of the Group's internal financial controls. During the course of its reviews the Board has not identified nor been advised of any failings or weaknesses which it has determined to be significant.

The Board has considered the need for an internal audit function, but has decided that, because of the size of the Group and the systems and controls in place, it is not appropriate at present. The Board will review this on a regular basis.

The Group's system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Relations with shareholders

The Group encourages two way communication with both its institutional and private investors and responds quickly to all queries received. The Chairman talks regularly with the Group's major shareholders and ensures that their views are communicated fully to the Board. All shareholders receive notice of the Annual General Meeting at which all Committee chairmen will be available for questions.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report, Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. The Directors are required by the IAS Regulation to prepare the Group financial statements under International Financial Reporting Standards (IFRS) as adopted by the European Union. The Group financial statements are also required by law to be properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation.

International Accounting Standard 1 requires that IFRS financial statements present fairly for each financial year the Group's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRS's. Directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRS's are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The Directors have elected to prepare the parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The parent Company financial statements are required by law to give a true and fair view of the state of affairs of the Company. In preparing these financial statements, the Directors are required to:

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

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the parent Company financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITORS’ REPORT TO THE MEMBERS OF PORTMEIRION GROUP PLC

We have audited the Group and parent Company financial statements (the “financial statements”) of Portmeirion Group PLC for the year ended 31 December 2008 which comprise the Consolidated Income Statement, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Recognised Income and Expense and the related notes 1 to 32. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors’ Remuneration Report that is described as having been audited.

This report is made solely to the Company’s members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company’s members those matters we are required to state to them in an auditors’ report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company’s members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The Directors’ responsibilities for preparing the Annual Report and the Group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and for preparing the parent Company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors’ Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors’ Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors’ Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors’ Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors’ remuneration and other transactions is not disclosed.

We read the other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

Independent Auditors' Report
Continued

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 and the part of the Directors' Remuneration Report to be audited. 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 Group's and Company'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 financial statements and the part of the Directors' Remuneration Report to be audited 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 and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 December 2008 and of its profit for the year then ended;
- the parent Company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the parent Company's affairs as at 31 December 2008;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Separate Opinion in relation to IFRSs

As explained in note 1 to the Group financial statements, the Group, in addition to complying with its legal obligation to comply with IFRSs as adopted by the European Union, has also complied with the IFRSs as issued by the International Accounting Standards Board.

In our opinion the Group financial statements give a true and fair view, in accordance with IFRSs, of the state of the Group's affairs as at 31 December 2008 and of its profit for the year then ended.

Deloitte LLP
Chartered Accountants and Registered Auditors
Birmingham, UK
12 March 2009

Consolidated Income Statement

For the year ended 31 December 2008

	Notes	2008 £'000	2007 £'000
Revenue	4, 5	**31,838**	32,017
Operating costs	6	**(30,311)**	(28,665)
Operating profit before exceptional items		**1,527**	3,352
Operating exceptional items	7	**(178)**	1,008
Operating profit after operating exceptional items		**1,349**	4,360
Investment revenue	4, 10	**53**	142
Finance costs	11	**(176)**	(242)
Share of profit of associated undertakings		**4**	159
Non-operating exceptional item	7	**(140)**	–
Profit before tax		**1,090**	4,419
Tax	12	**(515)**	(1,393)
Profit for the year attributable to equity holders of the parent	25	**575**	3,026
Earnings per share	14	**5.81p**	30.77p
Diluted earnings per share	14	**5.80p**	29.55p
Dividends paid and proposed per share	13	**14.70p**	14.70p

All the above figures relate to continuing operations.

Consolidated Balance Sheet

As at 31 December 2008

	Notes	2008 £'000	2007 £'000
Non-current assets			
Intangible assets	15	**515**	631
Property, plant and equipment	16	**5,762**	6,353
Interests in associates	17	**1,297**	1,387
Deferred tax asset	23	**467**	396
Total non-current assets		**8,041**	8,767
Current assets			
Inventories	18	**10,266**	9,581
Trade and other receivables	19	**6,195**	6,630
Cash and cash equivalents	20	**3,938**	2,708
Current income tax asset		**252**	–
Total current assets		**20,651**	18,919
Total assets		**28,692**	27,686
Current liabilities			
Trade and other payables	22	**(4,316)**	(4,487)
Current income tax liabilities		**–**	(121)
Derivative financial instruments	21	**(2)**	–
Total current liabilities		**(4,318)**	(4,608)
Non-current liabilities			
Pension scheme deficit	30	**(4,222)**	(2,498)
Grant received		**(104)**	–
Total non-current liabilities		**(4,326)**	(2,498)
Total liabilities		**(8,644)**	(7,106)
Net assets		**20,048**	20,580
Equity			
Called up share capital	24	**528**	528
Share premium account	25	**4,820**	4,820
Treasury shares	25	**(1,202)**	(1,266)
Share based payment reserve	25	**146**	91
Hedging and translation reserves	26	**1,403**	(457)
Retained earnings	25	**14,353**	16,864
Total equity		**20,048**	20,580

These financial statements were approved by the Board of Directors and authorised for issue on 12 March 2009. They were signed on its behalf by:

L. F. Bryan
B. W. J. Phillips } Directors

Consolidated Cash Flow Statement

For the year ended 31 December 2008

	2008 £'000	2007 £'000
Operating profit after operating exceptional items	**1,349**	4,360
Adjustments for:		
Depreciation	**843**	671
Amortisation of intangible fixed assets	**179**	154
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	**2,371**	5,185
Contributions to defined benefit pension scheme	**(348)**	(348)
Charge for share based payments	**55**	53
Exchange gain/(loss)	**422**	(57)
Profit on sale of tangible fixed assets	**(93)**	(1,795)
Grant received	**104**	–
Operating cash flows before movements in working capital	**2,511**	3,038
Decrease/(increase) in inventories	**77**	(1,229)
Decrease/(increase) in receivables	**1,073**	(2,020)
Decrease in payables	**(507)**	(841)
Cash generated from/(absorbed by) operations	**3,154**	(1,052)
Interest paid	**(15)**	(4)
Income taxes paid	**(472)**	(1,141)
Net cash from operating activities	**2,667**	(2,197)
Investing activities		
Dividend received from associate	**–**	83
Interest received	**58**	132
Proceeds on disposal of property, plant and equipment	**775**	2,257
Purchase of property, plant and equipment	**(707)**	(1,379)
Purchase of intangible fixed assets	**(63)**	(157)
Purchase of equity interest	**(194)**	–
Net cash (outflow)/inflow from investing activities	**(131)**	936
Financing activities		
Equity dividends paid	**(1,456)**	(1,398)
Shares issued under employee share schemes	**57**	168
Net cash outflow from financing activities	**(1,399)**	(1,230)
Net increase/(decrease) in cash and cash equivalents	**1,137**	(2,491)
Cash and cash equivalents at beginning of year	**2,708**	5,203
Effect of foreign exchange rate changes	**93**	(4)
Cash and cash equivalents at end of year	**3,938**	2,708

Consolidated Statement of Recognised Income and Expense

For the year ended 31 December 2008

	2008 £'000	2007 £'000
Exchange differences on translation of foreign operations	**1,860**	41
Actuarial (loss)/gain on defined benefit pension scheme	**(1,913)**	2,988
Deferred tax on pension deficit	**536**	(951)
Net income recognised directly in equity	**483**	2,078
Transfers		
Transferred to profit or loss on cash flow hedges	**–**	6
Tax on transfers to profit or loss on cash flow hedges	**–**	(2)
	483	2,082
Profit for the year	**575**	3,026
Total recognised income and expense for the year attributable to equity holders of the parent	**1,058**	5,108

Five Year Summary

CONSOLIDATED INCOME STATEMENT INFORMATION

Years ended 31 December

	2004 £'000	2005 £'000	2006 £'000	2007 £'000	**2008 £'000**
Revenue	27,686	27,552	28,422	32,017	**31,838**
(Loss)/profit before taxation	(1,265)	1,380	2,687	4,419	**1,090**
Taxation	454	(317)	(938)	(1,393)	**(515)**
(Loss)/profit attributable to equity holders of the parent	(811)	1,063	1,749	3,026	**575**
(Loss)/earnings per share	(7.84)p	10.57p	17.81p	30.77p	**5.81p**

CONSOLIDATED BALANCE SHEET INFORMATION

At 31 December

	2004 £'000	2005 £'000	2006 £'000	2007 £'000	**2008 £'000**
Capital employed					
Non-current assets	7,823	6,748	9,390	8,767	**8,041**
Current assets	16,839	17,450	18,477	18,919	**20,651**
Current liabilities	(2,653)	(3,080)	(5,574)	(4,608)	**(4,318)**
Provision for liabilities	(19)	(43)	–	–	**–**
Non-current liabilities*	(2,358)	(2,870)	(5,707)	(2,498)	**(4,326)**
	19,632	18,205	16,586	20,580	**20,048**
Financed by					
Called up share capital	521	521	523	528	**528**
Share premium account and reserves	19,111	17,684	16,063	20,052	**19,520**
	19,632	18,205	16,586	20,580	**20,048**

The amounts disclosed for 2005 and earlier years are stated on the basis of UK GAAP.

* The pension deficits disclosed as non-current liabilities for 2004 and 2005 are shown net of related deferred tax. The deficits included in non-current liabilities for 2006, 2007 and 2008 are shown gross (i.e. before the deduction of related deferred tax) as required under IFRS.

1. Basis of preparation

Portmeirion Group PLC is a company incorporated in England and Wales under the Companies Act 1985. The address of the registered office is given on page 60. The nature of the Group's operations and its principal activities are set out in the Report of the Directors on pages 7 to 11.

These accounts have been prepared in accordance with accounting standards adopted for use in the European Union (International Financial Reporting Standards (IFRS)).

The going concern basis has been considered in the Directors' Report on page 7.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with the policies set out in note 2.5.

In the current year, two Interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current period. These are: IFRIC 11 IFRS 2 – *Group and Treasury Share Transactions* and IFRIC 14 IAS 19 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*. The adoption of these Interpretations has not led to any changes in the Group's accounting policies.

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

IFRS 1 (amended)/IAS 27 (amended)	*Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
IFRS 2 (amended)	*Share-based Payment – Vesting Conditions and Cancellations*
IFRS 3 (revised 2008)	*Business Combinations*
IFRS 8	*Operating Segments*
IAS 1 (revised 2007)	*Presentation of Financial Statements*
IAS 23 (revised 2007)	*Borrowing Costs*
IAS 27 (revised 2008)	*Consolidated and Separate Financial Statements*
IAS 32 (amended)/IAS 1 (amended)	*Puttable Financial Instruments and Obligations Arising on Liquidation*
IFRIC 12	*Service Concession Arrangements*
IFRIC 15	*Agreements for the Construction of Real Estate*
IFRIC 16	*Hedges of a Net Investment in a Foreign Operation*

Improvements to IFRSs (May 2008)
The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group except for additional segment disclosures when IFRS 8 comes into effect for periods commencing on or after 1 January 2009.

2. Significant accounting policies

The accounting policies which follow set out those policies which were applied in preparing the financial statements for the year ended 31 December 2008. These policies have been followed in producing these financial statements.

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

2.1 Basis of consolidation

The consolidated financial statements incorporate the financial statements of Portmeirion Group PLC and its subsidiaries. The Group's share of the results and retained earnings of associated undertakings is included.

Subsidiary undertakings are consolidated on the basis of the acquisition method of accounting. Intra-group transactions and balances are eliminated fully on consolidation and the consolidated accounts reflect external transactions only. Subsidiaries' accounting policies are amended where necessary to ensure consistency with the policies adopted by the Group.

All accounts for subsidiaries and associated companies have been prepared for the year ended 31 December 2008 except for the accounts of Portmeirion Finance Limited which, for cash flow reasons associated with the date of payment of tax, have been prepared for the year ended 7 January 2009 and the accounts of Portmeirion Canada Inc. which have a year end of 30 June 2008. The Group accounts include interim financial information to 31 December 2008 for Portmeirion Finance Limited and the results of Portmeirion Canada Inc. for the year to 31 December 2008.

2.2 Investment in associates

An associate is an entity over which the Group is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Investments in associates are carried in the balance sheet at cost as adjusted by post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments.

Where a Group company transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate. Losses may provide evidence of an impairment of the asset transferred in which case appropriate provision is made for impairment.

2.3 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

Sales of goods are recognised when goods are delivered and title has passed.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

2.4 Operating leases

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

2.5 Foreign currencies

The individual financial statements of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency). The results and financial position of each Group company are expressed in pounds sterling, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period.

In order to hedge its exposure to certain foreign exchange risks, the Group enters into forward contracts (see below for details of the Group's accounting policies in respect of such derivative financial instruments).

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in the Group's hedging and translation reserve.

2.6 Operating profit

Operating profit is stated both before and after exceptional items but before investment revenue, finance costs and share of results of associates.

2.7 Group pension schemes

The Group operates a group stakeholder pension plan in the UK. For this scheme the amount charged to income in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

The defined benefit scheme previously operated by the Group closed on 5 April 1999. For this scheme the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the income statement if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits. Actuarial gains and losses are recognised immediately in the statement of recognised income and expense.

The defined benefit scheme is funded, with the assets of the scheme held separately from those of the Group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the defined accrued benefit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability is presented separately on the face of the balance sheet.

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 expensed as they are incurred.

2.8 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

2.9 Property, plant and equipment

Property, plant and equipment are held at cost, net of depreciation less any provision for impairment. 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
Short leasehold buildings	– over the life of the lease
Plant and vehicles	– 6% to 33% per annum

2.10 Intangible assets

Purchases of intellectual property are included at cost and written off in equal annual instalments over their estimated useful economic life. Provision is made for any impairment.

Computer software is held at cost, net of depreciation less any provision for impairment. Depreciation is charged so as to write off the cost over the estimated useful economic life of the computer software using the straight-line method. The estimated useful life of computer software is between 3 and 10 years.

2.11 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 impairment.

2.12 Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

2.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

2.14 Research and development

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally generated intangible asset arising from the Group's development activities is recognised only if all of the following conditions are met:

- an asset is created that can be identified (such as software and new processes);
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

2.15 Purchase of own shares

Investment in own shares has been classified to other reserves – treasury shares.

2.16 Financial instruments

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Derivative financial instruments

The Group's activities expose it to the financial risks of changes in foreign currency exchange rates. The Group uses foreign exchange forward contracts to hedge this exposure. The Group does not use derivative financial instruments for speculative purposes.

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity and the ineffective portion is recognised immediately in the income statement. Amounts deferred in equity are recognised in the income statement in the same period in which the hedged item affects net profit or loss.

2.16 Financial instruments continued

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs.

Receivables

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as receivables. Receivables are measured at cost, less any impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Further details on the Group's financial instruments can be found in note 31.

2.17 Share-based payments

The Group has applied the requirements of IFRS 2 *Share-based Payment*. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested at 1 January 2005.

The Group issues equity-settled and cash-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Fair value is measured by use of the Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

2.18 Segmental reporting

Activities are allocated to one business segment being consumer homeware. A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns which are different from those segments operating in other economic environments.

2.19 Grant income

Grant income relating to commitments to employ individuals is treated as deferred income and released to the income statement once the contractual period has elapsed.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 2, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Group's accounting policies

The following are the critical judgements that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Impairment of inventory

Provision is made for the impairment of slow-moving and obsolete inventory based on historical and forecast sales and estimates of net realisable value.

Defined benefit pension scheme

The valuation of the Group's defined benefit pension scheme assets and liabilities under IAS 19 *Employee Benefits* requires assumptions to be made regarding returns on assets, inflation, discount rates, salary and pension increases.

4. Revenue

An analysis of the Group's revenue is as follows:

	2008 £'000	2007 £'000
Continuing operations		
Sales of goods	**31,838**	32,017
Investment income	**53**	142
	31,891	32,159

5. 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 homeware. The geographical analyses below are broken down into the United Kingdom, United States, South Korea and the Rest of the World. These geographical segments are the basis on which the Group reports its primary segment information.

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

	2008 £'000	2007 £'000
United Kingdom	**10,259**	9,337
United States	**10,858**	12,181
South Korea	**5,400**	5,526
Rest of the World	**5,321**	4,973
	31,838	32,017

5. **Segmental analysis** continued

Revenue by origin	**2008** Total sales £'000	**2008** Inter-segment sales £'000	**2008** Sales to third parties £'000	2007 Total sales £'000	2007 Inter-segment sales £'000	2007 Sales to third parties £'000
United Kingdom	**24,892**	**(3,855)**	**21,037**	25,845	(5,922)	19,923
United States	**10,801**	**–**	**10,801**	12,094	–	12,094
	35,693	**(3,855)**	**31,838**	37,939	(5,922)	32,017

Operating profit/(loss) by origin	**2008** Before exceptional items £'000	**2008** Operating exceptional items £'000	**2008** Total £'000	2007 Before exceptional items £'000	2007 Operating exceptional items £'000	2007 Total £'000
United Kingdom	**902**	**(197)**	**705**	2,431	1,008	3,439
United States	**625**	**19**	**644**	921	–	921
Operating profit/(loss)	**1,527**	**(178)**	**1,349**	3,352	1,008	4,360
Unallocated items:						
Share of profit of associated undertakings			**4**			159
Non-operating exceptional item			**(140)**			–
Investment revenue			**53**			142
Finance costs			**(176)**			(242)
Profit before tax			**1,090**			4,419
Tax			**(515)**			(1,393)
Profit after tax			**575**			3,026

Profit before tax reconciliation	**2008** £'000	2007 £'000
Pre-tax profit before exceptional items	**1,408**	3,411
Exceptional items (note 7)	**(318)**	1,008
Pre-tax profit after exceptional items	**1,090**	4,419

5. **Segmental analysis** continued

Other information	2008 United Kingdom £'000	2008 United States £'000	2008 Consolidated £'000	2007 United Kingdom £'000	2007 United States £'000	2007 Consolidated £'000
Capital additions	**573**	**197**	**770**	1,446	90	1,536
Depreciation and amortisation	**955**	**67**	**1,022**	759	66	825
Impairment losses recognised in income	**140**	**–**	**140**	–	–	–
Balance sheet						
Assets						
Segment assets	**20,057**	**7,338**	**27,395**	20,843	5,456	26,299
Interest in associates			**1,297**			1,387
Consolidated total assets			**28,692**			27,686
Liabilities						
Segment liabilities	**7,315**	**1,329**	**8,644**	6,293	813	7,106

There are no unallocated corporate liabilities in 2008 or 2007.

6. **Operating costs**

	2008 Before exceptional items £'000	2008 Operating exceptional items £'000	2008 Total £'000	2007 Before exceptional items £'000	2007 Operating exceptional items £'000	2007 Total £'000
Change in stocks of finished goods and work in progress	**(1,233)**	**–**	**(1,233)**	(1,269)	–	(1,269)
Raw materials and consumables	**11,027**	**–**	**11,027**	11,447	–	11,447
Other external charges	**7,820**	**(19)**	**7,801**	6,260	(1,319)	4,941
Staff costs (see note 8)	**11,158**	**197**	**11,355**	11,088	311	11,399
Depreciation and other amounts written off tangible fixed assets	**843**	**–**	**843**	671	–	671
Amortisation of intangible assets	**179**	**–**	**179**	154	–	154
Movement on inventory impairment provision	**445**	**–**	**445**	127	–	127
Impairment of trade receivables	**66**	**–**	**66**	85	–	85
Costs of research and development	**288**	**–**	**288**	206	–	206
Net foreign exchange gains	**(282)**	**–**	**(282)**	(104)	–	(104)
	30,311	**178**	**30,489**	28,665	(1,008)	27,657

7. Exceptional items

Included in operating exceptional items are profit or loss on the sale of land and buildings and costs associated with leasehold property not yet operational or no longer required by the business including rent-free periods granted on sub-letting. Additional labour costs incurred in moving to and setting up the new warehouse and redundancy costs have also been included as exceptional. Non-operating exceptional items are impairments of investments in associated undertakings. The analysis of exceptional items is as follows:

Operating exceptional items	**2008 £'000**	2007 £'000
Profit on sale of freehold land & buildings	**92**	1,783
Costs associated with assignment of leasehold property	**–**	(126)
Redundancy costs	**(197)**	(108)
Costs associated with implementation of new warehouse	**(73)**	(541)
	(178)	1,008
Non-operating exceptional items		
Impairment of investment in associated undertaking	**(140)**	–
Total exceptional items	**(318)**	1,008

8. Staff numbers and costs

	2008 Number	2007 Number
The average number of persons employed during the year, including Directors:		
Operatives	**272**	287
Salaried employees	**224**	229
	496	516

	£'000	£'000
Staff costs:		
Wages and salaries	**9,502**	9,763
Social security costs	**817**	793
Defined contribution and money purchase pension schemes costs	**714**	667
Non-monetary benefits	**322**	176
	11,355	11,399

The Company had no employees throughout 2008 or 2007.

Details of individual Directors' remuneration, pension contributions and pension entitlements required by the Companies Act 1985 are shown in the Directors' Remuneration Report on pages 12 to 16. Details of Directors' current share options are shown in the Directors' Remuneration Report on page 15.

9. Auditors' remuneration

	2008 £'000	2007 £'000
Fees payable to the Group's auditors for the audit of the Group's annual accounts	**65**	71
Total audit fees	**65**	71
Fees payable to the Group's auditors and their associates for other services to the Group		
Other services – interim review	**9**	9
Total non–audit fees	**9**	9
Fees payable to the Group's auditors and their associates in respect of associated pension schemes		
Audit of the Portmeirion Potteries Limited Retirement Benefits Scheme	**4**	4
	4	4

The audit fee for the Company was £2,000 (2007 – £2,000).

Fees payable to Deloitte LLP and their associates for non-audit services to the Company are not required to be disclosed because the consolidated financial statements are required to disclose such fees on a consolidated basis.

10. Investment revenue

	2008 £'000	2007 £'000
Bank deposits	**38**	121
Other interest receivable	**15**	21
	53	142

11. Finance costs

	2008 £'000	2007 £'000
Interest paid	**15**	4
Losses on financial derivatives	**2**	111
Defined benefit pension scheme – other finance costs	**159**	127
	176	242

12. Taxation on profit on ordinary activities

	2008 £'000	2007 £'000
United Kingdom corporation tax at 28.5% (2007 – 30%)	**134**	814
Adjustment to corporation tax in respect of prior years	**(135)**	4
Overseas taxation	**189**	341
Double tax relief	**(86)**	(143)
Current taxation	**102**	1,016
Deferred taxation origination and reversal of timing differences	**120**	376
Adjustment to deferred taxation in respect of prior years	**106**	(61)
Adjustment to deferred taxation in respect of changes in legislation	**134**	–
Pension scheme	**53**	62
Deferred taxation	**413**	377
	515	1,393

Corporation tax is calculated at 28.5% (2007 – 30%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 28.5% (2007 – 30%). The actual tax charge for the current and the previous year differs from the standard rate for the reasons set out in the following reconciliation:

	2008 £'000	2007 £'000
Profit on ordinary activities before taxation	**1,090**	4,419
Tax on profit on ordinary activities at standard rate of 28.5% (2007 – 30%)	**311**	1,326
Factors affecting charge for the period:		
Effect of change in tax rate	**–**	(24)
Expenses not deductible for tax purposes	**175**	236
Small companies tax relief	**(3)**	(7)
Foreign tax charged at higher rates than UK standard rate	**129**	85
Adjustments to tax charge in respect of prior periods	**(29)**	(57)
Difference relating to associates tax charge	**18**	(23)
Double tax relief	**(86)**	(143)
Total actual amount of tax on profit on ordinary activities	**515**	1,393

13. Dividends paid

	2008 £'000	2007 £'000
Final dividend of 11.15p per share paid in respect of the year ended 31 December 2007 (2007 – final dividend of 10.70p per share paid in respect of the year ended 31 December 2006)	**1,104**	1,047
Interim dividend of 3.55p per share paid in respect of the year ended 31 December 2008 (2007 – interim dividend of 3.55p per share paid in respect of the year ended 31 December 2007)	**352**	351
Total dividends paid in the year	**1,456**	1,398

The Directors recommend that a final dividend of 11.15p (2007 – 11.15p) per share be paid, making a total for the year of 14.70p (2007 – 14.70p) per share. The final dividend will be paid, subject to shareholders' approval, on 29 May 2009, to shareholders on the register at the close of business on 1 May 2009. This dividend has not been included as a liability in these financial statements.

14. Earnings per share

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

	2008 Earnings £	2008 Weighted Number of Shares	2008 Earnings per Share (Pence)	2007 Earnings £	2007 Weighted Number of Shares	2007 Earnings per Share (Pence)
Basic earnings per share	**575,000**	**9,905,002**	**5.81**	3,026,000	9,832,804	30.77
Effect of dilutive securities:						
employee share options	**–**	**17,214**	**–**	–	408,463	–
Diluted earnings per share	**575,000**	**9,922,216**	**5.80**	3,026,000	10,241,267	29.55

15. Intangible assets

	Computer Software £'000	Intellectual Property £'000	Total £'000
Cost			
At 1 January 2007	219	524	743
Additions	157	–	157
At 1 January 2008	376	524	900
Additions	63	–	63
At 31 December 2008	**439**	**524**	**963**
Amortisation			
At 1 January 2007	93	22	115
Charge for the year	49	105	154
At 1 January 2008	142	127	269
Charge for the year	74	105	179
At 31 December 2008	**216**	**232**	**448**
Net book value			
At 31 December 2008	**223**	**292**	**515**
At 31 December 2007	234	397	631

16. Property, plant and equipment

	Land and buildings Freehold £'000	Land and buildings Short leasehold £'000	Plant and vehicles £'000	Total £'000
Cost				
At 1 January 2007	4,676	848	12,451	17,975
Additions	2	28	1,349	1,379
Disposals	(82)	–	(170)	(252)
Exchange adjustments	(12)	(2)	(5)	(19)
At 1 January 2008	**4,584**	**874**	**13,625**	**19,083**
Additions	–	9	698	707
Disposals	(727)	–	(138)	(865)
Exchange adjustments	–	47	172	219
At 31 December 2008	**3,857**	**930**	**14,357**	**19,144**
Depreciation				
At 1 January 2007	1,486	471	10,251	12,208
Charge for the year	29	15	627	671
On disposals	–	–	(140)	(140)
Exchange adjustments	(3)	(2)	(4)	(9)
At 1 January 2008	**1,512**	**484**	**10,734**	**12,730**
Charge for the year	102	28	713	843
On disposals	(220)	–	(102)	(322)
Exchange adjustments	–	44	87	131
At 31 December 2008	**1,394**	**556**	**11,432**	**13,382**
Net book value				
At 31 December 2008	**2,463**	**374**	**2,925**	**5,762**
At 31 December 2007	3,072	390	2,891	6,353

At 31 December 2008, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £nil (2007 – £nil).

17. Interests in associates

	2008 £'000	2007 £'000
Associated undertakings:		
Furlong Mills Limited		
2,080 Ordinary shares of £1 each representing 27.58% of the issued share capital		
Share of net assets	**1,194**	1,249
Discount on acquisition	**(13)**	(13)
Impairment of investment in Furlong Mills Limited	**(693)**	(553)
	488	683
Portmeirion Canada Inc.		
100 common shares representing 50% of the issued share capital		
Share of net assets	**809**	704
	1,297	1,387

Aggregated amounts relating to associates

	2008 £'000	2007 £'000
Total assets	**7,699**	5,611
Total liabilities	**(1,394)**	(2,045)
Revenues	**9,853**	9,624
(Loss)/profit before tax	**(208)**	275

A list of the significant investments in subsidiaries and associates, including the name, country of incorporation and proportion of ownership interest is given in note c to the Company's separate financial statements.

18. Inventories

	2008 £'000	2007 £'000
Raw materials and other consumables	**991**	1,094
Work in progress	**2,718**	2,323
Finished goods	**6,557**	6,164
	10,266	9,581

19. Trade and other receivables

	2008 £'000	2007 £'000
Amount receivable for the sale of goods	**5,680**	5,569
Allowance for doubtful debts	**(244)**	(181)
Trade receivables	**5,436**	5,388
Amounts owed by associated undertakings	**112**	530
Other receivables	**86**	143
Prepayments and accrued income	**561**	569
	6,195	6,630

Generally no interest is charged on receivables, however there is provision in the Group's terms and conditions for interest to be charged on late payments. The allowance for doubtful debts has been determined by reference to past default experience and a review of specific customers' debts as at the year end.

Included in the Group's trade receivable balance are debtors with a carrying amount of £1,311,000 (2007 – £1,348,000) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The average age of these receivables is 41 days (2007 – 49 days).

Ageing of past due but not impaired receivables

	2008 £'000	2007 £'000
30-60 days	**918**	603
60-90 days	**260**	424
90+ days	**133**	321
Total	**1,311**	1,348

Movement in the allowance for doubtful debts

	2008 £'000	2007 £'000
Balance at the beginning of the year	**181**	133
Impairment losses recognised	**66**	85
Amounts written off as uncollectible	**(3)**	(37)
Balance at the end of the year	**244**	181

In determining the recoverability of a trade receivable the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the Directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

19. Trade and other receivables continued

Ageing of impaired trade receivables

	2008 £'000	2007 £'000
120+ days	**162**	68

Included in the allowance for doubtful debts are individually impaired trade receivables with a balance of £66,000 (2007 – £60,000) which have been placed under liquidation. The impairment recognised represents the difference between the carrying amount of these trade receivables and the present value of the expected liquidation proceeds. The Group does not hold any collateral over these balances.

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value.

20. Cash and cash equivalents

	2008 £'000	2007 £'000
Cash and cash equivalents	**3,938**	2,708

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates to their fair value.

21. Derivative financial instruments

	Current	
	2008 £'000	2007 £'000
Financial liabilities carried at fair value through profit or loss (FVTPL)		
Held for trading derivatives that are not designated in hedge accounting relationships:		
Foreign currency forward contracts	**2**	–
	2	–

Further details on derivative financial instruments are shown in note 31.

22. Other financial liabilities

Trade and other payables

	2008 £'000	2007 £'000
Trade creditors and accruals	**3,635**	3,821
Amounts owed to associated undertakings	**44**	–
Other taxation and social security	**351**	206
Other creditors	**286**	460
	4,316	4,487

Trade creditors and accruals principally comprise amounts outstanding for trade purchases, ongoing costs and other indirect taxes. The average credit period taken for trade purchases is 36 days (2007 – 34 days). For most suppliers no interest is charged on the trade payables from the date of invoice to the end of the following month. Thereafter, interest may be charged on the outstanding balances at various interest rates. The Group's policy is to pay all payables within the credit timeframe.

The Directors consider that the carrying amount of trade payables approximates to their fair value.

23. Deferred tax

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior reporting period.

	Accelerated tax depreciation £'000	Revaluation of financial assets £'000	Retirement benefit obligations £'000	Share based payment £'000	Capital gain held over £'000	Other timing differences £'000	Total £'000
At 1 January 2007	226	(2)	(1,712)	–	–	(175)	(1,663)
Charge/(credit) to income	109	–	62	(17)	281	(19)	416
Charge/(credit) to equity	–	2	837	(66)	–	–	773
Effect of change in tax rate							
– income statement	(15)	–	–	1	–	(25)	(39)
– equity	–	–	114	3	–	–	117
At 1 January 2008	320	–	(699)	(79)	281	(219)	(396)
Charge to income	142	–	53	27	106	85	413
Charge/(credit) to equity	–	–	(536)	52	–	–	(484)
As at 31 December 2008	**462**	**–**	**(1,182)**	**–**	**387**	**(134)**	**(467)**

Certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2008 £'000	2007 £'000
Deferred tax liabilities	**849**	601
Deferred tax assets	**(1,316)**	(997)
	(467)	(396)

At the balance sheet date, the Group had no unused tax capital losses (2007 – £699,000) available for offset against future profits.

Temporary differences arising in connection with interests in associates and joint ventures are insignificant.

24. Share capital

	2008 Number '000	2008 £'000	2007 Number '000	2007 £'000
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	**10,563**	**528**	10,563	528

The market price of the Company's shares at 31 December 2008 was 112.5p per share. During the year the price ranged between 102.5p and 282.5p per share.

34,144 Ordinary shares of 5p each were transferred from a number of shares held in treasury to the following Directors following the exercise of options under the Portmeirion 2002 Share Option Scheme:

L. F. Bryan – 18,144 Ordinary shares on 15 April 2008 and 6,000 Ordinary shares on 11 August 2008 for a total cash consideration of £40,441 being 167.5p per share.

B.W.J. Phillips – 10,000 Ordinary shares on 11 August 2008 for a total cash consideration of £16,750 being 167.5p per share.

The Company has one class of ordinary shares which carry no right to fixed income.

Options granted to Directors and employees to acquire Ordinary shares of 5p in the Company and still outstanding at 31 December 2008 were as follows:

	Number of shares	Exercise price per share (p)	Dates on which exercisable Earliest	Dates on which exercisable Latest
The Portmeirion 2002 Share Option Scheme	70,199	167.5	25.03.2008	23.03.2009
The Portmeirion 2002 Share Option Scheme	230,000	345.0	05.04.2010	03.04.2011
The Portmeirion 2002 Share Option Scheme	104,000	260.0	16.04.2011	14.04.2012

Options held by the Directors are shown in the Directors' Remuneration Report on page 15.

25. Share premium account and reserves

	Share premium account £'000	Treasury shares £'000	Share based payment reserve £'000	Retained earnings £'000
As at 1 January 2007	4,657	(1,266)	38	13,136
Profit for the financial year	–	–	–	3,026
Dividends paid	–	–	–	(1,398)
Increase in share based payment reserve	–	–	53	–
Movement in pension scheme liability net of related deferred tax	–	–	–	2,037
Premium on shares issued under option scheme	163	–	–	–
Deferred tax on share based payment	–	–	–	63
As at 1 January 2008	4,820	(1,266)	91	16,864
Profit for the financial year	–	–	–	575
Dividends paid	–	–	–	(1,456)
Increase in share based payment reserve	–	–	55	–
Movement in pension scheme liability net of related deferred tax	–	–	–	(1,377)
Shares issued under employee share schemes	–	64	–	(7)
Deferred tax on share based payment	–	–	–	(52)
Purchase of equity interest	–	–	–	(194)
As at 31 December 2008	**4,820**	**(1,202)**	**146**	**14,353**

The cumulative amount of goodwill written off at 31 December 2008 was £515,000 (2007 – £515,000). The retained earnings of £14,353,000 (2007 – £16,864,000) includes the Group's share of associated undertakings' post acquisition reserves of £2,023,000 (2007 – £1,998,000).

The Group currently holds 643,074 (2007 – 677,218) Ordinary shares of 5p each in treasury.

26. Hedging and translation reserves

	Hedging reserve £'000	Translation reserve £'000	Total £'000
Balance as at 1 January 2007	(4)	(498)	(502)
Exchange differences on translation of overseas operations	–	41	41
Transfer to income	6	–	6
Income tax related to losses transferred to income	(2)	–	(2)
Balance as at 1 January 2008	–	(457)	(457)
Exchange differences on translation of overseas operations	–	1,860	1,860
Balance as at 31 December 2008	**–**	**1,403**	**1,403**

27. Commitments

Operating lease arrangements

The Group as lessee

	2008 £'000	2007 £'000
Minimum lease payments under operating leases recognised as an expense in the year	**804**	716

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2008 £'000	2007 £'000
Within one year	**883**	726
In the second to fifth years inclusive	**2,995**	2,482
After five years	**2,719**	3,002
	6,597	6,210

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	2008 £'000	2007 £'000
Within one year	**117**	–
In the second to fifth years inclusive	**468**	–
After five years	**205**	–
	790	–

Operating lease payments represent rentals payable by the Group for certain of its UK retail outlets, its UK and US warehouses, certain UK motor vehicles and its New York offices and showroom. Leases are negotiated on an individual basis.

28. Contingent liabilities

The Company has given an unlimited guarantee to HSBC Bank plc in respect of the bank borrowings of Portmeirion Potteries Limited and Portmeirion Finance Limited. At 31 December 2008 the gross borrowings of Portmeirion Potteries Limited and Portmeirion Finance Limited amounted to £nil (2007 – £nil).

29. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its associates are disclosed below. Transactions between the Company and its subsidiaries and associates are disclosed in note g on page 59.

The transactions during the year with associated undertakings were:

	Purchases 2008 £'000	Purchases 2007 £'000	**Sales 2008 £'000**	Sales 2007 £'000
Portmeirion Canada Inc.	**–**	–	**2,009**	1,772
Furlong Mills Limited	**534**	515	**–**	–

The outstanding balances at 31 December 2008, with associated undertakings were:

	Debtor 2008 £'000	Debtor 2007 £'000	**Creditor 2008 £'000**	Creditor 2007 £'000
Portmeirion Canada Inc.	**112**	522	**–**	–
Furlong Mills Limited	**–**	8	**44**	–

No balances were owed or owing by associated undertakings to the Company.

Sales to Portmeirion Canada Inc. are made at prices agreed between Portmeirion Potteries Limited and Portmeirion Canada Inc. on an arms length basis.

Purchases from Furlong Mills Limited are made at prices agreed between Portmeirion Potteries Limited and Furlong Mills Limited. Portmeirion Potteries Limited receives a rebate related to its level of purchases from Furlong Mills Limited.

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 £1,000 for any Director in the year or in the prior year.

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.

30. Pensions

The Group operates a Group stakeholder pension plan in the UK and a discretionary money purchase scheme in the US.

The total cost charged to income of £714,000 (2007 – £667,000) represents contributions payable to these schemes by the Group at rates specified in the rules of the schemes.

The UK defined benefit scheme was closed to new entrants and for future accrual of benefits as at 5 April 1999.

For the defined benefit scheme, the most recent triennial valuation was at 6 April 2005. The main actuarial assumptions used in the valuation were:

- Price inflation of 2.75% per annum
- Pre-retirement valuation rate of interest of 6.75% per annum
- Post-retirement valuation rate of interest of 4.75% per annum
- Increases to pensions in payment of 5.00% per annum on benefits in excess of the guaranteed minimum pension (GMP) earned prior to 6 April 1997 and 2.75% per annum on pensions earned after 6 April 1997.

At the date of the last valuation on 6 April 2005 the market value of the scheme assets was £15,222,000 and the scheme had a deficiency of £2,999,000.

The Group has applied IAS 19 *"Employee Benefits"* in full.

The actuarial valuation of the scheme was updated as at 31 December 2008 and 31 December 2007 by qualified actuaries.

The major assumptions used by the actuaries were:

	2008	2007	2006
Rate of increase in salaries	**n/a**	n/a	n/a
Rate of increase in pensions in payment:			
Post 06.04.88 GMP	**3.00%**	3.00%	3.00%
Pre 06.04.97 excess over GMP	**5.00%**	5.00%	5.00%
Post 06.04.97 pension	**3.20%**	3.30%	3.25%
Rate of revaluation of pensions in deferment	**3.30%**	3.40%	3.25%
Rate used to discount scheme liabilities	**6.10%**	5.90%	5.10%
Inflation assumption	**3.30%**	3.40%	3.25%

30. Pensions continued

The amount included in the balance sheet arising from the Group's obligations in respect of its defined benefit scheme is as follows:

	2008 Expected rate of return	2008 Fair value £'000	2007 Expected rate of return	2007 Fair value £'000
Equities	7.05%	10,429	6.50%	12,763
Bonds	3.85%	5,719	4.50%	7,010
Insured annuities	6.10%	298	5.90%	311
Cash	2.00%	13	5.00%	94
Total fair value of assets		**16,459**		20,178
Present value of defined benefit obligations		(20,681)		(22,676)
Deficit in the scheme		**(4,222)**		(2,498)

Analysis of the amount charged to operating profit:	2008 £'000	2007 £'000
Current service cost	–	–
Past service cost	–	–
	–	–

Analysis of the amount charged to other finance costs:	2008 £'000	2007 £'000
Expected return on pension scheme assets	1,163	1,138
Interest on pension scheme liabilities	(1,322)	(1,265)
Amount charged to other finance costs	**(159)**	(127)

The cumulative amount of actuarial gains and losses recognised in the statement of recognised income and expense since adoption of IFRS is a loss of £783,000 (2007 – gain of £1,130,000).

Analysis of the actuarial (loss)/gain recognised in the statement of recognised income and expense:	2008 £'000	2007 £'000
Actuarial return less expected return on pension scheme assets	(4,696)	(104)
Experience gains and losses arising on the scheme liabilities	–	–
Changes in assumptions underlying the present value of the scheme liabilities	2,783	3,092
Actuarial (loss)/gain recognised in the statement of recognised income and expense	**(1,913)**	2,988

30. Pensions continued

Movements in the present value of defined benefit obligations were as follows:

	2008 £'000	2007 £'000
At 1 January	**22,676**	25,104
Service cost	**–**	–
Interest cost	**1,322**	1,265
Actuarial gains and losses	**(2,783)**	(3,092)
Benefits paid	**(534)**	(601)
At 31 December	**20,681**	22,676

Movements in the fair value of scheme assets were as follows:

	2008 £'000	2007 £'000
At 1 January	**20,178**	19,397
Expected return on scheme assets	**1,163**	1,138
Actuarial gains and losses	**(4,696)**	(104)
Contributions by the employer	**348**	348
Benefits paid	**(534)**	(601)
At 31 December	**16,459**	20,178

The history of experience adjustments is as follows:

	2008 £'000	2007 £'000	2006 £'000
Present value of defined benefit obligations	**(20,681)**	(22,676)	(25,104)
Fair value of scheme assets	**16,459**	20,178	19,397
Deficit in the scheme	**(4,222)**	(2,498)	(5,707)
Experience adjustments on scheme liabilities Amount (£)	**(2,783)**	3,092	(2,856)
Percentage of scheme liabilities (%)	**13%**	14%	11%
Experience adjustments on scheme assets Amount (£)	**(4,696)**	(104)	998
Percentage of scheme assets (%)	**29%**	1%	5%

The estimated amount of contributions expected to be paid to the scheme during the current financial year is £348,000.

Following the decision to close the scheme with effect from 5 April 1999 formal notice was given to employees in January 1999. A defined contribution pension scheme commenced on 6 April 1999 for all eligible UK employees. This scheme was closed on 31 October 2002 and was replaced by a group stakeholder pension plan.

As at 31 December 2008, contributions of £57,000 (2007 – £46,000) due in respect of the current reporting period had not been paid over to the UK schemes.

In the United States there was a provision for payments into the money purchase scheme of £101,000 at 31 December 2008 (2007 – £67,000).

31. Financial instruments

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the financial statements.

Financial risk management objectives

Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders. The capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders of the parent, comprising capital, reserves and retained earnings as disclosed in notes 24 to 26.

Credit risk

The Group's principal financial assets are cash, short term deposits and trade receivables. The Group's policy is to place funds on short-term deposit with highly rated institutions. Accounts receivable are monitored closely and provisions are made for bad and doubtful debts where appropriate. The credit-worthiness of customers is assessed prior to opening new accounts and on a regular basis for significant customers.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk.

Currency exchange rate risk

The Group has exposure to foreign currency risk arising from its net investments in and cash flows from overseas subsidiaries and associates. Its policy in managing this risk is to maintain appropriate levels of net assets in the overseas companies and utilise foreign currency forward contracts. The most significant exposure to foreign currency arises from the US Dollar sales made by the UK subsidiary to the US subsidiary. The Group's net US Dollar exposure for the coming year is not significant. No forward contracts have been placed for 2009.

The Group enters into derivative transactions only to manage exposure arising from its underlying businesses. No speculative derivative contracts are entered into.

Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets	
	2008	2007	**2008**	2007
	£'000	£'000	**£'000**	£'000
Euro	**161**	161	**709**	757
US Dollar	**1,737**	1,250	**3,638**	2,764
Canadian Dollar	**–**	–	**166**	453
Swedish Krona	**–**	–	**18**	13
Norwegian Krone	**–**	–	**36**	–

31. Financial instruments continued

Foreign currency sensitivity analysis

The Group is mainly exposed to the currencies of Euro, US Dollar, Canadian Dollar, Swedish Krona and Norwegian Krone.

The following table details the Group's sensitivity to a 10% increase and decrease in Sterling against the relevant foreign currencies. 10% is the sensitivity rate which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 10% change in foreign currency rates. A negative number below indicates a decrease in profit and other equity where Sterling strengthens 10% against the relevant currency. For a 10% weakening of Sterling against the relevant currency, there would be an equal and opposite impact on the profit and other equity.

	Euro impact		US Dollar impact		Canadian Dollar impact		Swedish Krona impact		Norwegian Krone impact	
	2008 £'000	2007 £'000	**2008 £'000**	2007 £'000	**2008 £'000**	2007 £'000	**2008 £'000**	2007 £'000	**2008 £'000**	2007 £'000
Profit or loss	**(50)**	(54)	**(61)**	(49)	**(15)**	(41)	**(2)**	(1)	**(3)**	–
Other equity	**–**	–	**(111)**	(88)	**–**	–	**–**	–	**–**	–

Forward foreign exchange contracts

Outstanding contracts

	Average exchange rate		Foreign currency		Contract value		Fair value	
	2008 rate	2007 rate	**2008 CAD'000**	2007 CAD'000	**2008 £'000**	2007 £'000	**2008 £'000**	2007 £'000
Held for trading (less than 12 months) Sell Canadian Dollars	**1.8164**	–	**180**	–	**99**	–	**(2)**	–

Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

The following table details the Group's liquidity analysis for its derivative financial instruments.

	1 month to 1 year	
Gross settled	**2008 £'000**	2007 £'000
Foreign exchange forward contracts	**99**	–

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and banking facilities by monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

31. Financial instruments continued

Liquidity and interest risk tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

2007	Less than 1 month £'000	1-3 months £'000	Over 3 months £'000	**Total £'000**
Non-interest bearing	2,151	605	–	2,756
2008				
Non-interest bearing	**4,122**	**194**	**–**	**4,316**

The following tables detail the Group's expected maturity for its non-derivative financial assets. The tables have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Group anticipates that the cash flow will occur in a different period.

2007	Weighted average effective interest rate %	Less than 1 month £'000	1-3 months £'000	Over 3 months £'000	Total £'000
Non-interest bearing	–	4,087	2,254	–	6,341
Variable interest rate instruments	2.26	320	–	–	320
Fixed interest rate instruments	4.79	1,953	–	–	1,953
		6,360	2,254	–	8,614

2008	**Weighted average effective interest rate %**	**Less than 1 month £'000**	**1-3 months £'000**	**Over 3 months £'000**	**Total £'000**
Non-interest bearing	**–**	**2,989**	**2,629**	**–**	**5,618**
Variable interest rate instruments	**–**	**1,463**	**–**	**–**	**1,463**
Fixed interest rate instruments	**1.25**	**1,851**	**–**	**–**	**1,851**
		6,303	**2,629**	**–**	**8,932**

The Group has access to an overdraft facility, the total unused amount of which is £1,500,000 at the balance sheet date. The Group expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets.

32. Share based payments

Equity-settled share option scheme

The Group operates share option schemes for senior managers. Options are exercisable at a price equal to the average quoted market price of the Company's shares on the three trading days prior to the date of the grant. The vesting period is three years. If the options remain unexercised after a period of four years from the date of grant the options expire.

Details of the share options outstanding during the year are as follows:

	2008		2007	
	Number of share options	**Weighted average exercise price £**	Number of share options	Weighted average exercise price £
Outstanding as at 1 January	**740,000**	**2.416**	640,000	1.838
Granted during the year	**104,000**	**2.600**	250,000	3.450
Lapsed during the year	**(210,000)**	**2.342**	(50,000)	1.675
Surrendered during the year	**(195,657)**	**1.675**	–	
Exercised during the year	**(34,144)**	**1.675**	(100,000)	1.675
Outstanding as at 31 December	**404,199**	**2.923**	740,000	2.416
Exercisable as at 31 December	**70,199**	**1.675**	–	

The weighted average share price at the date of exercise for share options exercised during the period was £2.25. The options outstanding at 31 December 2008 had a weighted average exercise price of £2.92 and a weighted average remaining contractual life of 2.2 years. In 2008, options were granted on 15 April. The aggregate of the estimated fair value of those options is £21,207. In 2007, options were granted on 4 April. The aggregate of the estimated fair value of those options is £103,827.

The inputs into the Black-Scholes pricing model are as follows:

	2008	2007
Weighted average share price at date of grant	**£2.50**	£3.40
Weighted average exercise price	**£2.60**	£3.45
Expected volatility	**19%**	19%
Expected life	**3.5 years**	3.5 years
Risk-free rate	**4.03%**	5.34%
Expected dividend rate	**5.88%**	4.12%

Expected volatility was determined by calculating the historical volatility over the previous 3.5 years. The expected life used in the model assumes that the options will be exercised on average half way through the period during which they can be exercised.

The Group recognised total expenses of £55,000 and £53,000 related to equity share-based payment transactions in 2008 and 2007 respectively.

Company Balance Sheet

	Notes	2008 £'000	2008 £'000	2007 £'000	2007 £'000
Fixed assets					
Investment in subsidiary undertakings	c		**1,455**		1,455
Current assets					
Debtors – of which £10,911,000 (2007 – £10,911,000) falls due after more than one year	d	**10,911**		10,911	
Creditors: amounts falling due within one year	e	**(3,867)**		(7,154)	
Net current assets			**7,044**		3,757
Net assets			**8,499**		5,212
Capital and reserves					
Called up share capital	f		**528**		528
Share premium account	f		**4,820**		4,820
Other reserves	f		**197**		197
Treasury shares	f		**(1,202)**		(1,266)
Share based payment reserve	f		**146**		91
Retained earnings	f		**4,010**		842
Shareholders' funds			**8,499**		5,212

These financial statements were approved by the Board of Directors and authorised for issue on 12 March 2009. They were signed on its behalf by:

L. F. Bryan
B. W. J. Phillips } Directors

Company Reconciliation of Movements in Shareholders' Equity

	2008 £'000	2007 £'000
Opening balance	**5,212**	6,452
Profit/(loss) for the year	**4,825**	(63)
Dividends paid	**(1,456)**	(1,398)
Shares issued under employee share schemes	**57**	168
Increase in share based payment reserve	**55**	53
Purchase of equity interest	**(194)**	–
Closing balance	**8,499**	5,212

Equity comprises share capital, share premium, equity reserves, treasury shares and retained earnings.

a. Significant accounting policies

Basis of accounting

The separate financial statements of the Company are presented as required by the Companies Act 1985. They have been prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards and law.

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

Investments

Fixed asset investments in subsidiaries and associates are shown at cost less provision for impairment.

b. Profit for the year

As permitted by section 230 of the Companies Act 1985 the Company has elected not to present its own profit and loss account for the year. Portmeirion Group PLC reported a consolidated profit for the year ended 31 December 2008 of £575,000 (2007 – £3,026,000), which includes a loss of £175,000 (2007 – loss of £63,000) which is dealt with in the financial statements of the Company.

The auditors' remuneration for audit and other services is disclosed in note 9 to the consolidated financial statements.

c. Fixed asset investment

Subsidiary undertakings:

	2008 £'000	2007 £'000
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
	1,455	1,455

There have been no additions or disposals of subsidiaries in the year nor provisions for impairments.

At 31 December 2008 the Company had the following subsidiary and associated undertakings:

	Country of operation and incorporation	Nature of business
Subsidiary undertakings		
Portmeirion Potteries Limited	England and Wales	Pottery manufacturer
Portmeirion Finance Limited	England and Wales	Dormant
Portmeirion Enterprises Limited *	England and Wales	Intermediate holding company
Portmeirion Distribution Limited *	England and Wales	Dormant
Portmeirion Services Limited *	England and Wales	Dormant
Naugatuck Triangle Corporation	USA	Intermediate holding company
S. P. Skinner Co., Inc. **	USA	Marketing and distribution of pottery and accessories
Associated undertakings		
Portmeirion Canada Inc.	Canada	Marketing and distribution of pottery and accessories
Furlong Mills Limited	England and Wales	Suppliers and millers of clay

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

The share capital of all subsidiary undertakings consists solely of ordinary shares. The Group holds 100% of the share capital of all subsidiaries, 50% of the ordinary share capital of Portmeirion Canada Inc. and 27.58% of the ordinary share capital of Furlong Mills Limited. Furlong Mills Limited supplies Portmeirion Potteries Limited with all of its clay raw materials.

* Wholly owned by Portmeirion Potteries Limited.

** Wholly owned by Naugatuck Triangle Corporation.

d. Debtors

	2008 £'000	2007 £'000
Loans owed by subsidiary undertakings falling due after more than one year:		
Portmeirion Potteries Limited	**10,146**	10,146
Portmeirion Enterprises Limited	**705**	705
Portmeirion Distribution Limited	**60**	60
	10,911	10,911

e. Creditors

	2008 £'000	2007 £'000
Amounts falling due within one year		
Amounts owed to subsidiary undertaking, Portmeirion Potteries Limited	**3,713**	7,078
Other taxation and social security	**6**	6
Other creditors	**44**	44
Corporation tax	**104**	26
	3,867	7,154

f. Share capital, share premium account and reserves

The movements on share capital are disclosed in note 24 to the consolidated financial statements.

The movements on the share premium account and other reserves are shown below.

	Share premium account £'000	Other reserves £'000	Treasury shares £'000	Share based payment reserve £'000	Retained earnings £'000
As at 1 January 2008	4,820	197	(1,266)	91	842
Profit for the financial year	–	–	–	–	4,825
Dividends paid	–	–	–	–	(1,456)
Increase in share based payment reserve	–	–	–	55	–
Shares issued under employee share schemes	–	–	64	–	(7)
Purchase of equity interest	–	–	–	–	(194)
As at 31 December 2008	**4,820**	**197**	**(1,202)**	**146**	**4,010**

g. Related party transactions

During 2008 transactions totalling £3,365,000 were debited (2007 – £1,187,000 credited) to the intercompany account with the Company's subsidiary, Portmeirion Potteries Limited. These transactions were payments and receipts made on behalf of the Company by Portmeirion Potteries Limited, a tax adjustment, an intergroup dividend and the transfer of the share based payment reserve.

The outstanding balances with subsidiary undertakings at 31 December 2008 and 31 December 2007 are shown in notes d and e above. The loans owed by subsidiary undertakings are not considered to be repayable within one year.

Company Information

Board of Directors

Richard J. Steele BCOM FCA CTA	Non-executive Chairman
Lawrence F. Bryan BA	Chief Executive
Michael Haynes MCIM	Group Sales & Marketing Director
Brett W.J. Phillips BSc ACA	Group Finance Director
Barbara Thomas Judge BA JD	Non-executive Director
Janis Kong BSc OBE	Non-executive Director

Secretary
Brett W.J. Phillips BSc ACA

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Nominated Adviser and Stockbroker
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London EC4M 7EN

Solicitors

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Financial Calendar

Annual General Meeting	May

Interim Report	August

Dividends	
Interim announced	August
Paid	October
Final announced	March
Paid	May

UK factory shops

Longton
Stoke
Swindon
Trentham
Street
Bridgend

See www.portmeirion.com
for details or call the UK Customer Service line on
+44 (0)1782 743456

Patterns

Botanic Garden
Pomona
The Holly and The Ivy
Sophie Conran for Portmeirion
White Oak by Sophie Conran for Portmeirion
Botanic Roses
Up the Garden Path by Laura Stoddart
Botanic Blue
Crazy Daisy
The Very Hungry Caterpillar
A Fine Romance by Laura Stoddart
Juicy Lucy
Eden
Wish Candles
A Christmas Story
Flower Power
Secret Garden
Pimpernel Placemats, Coasters, Trays & Accessories
Compleat Angler (USA Only)
Birds of Britain (USA Only)

Portmeirion Worldwide Sites & Stockists
Details of Portmeirion worldwide sites and stockists can be found on our website www.portmeirion.com

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