A copy of this document, which comprises listing particulars relating to Portmeirion Potteries (Holdings) PLC in accordance with the listing rules made under the Financial Services Act 1986, has been delivered to the Registrar of Companies in England and Wales for registration as required by Section 149 of that Act.

The Directors of the Company, whose names appear in this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Application has been made to the Council of The Stock Exchange for the whole of the Ordinary share capital of the Company, issued and now being issued, to be admitted to the Official List. It is expected that the Ordinary shares will be admitted to the Official List on 2nd November, 1988 and that dealings in the Ordinary shares will commence on 3rd November, 1988.

PORTMEIRION®

PORTMEIRION POTTERIES (HOLDINGS) PLC

(incorporated in England under the Companies (Consolidation) Act 1908, registered number 124842)

Placing by

Kleinwort Benson Securities Limited

of

2,400,000 new Ordinary shares of 5p each at 180p per share

Share Capital

Authorised		Issued and now being issued fully paid
£750,000	In Ordinary shares of 5p each	£479,106

The Ordinary shares now being placed will rank *pari passu* in all respects with the existing issued Ordinary shares including the right to receive all dividends and other distributions hereafter declared, made or paid on the Ordinary share capital of the Company (other than the interim dividend of £169,000 resolved to be paid on 19th October, 1988 to the shareholders on the register on that date).

Indebtedness

At the close of business on 30th September, 1988, the Group had outstanding bank overdrafts of £1,962,000, secured loans of £249,000, unsecured loan notes of £97,000 and commitments under lease purchase agreements and asset purchase loans of £296,000. Save as aforesaid, the Group had no loan capital outstanding or created but unissued, term loans, mortgages, charges or other borrowings or indebtedness in the nature of borrowings, including bank overdrafts, liabilities under acceptances (other than normal trade bills) or acceptance credits or any guarantees or other material contingent liabilities.

CONTENTS

DEFINITIONS

In this document, unless the context otherwise requires, the following expressions shall have the following meanings:

"the Company"	Portmeirion Potteries (Holdings) PLC
"the Group" and "the Portmeirion Group"	the Company and its subsidiaries
"Ordinary shares"	Ordinary shares of 5p each in the capital of the Company
"Kleinwort Securities"	Kleinwort Benson Securities Limited
"the Placing"	the placing by Kleinwort Securities of 2,400,000 new Ordinary shares, details of which are set out in this document
"The Stock Exchange"	The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited

DIRECTORS AND ADVISERS

Directors	**Euan Stewart Cooper-Willis** (Chairman) **Susan Caroline Williams-Ellis** (Deputy Chairman) **George Arthur Hesp** (Managing Director) **Derek Alfred Howard Baer** (Non-Executive) **Kamrouz Farhadi** (Works Director) **Martin John Gulliver** (Sales and Marketing Director) **Brett Warwick James Phillips** (Finance Director) **James Cyril Pointon** (Distribution and Warehousing Director) **Philip John White** (Technical Director) all of Penkhull New Road, Stoke-on-Trent, Staffordshire ST4 5DD
Secretary and Registered Office	**B W J Phillips, ACA** Penkhull New Road Stoke-on-Trent Staffordshire ST4 5DD
Sponsors and Stockbrokers	**Kleinwort Benson Securities Limited** 20 Fenchurch Street London EC3P 3DB
Auditors and Reporting Accountants	**Peat Marwick McLintock** Chartered Accountants Churchill House Regent Road Stoke-on-Trent Staffordshire ST1 3RG
Solicitors to the Company	**Lovell White Durrant** 73 Cheapside London EC2V 6ER
Solicitors to the Placing	**Ashurst Morris Crisp** Broadgate House 7 Eldon Street London EC2M 7HD
Second Distributor	**Henry Cooke, Lumsden plc** P.O. Box 369 1 King Street Manchester M60 3AH
Bankers	**Midland Bank plc** Crown Bank Hanley Stoke-on-Trent Staffordshire ST1 1DA
Registrars	**Peat Marwick McLintock** Churchill House Regent Road Stoke-on-Trent Staffordshire ST1 3RG

SUMMARY INFORMATION

The following information should be read in conjunction with the full text of this document from which it is derived.

Business

The Portmeirion Group is a well established manufacturer of high quality tableware, cookware, kitchenware and giftware. Its success owes much to the distinctive style of its designs most of which are inspired by eighteenth and nineteenth century natural history illustrations. In addition it markets a range of accessories designed to complement its pottery products. Approximately 42 per cent. of the Group's sales are exports.

Trading Record

The audited results of the Group, derived from the Accountants' Report in Part III, are summarised below:

	Years ended 31st December,					Seven months ended 31st July,
	1983 £'000	1984 £'000	1985 £'000	1986 £'000	1987 £'000	1988 £'000
Turnover	2,482	3,278	4,008	5,124	7,389	5,190
Profit before taxation	125	220	385	629	1,094	871

Profit forecast

The Directors forecast that, on the bases and assumptions set out in Part II, the consolidated profit of the Group before taxation for the year ending 31st December, 1988, will, in the absence of unforeseen circumstances, be not less than £1.5 million.

Placing Statistics

Placing price per Ordinary share	180p
Number of Ordinary shares in issue following the Placing	9,582,120
Market capitalisation at the Placing price	£17.2m
Number of Ordinary shares being placed by the Company	2,400,000
Net proceeds of the Placing	£4.0m
Percentage of enlarged issued share capital being placed	25 per cent.
Earnings per share on forecast profit for the year ending 31st December, 1988 and an estimated 35 per cent. tax charge*	12.9p
Price earnings multiple*	14.0 times
Gross dividend yield at the Placing price, based on the indicated annual dividend of 4.5p per Ordinary share (being 6p including the associated tax credit)*	3.3 per cent.

*On the basis of 7,582,120 Ordinary shares, being the weighted average number of Ordinary shares notionally in issue during the year ending 31st December, 1988.

HISTORY

In the 1950s Euan Cooper-Willis and his wife Susan Williams-Ellis began selling pottery in the gift shop in Portmeirion, a tourist village in North Wales which was created by Susan's father, Sir Clough Williams-Ellis. Some of this pottery was designed exclusively for the Portmeirion shop by Susan Williams-Ellis, who was then a freelance designer and illustrator and was manufactured and decorated by A. E. Gray & Company Limited, a small pottery business in Stoke-on-Trent.

In 1960 Euan Cooper-Willis and his wife acquired A. E. Gray & Company Limited. The acquisition was followed in 1961 by the acquisition of Kirkhams Limited, a manufacturer of scientific and chemists' pottery, which was also based in Stoke-on-Trent. The two businesses were combined at Kirkhams' premises, which the Group has continued to occupy, and the design and manufacture of pottery products bearing the name "Portmeirion" began.

By 1970 the Company had a staff of some 210 and sales of approximately £350,000 per annum. The introduction of *Botanic Garden* in 1972, a design created and shaped by Susan Williams-Ellis, led to a significant increase in turnover. This distinctive design, which still accounts for some 65 per cent. of pottery sales, has since been complemented by other multi-motif designs such as *Birds of Britain* (1974) and *Pomona* (1982), all of which have enabled the Group to sell higher value products and to establish its name in the tableware, cookware, kitchenware and giftware markets.

In December 1982 the Company set up its own home sales team having previously sold its products through a sales and marketing company owned jointly with Dartington Glass Limited. Sales and profitability increased rapidly from that time and to accommodate the expansion major extensions to the factory were completed in 1986 and 1987. Over recent years the increase in productivity and sales has been assisted by the introduction of modern technology, the introduction of new designs and the marketing of accessories including textiles, place mats and trays.

The overseas market response to Portmeirion products has been extremely positive from the early days and is now reflected in the Group's export market in 34 countries where sales are made primarily through appointed distributors. In the mid 1960s the Group began selling its pottery products to the United States which is now its most important overseas market, accounting for approximately 40 per cent. of total export sales. Sales were made directly to retailers in the United States until 1979 when an exclusive distributor was appointed. Since January 1986 the Company has operated through Portmeirion USA, a partnership with a United States based importing company. The great majority of sales to the United States are now made through the partnership. Export sales now account for approximately 42 per cent. of the Group's turnover.

A Welsh company, Portmeirion Limited, and certain associated companies bearing the Portmeirion name, manage the hotel and certain other commercial interests in the Portmeirion village which is owned by the Portmeirion Foundation, a charitable trust. Apart from the historical association referred to above and the fact that Euan Cooper-Willis, Susan Williams-Ellis and Derek Baer are non-executive Directors of Portmeirion Limited and are among the trustees of the Foundation, Portmeirion Limited, its associated companies and the Foundation are in all respects separate from and independent of the Portmeirion Group.

DESIGN

The Group's success stems from the colourful and original designs of its products. The most successful designs have been inspired by nineteenth century natural history illustrations in antiquarian books and old prints. The *Botanic Garden* design features many flowers and herbal patterns and the *Pomona* range is decorated by eight different motifs, depicting fruits from the gardens of English nobility and gentry. The designs have been shown to have a lasting appeal and the *Botanic Garden* range which was introduced in 1972 accounted for some 65 per cent. of pottery sales both in 1987 and in the seven months to 31st July, 1988.

Susan Williams-Ellis has designed and created most of the current pottery designs, some of which have been reproduced on a complementary range of accessories including textiles, place mats and melamine trays.

During the 1960s and 1970s the Portmeirion Group was dependent upon Susan Williams-Ellis for its pottery designs. As the Group has expanded Susan Williams-Ellis has assembled and trained a team of designers to continue and to develop the Portmeirion design tradition. The team, which now consists of five people, is responsible for creating new product concepts as well as for updating and adapting existing designs to meet market response.

The market demand for most of the Group's existing pottery products, particularly the *Botanic Garden* and *Pomona* designs, has been higher than production capacity in recent years. Nevertheless, the design team has created a number of new products which are at various stages of market readiness. The Directors expect that these new products will be launched over the next few years as production capacity expands.

The protection of the name *Portmeirion* and the names of its most successful designs is important. Trademark applications are registered or pending in respect of the names *Portmeirion*, *Botanic Garden* and *Pomona* in the United Kingdom, the United States, Canada, Italy and Australia.

Pottery Products

The Group's main products are tableware, cookware, kitchenware and giftware pieces which are marketed in six main designs four of which, namely *Botanic Garden, Pomona, Birds of Britain* and *Compleat Angler,* are the work of Susan Williams-Ellis. *Summer Strawberries, The Queen's Hidden Garden* and three additional designs, which are produced specifically for the National Trust, have been created by outside designers.

The Group's pottery products are manufactured in two main shapes. The *Drum* shape was introduced in 1972 to take the *Botanic Garden* design. This shape was supplemented by the more curved lines of the *Romantic* shape first introduced in 1982 for *Pomona.* Since then, a small number of pieces, such as teapots, coffee pots and vegetable dishes have also been made available in *Botanic Garden* in the *Romantic* shape. The other designs utilise one or both of the basic shapes described.

There are 125 different ceramic pieces in the *Botanic Garden* collection most of which are also available in the other designs.

Set out in the table below is a description of the Group's six main designs:—

Botanic Garden Plants and butterflies taken from fine hand coloured natural history illustrations make up this design. Some 40 different plant and butterfly motifs are used in the collection.
Pomona This design depicts fruit from the gardens of English nobility and gentry in the days of George IV. Its *Romantic* shape was inspired by the rounded natural forms of gourds and seed capsules.
Birds of Britain Rare hand painted originals of the late eighteenth century have been reproduced to form this British bird design. Some 46 different birds are shown in this collection.
Compleat Angler This collection is decorated with eight different motifs depicting British freshwater fish. The design is taken from nineteenth century illustrations.
Summer Strawberries Created by Angharad Menna, daughter of Euan Cooper-Willis and Susan Williams-Ellis, this design is based on portraits of strawberry plants from a Welsh hillside garden.
The Queen's Hidden Garden Introduced specifically for House of Fraser in the United Kingdom and for export markets, this design was created by an outside designer and is decorated with twelve motifs of wild flowers.

The Group also manufactures and markets a range of jugs and vases in white porcelain entitled *The British Heritage Collection* based on antique pottery moulds some of which date back to the 1830s.

Accessories

Since 1984 the Group has progressively introduced a range of accessories to complement its pottery. These accessories are bought in and marketed alongside the pottery products and include place mats, textiles such as oven gloves, aprons and cushions, and melamine trays and chopping boards. These products are all produced by outside manufacturers to designs developed or specified by the Group. They are at present available bearing the *Botanic Garden* and *Pomona* designs. The Directors intend to extend the range of patterns and bought-in items.

Other Products

In 1986 an agreement was entered into with Jason Products Limited of New Zealand to sell its range of place mats in the United Kingdom and Eire.

PRODUCTION

Premises

The Portmeirion Group manufactures in freehold premises at, and adjoining, the original Kirkham Street premises in Stoke-on-Trent. The premises have been substantially modified and extended since Kirkhams was acquired in 1961 and the site now comprises a total of 4.63 acres.

The Directors are implementing a major phased expansion programme to increase production capacity. Factory extensions which created an additional 24,000 square feet of production capacity were completed in 1986 and 1987 at an aggregate cost of £519,000. In April 1988 the Group acquired an adjacent warehouse at a cost of £850,000. Proposed modifications to this warehouse will cost some £200,000 and will provide over 30,000 square feet of additional space to re-house the selection, packing and despatch departments.

The Directors plan to undertake additional expansion which should come into operation by 1991. Planning permission and a listed building consent have been applied for, which would enable a further 59,000 square feet of production space to be constructed. Whilst the Directors are confident of obtaining these permissions and consent, if the listed building consent is not forthcoming the Directors estimate that an alternative development plan could be adopted which would enable some 35,000 square feet of production space to be constructed.

This development programme will enable the Group to carry out its planned production expansion over the next five years.

Plant and Production Facilities

The Group operates a policy of investing, where appropriate, in modern automatic and semi-automatic machinery to ensure high quality and to increase production capacity on a cost efficient basis. Capital expenditure on plant and equipment totalled approximately £197,000 in 1986, £384,000 in 1987 and £287,000 in the seven months to 31st July, 1988. Since that date a further £161,000 has been spent or has been committed. The Group operates a number of semi-automatic and automatic plate-making, cup-making and bowl-making machines and automatic dryers. All the clayware pottery is fired in a 56 car gas fired automatic biscuit tunnel kiln which is operated on a 24 hour basis. In addition there are six gas fired intermittent glost kilns and three electric intermittent decorating kilns, the newest of which was purchased in 1987 at a cost of £90,000.

A recent advance in technology is the use of powerful presses to form ceramic pieces out of specially prepared clay granules. This technology, where it can be applied, appears to offer very large economies which more than compensate for the substantial cost of the equipment. Tests are being carried out to evaluate the feasibility of producing certain products using this technology.

Computerised systems are used in production planning and inventory control. A new software package has been purchased to run on the VAX 8250 computer which was acquired last year. This system, once fully implemented, should greatly enhance the Group's production management and inventory control facilities.

Quality control

The Portmeirion Group attaches great importance to the quality of the products sold under the Portmeirion name. The term "quality" in this context relates both to the look of the product, for example freedom from flaws and consistency in colours and to the performance of the product in use. Pottery is inspected at each of the main stages of production and is rejected if faulty and unable to be rectified. The Group maintains a laboratory, headed by the Technical Director, to test ware in various ways to ensure its durability and other essential qualities.

Materials and Suppliers

The two principal materials used by the Group are clay and ceramic transfers. The Group purchases the majority of its clay in liquid form from The Furlong Mills Company, Limited in which it has a 27.6 per cent. shareholding. Alternative sources of supply of clay are readily available.

The large majority of the ceramic transfers are supplied by Decora, a member of the West German based Leipold group, from factories in West Germany and Italy. All the transfers have been developed to the high standard required by the Group for its designs and a strong personal and trading relationship has been established with Leipold over 15 years.

Although there has never been an interruption in supplies the Group's policy is to carry sufficient transfers for approximately four months' production. With a view to further safeguarding supplies the Group has recently carried out successful trials with a ceramic transfer manufacturer in the United Kingdom.

SALES AND MARKETING

Sales for the three years ended 31st December, 1987 and the seven months ended 31st July, 1988 may be analysed as follows:

	Years ended 31st December, 1985	1986	1987	Seven months ended 31st July, 1988
	£'000	£'000	£'000	£'000
Pottery – home	2,359	2,932	3,469	2,252
Pottery – export	1,532	1,875	2,920	2,030
Accessories	117	317	1,000	908
	4,008	5,124	7,389	5,190

United Kingdom

The Group has developed a sales strategy which combines wide geographical coverage with prominent retail displays. In the United Kingdom the Portmeirion Group employs a sales team of seven which includes five area sales representatives. The customer base includes specialist retail shops and department stores. There are over 1,000 retail customers, none of which accounts for more than 6 per cent. of home sales. The large majority of sales are made to specialist retailers. In addition, the Group runs three retail shops which sell Portmeirion pottery seconds in the Stoke-on-Trent area.

The Group recognises that the visual impact of the merchandise displays is particularly important in achieving sales to consumers. Its marketing activities, aimed at retailers, include the distribution of sales brochures and promotional literature, the provision of display units and other merchandising aids and the display of its products at trade fairs and in showrooms in London and Stoke-on-Trent.

Because of the high demand for its products, the Group has not undertaken any significant national advertising since 1986.

Overseas

Export sales by major markets for the three years ended 31st December, 1987 and the seven months ended 31st July, 1988 may be analysed as follows:

	Years ended 31st December, 1985	1986	1987	Seven months ended 31st July, 1988
	£'000	£'000	£'000	£'000
United States	613	770	1,250	891
Italy	431	562	873	605
West Germany	35	72	94	87
France	41	111	108	76
Canada	29	44	91	92
Others	401	366	680	447
	1,550	1,925	3,096	2,198

The Group's largest overseas market is the United States. In 1985 it established Portmeirion USA, an equal share partnership with Naugatuck Triangle Corporation. The partnership began to market Portmeirion products in the United States in January 1986. Sales are made through fourteen marketing agencies who in turn employ some forty salesmen on a commission basis. The partnership does not employ any staff but is charged an administration and warehouse fee by associates of Naugatuck who provide these services. The Group is represented in the management of the partnership by George Hesp and Martin Gulliver.

Since the partnership commenced trading its sales have increased from $1,870,000 in 1986 to $3,793,000 in 1987 and $2,567,000 for the seven months ended 31st July, 1988.

The success of Portmeirion USA encouraged the Group to establish a similar arrangement for the marketing of its products in Canada. Accordingly in April 1987 an equally owned joint venture company, Portmeirion Canada Inc., was established with a Toronto based corporate partner, William Smith & Sons Inc.

The Group distributes its products to 32 other countries through distributors or appointed agents. Sales have been particularly strong in Italy which is the Group's second largest overseas market. The Directors believe that there is considerable scope for increasing sales to the United States and other overseas markets.

It is the Group's policy to arrange forward cover against exchange risks for a substantial part of the anticipated receipts from the United States and Canada. Such cover has been obtained for the period to 31st December, 1989. In addition, payments for export sales other than to the Group's associates in the United States and Canada are covered by guarantees provided through the Export Credits Guarantee Department.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Directors

Euan Cooper-Willis, aged 68, is the Chairman. He founded the Portmeirion pottery business with his wife, Susan Williams-Ellis, in 1960. He worked for 18 years as an economist and investment adviser with stockbrokers Grieveson, Grant and Co. In 1973 he left to concentrate on the Group's business. Since then he has been actively involved in the development and management of the Group.

Susan Williams-Ellis, aged 70, is the Deputy Chairman. She studied art under Henry Moore and Graham Sutherland at Chelsea Polytechnic and in 1945 began to work as a freelance industrial designer and book illustrator. She has used her design ability and flair to create the Portmeirion design style. She heads the five strong design team.

George Hesp, aged 55, is the Managing Director. He qualified as a Chartered Accountant in 1955 and subsequently worked as a cost accountant for Vickers Limited, and as a regional accountant and factory manager for Square Grip Reinforcement Co., Limited, part of the Transport Development Group Plc. He joined the Group in 1965 and was appointed Managing Director soon thereafter. He represents the Group in the management of Portmeirion USA and on the Board of Portmeirion Canada Inc.

Kamrouz Farhadi, aged 42, is the Works Director. He graduated in ceramics from Bath Academy of Art in 1969 and immediately joined the Group on a two year industrial experience programme. In 1971 he returned to Iran to work for his family's building materials business until 1979. He rejoined the Group as Works Manager in 1980 and became a Director in 1981. He is responsible for production and is closely involved in the planning and organisation of changes to the production facilities.

Martin Gulliver, aged 38, is the Sales and Marketing Director. He joined the Group in 1981 following 4 years' marketing experience in the giftware industry. He was appointed a director of Portmeirion Potteries Limited in 1982 and became a Director of the Company in 1988. His role is to direct the Group's marketing strategy and to research and identify new product areas. He also represents the Group in the management of Portmeirion USA and on the Board of Portmeirion Canada Inc.

Brett Phillips, aged 31, is the Finance Director and Company Secretary. He qualified as a Chartered Accountant in 1982 with Price Waterhouse and subsequently worked as management accountant and later as financial controller for Foster Menswear Limited, part of Sears Plc. He joined the Group as Financial Controller in May 1988 and became a Director in September, 1988. He is responsible for all aspects of financial control and management reporting, computer development and company secretarial matters.

James Pointon, aged 54, is the Distribution and Warehousing Director. He joined the Group in 1969 as Production Controller having had 15 years' experience in the ceramics industry. He was appointed a director of Portmeirion Potteries Limited in 1978 and became a Director of the Company in 1988. He is responsible for the control of packing materials and accessories and the selection, packing and despatch of pottery.

Philip White, aged 42, is the Technical Director. He is responsible for technical development and quality control. Prior to joining the Group in 1980, he was employed by a number of ceramic manufacturers where he occupied a variety of positions in the fields of research and development, quality control and production management. He was appointed technical director of Portmeirion Potteries Limited in 1981 and became a Director of the Company in 1988. He is a Licenciate of the Institute of Ceramics.

Derek Baer, aged 66, is a non-executive Director. He is the former Chairman of the Foreign and Colonial Investment Trust plc and a non-executive director of a number of other listed companies in the United Kingdom and the United States.

Senior Management

John Gerrard, aged 51, is Senior Clay Manager (Works Manager Designate). He joined the Group in May 1988 after having spent more than 20 years with the Wedgwood Group, including a total of 12 years at senior production management level. He was also production manager at a china making factory for 8 years.

Christopher Grocott, aged 34, is the assistant to the Managing Director. He holds an honours degree in Business Administration and German and worked for 2 years for the Wedgwood Group in their European sales department before joining the Group in 1977.

Richard Plucker, aged 45, is the UK Sales Manager. He joined the Group in 1983 having had some 20 years' sales experience including six years in the giftware industry.

Julian Teed, aged 26, is the Design Manager. He studied industrial design at Leicester Polytechnic and worked for two years in the pottery industry before joining the Group in 1985. He has been particularly involved in the design and development of new products for the accessory ranges.

Stephen Kelsall, aged 34, is the Management Accountant. He joined the Group in 1981 having spent 10 years in the ceramics industry, mostly with the Wedgwood Group as a cost accountant.

Employees

At 1st October, 1988, the Group employed 429 full time staff including the executive Directors. The number of people employed by function at that date was as follows:

Sales	7
Production	333
Administration	36
Design	5
Retail shops and showrooms	8
Works management and supervisory staff	24
Maintenance	14
Drivers	2
	429

Industrial relations within the Group are good and production has never suffered from an industrial dispute. The Group recognises the Ceramic and Allied Trades Union and observes the wages, terms and conditions agreed by the National Joint Council for the Ceramic Industry.

The Group operates contributory pension schemes for staff and for hourly paid employees and two executive share option schemes.

FINANCIAL INFORMATION

Trading Record

The trading record of the Group for the five years ended 31st December, 1987 and the audited interim results for the seven months ended 31st July, 1988 are summarised below. The record is shown in full in the Accountants' Report in Part III.

	Years ended 31st December,					Seven months ended 31st July,
	1983 £'000	1984 £'000	1985 £'000	1986 £'000	1987 £'000	1988 £'000
Turnover	2,482	3,278	4,008	5,124	7,389	5,190
Operating profit	199	279	437	725	1,239	1,007
Interest	(74)	(59)	(52)	(96)	(145)	(136)
Profit before tax	125	220	385	629	1,094	871
Taxation	(16)	(23)	(123)	(104)	(377)	(306)
Profit after taxation	109	197	262	525	717	565

The Group has shown consistently strong growth in the five years to 31st December, 1987 with turnover increasing by an average compound annual rate of over 30 per cent., and in the seven months to 31st July, 1988 turnover is 35 per cent. higher than in the corresponding period in 1987. This performance is the result of a strong demand, both in the UK and overseas, for the Group's products. Production capacity has been increased towards meeting this demand through capital investment both in new buildings and in plant and machinery.

Profit before taxation in the five years to 31st December, 1987 has increased by an average compound annual rate of 70 per cent. This growth has exceeded the growth in turnover and has been particularly strong since 1985 principally for the following reasons:

- Additional machinery has been installed to allow more efficient production of larger items with a higher than average sales value.
- Demand for the Group's products has been sufficiently high to enable satisfactory margins to be achieved.
- Sales of accessories have grown rapidly since their introduction in 1984 and now make a significant contribution to profits.
- The partnership in the United States has been extremely successful.

This result has been achieved notwithstanding that capital expenditure has been particularly high since 1985 resulting in the increased interest charges in 1986, 1987 and the seven months to 31st July, 1988.

The low tax charge in respect of the year ended 31st December, 1986 was a result of a write back of a deferred tax provision which was no longer required.

Profit forecast

The Directors forecast that, on the bases and assumptions set out in Part II, the consolidated profit of the Group before taxation for the year ending 31st December, 1988 will, in the absence of unforeseen circumstances, be not less than £1.5 million.

Dividends

If the Company had been a listed company for the whole of the year ending 31st December, 1988, the Directors would have expected to have recommended, on the basis of forecast profit before taxation of £1.5 million and the weighted average number of Ordinary shares notionally in issue during the year, dividends totalling 4.5p per Ordinary share in respect of that year (equivalent to 6.0p inclusive of tax credit). This represents a gross yield of 3.3 per cent. at the Placing price and its net cost would be covered 2.9 times by prospective earnings per share of 12.9p for the year ending 31st December, 1988.

The Directors expect that, in respect of future years, interim and final dividends will be paid in September and April, in the proportion of approximately one-third and two-thirds respectively, and that the first such dividend will be an interim dividend in respect of the year ending 31st December, 1989.

The Ordinary shares now being placed do not carry any entitlement to the interim dividend of £169,000 resolved to be paid on 19th October, 1988 to shareholders on the register on that date in respect of the year ending 31st December, 1988.

REASONS FOR THE PLACING

The Directors believe that the raising of additional capital is necessary to ensure the Group's continued growth.

A total of 2,400,000 Ordinary shares is being issued by the Company to raise approximately £4.0 million after expenses. The proceeds will be used to reduce the level of borrowings and to assist in the financing of the capital expenditure programme to increase further the Group's production capacity.

None of the existing shareholders is selling any shares in the Placing.

The Directors consider that the listing of the Company's shares will establish greater public awareness of the Group and will enhance its identity with its customers. In addition, although no acquisitions are currently envisaged, the Directors believe that the listing will enable the Group to take advantage of opportunities that may arise in the future to make suitable acquisitions in similar or related areas of activity.

PROSPECTS

The Portmeirion Group has achieved annual average compound growths in sales and pre-tax profits of 30 per cent. and 70 per cent. respectively since 31st December, 1983. These increases have been achieved against a background of limited national advertising. The Directors are confident that the strong demand for the Group's products will continue and consider that there is scope for substantial further development of sales in the United Kingdom and overseas.

The Directors believe that in the foreseeable future the Group's existing products and designs, which have demonstrated their lasting appeal, will form the bulk of sales. However, they see excellent prospects for further progress both through the introduction of new pottery designs which are at various stages of market readiness and through a progressive increase in the range of accessories.

The phased expansion programme planned for the next five years is expected to provide a substantial increase in production capacity. In addition the funds raised in the Placing will reduce interest costs and provide the Group with capital to continue its policy of investing in modern automatic and semi-automatic equipment.

The Group's distinctive designs and their lasting market appeal together with the phased expansion programme provide the firm foundation for further substantial growth.

Although it must not be assumed that profits will continue to grow at the rate experienced up to the present time, the Directors view the future with great confidence.

PART II: PROFIT FORECAST: BASES, ASSUMPTIONS AND LETTERS

Bases and assumptions

The Directors' forecast that the consolidated profit of the Group before taxation for the year ending 31st December, 1988, will, in the absence of unforeseen circumstances, be not less than £1.5 million is based on the audited results of the Group for the seven months ended 31st July, 1988 and forecast results for the five months ending 31st December, 1988. The profit forecast has been prepared using the accounting policies normally adopted by the Group and is based on the following principal assumptions:—

(i) there will be no material adverse effect from any industrial disputes; and
(ii) there will be no material changes in the economic position of suppliers or customers.

Letters

The following are copies of letters received from Peat Marwick McLintock and Kleinwort Securities respectively relating to the profit forecast for the year ending 31st December, 1988:

The Directors,
Portmeirion Potteries (Holdings) PLC

The Directors,
Kleinwort Benson Securities Limited

Churchill House
Regent Road,
Stoke-on-Trent
Staffordshire ST1 3RG

27th October, 1988

Dear Sirs and Madam,

We have reviewed the accounting policies and calculations for the profit forecast of Portmeirion Potteries (Holdings) PLC and its subsidiaries ("the Group") for the year ending 31st December 1988. The forecast, for which the Directors are solely responsible, is set out in Part I of the Listing Particulars dated 27th October, 1988.

The forecast includes results shown by audited interim accounts for the seven months ended 31st July, 1988.

In our opinion the forecast, so far as the accounting policies and calculations are concerned, has been properly compiled on the footing of the assumptions made by the Board of Directors set out in Part II of the Listing Particulars and is presented on a basis consistent with the accounting policies normally adopted by the Group.

Yours faithfully,
Peat Marwick McLintock

The Directors,
Portmeirion Potteries (Holdings) PLC

20 Fenchurch Street,
London EC3P 3DB

27th October, 1988

Dear Sirs and Madam,

We have discussed with you and Peat Marwick McLintock the profit forecast for the year ending 31st December, 1988 of Portmeirion Potteries (Holdings) PLC and its subsidiaries, set out in the Listing Particulars dated 27th October, 1988. We have also considered the letter addressed to yourselves from Peat Marwick McLintock regarding the accounting policies and calculations underlying the forecast.

Having regard to the assumptions made by you and to the accounting policies and calculations reviewed by Peat Marwick McLintock, we consider that the above-mentioned forecast, for which you as Directors are solely responsible, has been made after due and careful enquiry.

Yours faithfully,
for Kleinwort Benson Securities Limited

C. D. T. Fitch
Director

The Directors,
Portmeirion Potteries (Holdings) PLC,
Penkhull New Road,
Stoke-on-Trent,
Staffordshire ST4 5DD

Peat Marwick McLintock
Churchill House
Regent Road
Stoke-on-Trent
Staffordshire ST1 3RG

The Directors,
Kleinwort Benson Securities Limited,
20 Fenchurch Street,
London EC3P 3DB

27th October, 1988

Dear Sirs and Madam,

We have examined the audited accounts of Portmeirion Potteries (Holdings) PLC and of its subsidiary companies (collectively referred to as "the Group") for the five years ended 31st December, 1987 and the seven months ended 31st July, 1988. Our examination has been carried out in accordance with the Auditing Guideline: Prospectuses and the reporting accountant.

The accounts for the four years ended 31st December, 1986 were audited by F. Geen and Co., Chartered Accountants. The accounts for the year ended 31st December, 1987 and for the seven months ended 31st July, 1988 have been audited by ourselves.

The summarised financial statements set out at paragraphs 1 to 4 are based on the audited accounts of the Group after making such adjustments as we consider necessary.

In our opinion these summaries give, for the purposes of the Listing Particulars dated 27th October, 1988, a true and fair view of the profits and source and application of funds of the Group for the periods stated and of the state of affairs of the Group at the dates stated.

1 Consolidated profit and loss accounts

The summarised consolidated profit and loss accounts of the Group for the five years ended 31st December, 1987 and the seven months ended 31st July, 1988 are as follows:

		Years ended 31st December,					Seven months ended 31st July,
	Notes	1983 £'000	1984 £'000	1985 £'000	1986 £'000	1987 £'000	1988 £'000
Turnover		2,482	3,278	4,008	5,124	7,389	5,190
Cost of sales		(1,716)	(2,311)	(2,733)	(3,380)	(4,882)	(3,338)
Gross profit		766	967	1,275	1,744	2,507	1,852
Distribution costs		(97)	(91)	(108)	(123)	(153)	(105)
Administrative expenses		(479)	(600)	(757)	(1,000)	(1,316)	(919)
		190	276	410	621	1,038	828
Share of profit of associated companies		9	3	27	26	31	28
Share of profit of Portmeirion USA		—	—	—	78	170	151
Operating profit		199	279	437	725	1,239	1,007
Interest payable		(74)	(59)	(52)	(96)	(145)	(136)
Profit on ordinary activities before taxation	4.2	125	220	385	629	1,094	871
Tax on profit on ordinary activities	4.3	(16)	(23)	(123)	(104)	(377)	(306)
Profit attributable to Ordinary shareholders		109	197	262	525	717	565
Ordinary dividend	4.4	—	—	—	—	(60)	—
Retained profits for the period		109	197	262	525	657	565
Earnings per Ordinary share	4.5	1.91p	3.33p	3.67p	7.31p	9.98p	7.87p

2 Consolidated balance sheets

The summarised consolidated balance sheets of the Group at the end of each of the five years to 31st December, 1987 and at 31st July, 1988 are as follows:

	Notes	31st December, 1983 £'000	1984 £'000	1985 £'000	1986 £'000	1987 £'000	31st July, 1988 £'000
Fixed assets							
Tangible assets	4.6	629	713	862	1,537	2,319	3,418
Investments	4.7	86	88	114	143	171	195
		715	801	976	1,680	2,490	3,613
Current assets							
Stocks	4.8a	1,098	1,025	1,327	1,738	2,010	2,374
Debtors	4.8b	481	813	815	1,049	1,586	1,636
Cash at bank and in hand		44	56	1	1	297	2
		1,623	1,894	2,143	2,788	3,893	4,012
Creditors: amounts falling due within one year	4.9	(976)	(967)	(1,088)	(1,636)	(2,703)	(3,486)
Net current assets		647	927	1,055	1,152	1,190	526
Total assets less current liabilities		1,362	1,728	2,031	2,832	3,680	4,139
Creditors: amounts falling due after more than one year	4.10	(143)	(213)	(216)	(604)	(829)	(721)
Provisions for liabilities and charges	4.11	(222)	(211)	(193)	(80)	(50)	(50)
		997	1,304	1,622	2,148	2,801	3,368
Capital and reserves							
Called up share capital	4.12	95	111	120	120	120	120
Share premium account		81	175	222	222	222	222
Profit and loss account	4.13	811	1,008	1,270	1,796	2,459	3,026
Other reserves		10	10	10	10	—	—
		997	1,304	1,622	2,148	2,801	3,368

3 Consolidated source and application of funds

The summarised consolidated source and application of funds of the Group for the five years ended 31st December, 1987 and the seven months ended 31st July, 1988 are as follows:

	Years ended 31st December,					Seven months ended 31st July,
	1983 £'000	1984 £'000	1985 £'000	1986 £'000	1987 £'000	1988 £'000
Source of funds						
Profit on ordinary activities before taxation	125	220	385	629	1,094	871
Adjustments for items not involving the movement of funds:						
Depreciation	73	76	94	139	183	151
(Profit)/loss on disposal of tangible fixed assets	—	—	(1)	5	(39)	(1)
Share of profit of associated company	(9)	(3)	(27)	(26)	(31)	(28)
Profit on redemption of loan notes	—	—	(14)	(6)	—	—
Total generated from operations	189	293	437	741	1,207	993
Funds from other sources						
Sale of tangible fixed assets	6	17	17	14	70	8
Proceeds from issue of shares	—	110	56	—	—	—
Taxation recovered	—	—	—	5	—	—
	195	420	510	760	1,277	1,001
Application of funds						
Purchase of tangible fixed assets	57	177	260	833	996	1,257
Investment in Portmeirion USA	—	—	—	10	—	—
Investment in associated company	—	—	—	—	8	—
Corporation tax paid	—	—	62	—	213	247
Redemption of loan notes	—	—	14	3	—	—
	57	177	336	846	1,217	1,504
	138	243	174	(86)	60	(503)
Movement in working capital						
(Decrease)/increase in stocks	(4)	(73)	302	411	272	364
(Decrease)/increase in debtors	(107)	332	3	240	537	50
(Increase)/decrease in creditors	(88)	18	(137)	(216)	(617)	27
	(199)	277	168	435	192	441
Movement in net liquid funds						
Decrease/(increase) in bank loans and overdrafts	293	(46)	61	(521)	(428)	(649)
Increase/(decrease) in cash in hand and at bank	44	12	(55)	—	296	(295)
	138	243	174	(86)	60	(503)

4. Notes to the accounts

4.1 Accounting policies

The principal accounting policies of the Group which have been consistently applied in the foregoing summaries throughout the period under review are:

(a) Accounting basis

The accounts are prepared under the historical cost convention.

(b) Consolidation

The Group accounts include the accounts of the Company and of its subsidiary companies. The Group's share of the results and retained earnings of associated companies and its partnership interest is included. Goodwill arising on consolidation is eliminated directly against reserves.

(c) Tangible fixed assets

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

Freehold buildings	—	2% per annum
Short leasehold buildings	—	over the life of the lease
Plant, equipment and vehicles	—	10% to 25% per annum

(d) Leased assets

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

(e) Stock

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

(f) Research and development

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

(g) Deferred taxation

Provision is made for deferred taxation in respect of timing differences to the extent that a liability may become payable in the foreseeable future.

(h) Pensions

Pension liabilities are funded by payments to an insurance company. These payments are charged against profits in the year in which the payments are made and are based on consistent percentages of members' pensionable pay as recommended by actuaries. The pension schemes were fully funded at the date of the most recent actuarial valuation.

(i) Translation of foreign currencies

Foreign currency assets and liabilities and the results of overseas businesses are translated at the rate of exchange ruling at the balance sheet date except where these are covered by forward exchange contracts when the contract rate is used. Exchange differences on trading transactions are dealt with in arriving at the trading profit.

4.2 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	Years ended 31st December,					Seven months ended 31st July,
	1983	1984	1985	1986	1987	1988
	£'000	£'000	£'000	£'000	£'000	£'000
Depreciation	73	76	94	139	183	151
Hire of plant and equipment	7	4	11	18	29	24
Directors' remuneration	50	84	111	151	168	112
Auditors' remuneration	5	6	6	7	10	7

4.3 Tax on profit on ordinary activities

The taxation charge is made up as follows:

	Years ended 31st December,					Seven months ended 31st July,
	1983	1984	1985	1986	1987	1988
	£'000	£'000	£'000	£'000	£'000	£'000
United Kingdom corporation tax on profits of the Group	—	60	110	210	362	284
Double taxation relief	—	—	—	(22)	(60)	(50)
Deferred taxation	11	(38)	19	(115)	(8)	—
Overseas taxation	—	—	—	22	80	66
Associated companies	5	1	8	8	8	6
	16	23	137	103	382	306
(Over)/underprovision in previous years	—	—	(14)	1	(5)	—
	16	23	123	104	377	306

4.4 Ordinary dividends

The rates of dividend declared per Ordinary share, as adjusted for the sub-division and capitalisation issue effected on 5th October, 1988 (see Note 4.12), were as follows:

Years ended 31st December	
1983	Nil
1984	Nil
1985	Nil
1986	Nil
1987	0.83p

On 19th October, 1988 the Directors resolved to pay an interim dividend of £169,000 (2.35p per share) to Shareholders on the register at that date in respect of the year ending 31st December, 1988.

4.5 Earnings per Ordinary share

The calculation of earnings per Ordinary share is based upon the profit after taxation and on the following weighted average number of Ordinary shares in issue as adjusted for the subdivision and capitalisation issue effected on 5th October, 1988 (see Note 4.12):

Years ended 31st December	Number
1983	5,700,000
1984	5,917,380
1985	7,145,160
1986	7,182,120
1987	7,182,120
Seven months ended 31st July, 1988	7,182,120

The potential dilution arising from the options granted under the 1986 approved share option scheme is not material.

4.6 Tangible fixed assets

Tangible fixed assets as at 31st July, 1988 comprise the following:

	At cost £'000	Depreciation £'000	Net book value £'000
Freehold property	2,302	146	2,156
Leasehold property	177	4	173
Plant and machinery	1,485	641	844
Fixtures and fittings	241	59	182
Motor vehicles	116	53	63
	4,321	903	3,418

The freehold premises were independently valued on an existing use basis in June 1988 at £1,650,000 by Messrs. Edward Rushton Son & Kenyon, Valuers and Surveyors. The net book value of freehold premises included in the Group's balance sheet at 31st July, 1988 is £2,156,000. The Directors consider that the book value of the premises fairly reflects the value to the business and, as a result, a provision for diminution is not required.

4.7 Investments

	31st July, 1988 £'000
(a) Associated companies:	
The Furlong Mills Company, Limited – 2080 Ordinary shares of £1 each representing 27.58% of the issued share capital	
Share of net assets	170
Discount on acquisition	(13)
	157
Portmeirion Canada Inc – 100 common shares representing 50% of the issued share capital	
Share of net assets	22
	179
(b) Portmeirion USA – 50% of equity in USA partnership	14
(c) Other investments at cost	2
	195

4.8 Current assets

	31st July, 1988 £'000
(a) Stocks:	
Raw materials	1,056
Work in progress	327
Finished goods	991
	2,374
(b) Debtors:	
Trade debtors	1,211
Amounts due by associated companies	101
Amounts due by Portmeirion USA	251
Other debtors	4
Prepayments	69
	1,636

4.9 Creditors: amounts falling due within one year

	31st July, 1988 £'000
Bank loans and overdrafts	1,689
Trade creditors	1,113
Corporation tax	324
Other taxation and social security	141
Obligations under lease purchase contracts	83
Other creditors	32
Accruals	44
Dividend payable	60
	3,486

4.10 Creditors: amounts falling due after more than one year

These comprise the following:

	1 to 2 years £'000	2 to 5 years £'000	Over 5 years £'000	31st July, 1988 Total £'000
Bank loans	76	101	—	177
Other creditors	17	8	—	25
Obligations under lease purchase contracts	77	112	—	189
Unsecured loan notes	—	—	97	97
Corporation tax	233	—	—	233
	403	221	97	721

4.11 Provisions for liabilities and charges

The amount provided and the full potential liability to deferred taxation are:

	31st July, 1988 Amount provided £'000	31st July, 1988 Full potential liability £'000
Accumulated excess of capital allowances over depreciation	81	223
Short term timing differences	(9)	(9)
Unrelieved advance corporation tax	(22)	(22)
	50	192

4.12 Called up share capital

The Company's authorised and issued share capital at 31st July, 1988 were as follows:

	Authorised £	Issued and fully paid £
Ordinary shares of £1 each	150,000	119,702

On 5th October, 1988 the authorised and issued share capital were converted into Ordinary shares of 5p each. The authorised share capital was increased to £750,000 by the creation of a further 12,000,000 Ordinary shares of 5p each. The issued share capital was increased to £359,106 by way of a bonus issue of 4,788,080 Ordinary shares of 5p each, funded by the capitalisation of £222,286 standing to the credit of the share premium account and £17,118 of distributable reserves.

Kleinwort Benson Securities Limited has agreed conditionally *inter alia* upon the Ordinary shares of the Company issued and now being issued being admitted to the Official List of The Stock Exchange on or before 2nd November, 1988 or such later date as may be agreed by Kleinwort Benson Securities Limited being not later than 7th November, 1988, as agents of the Company to procure subscribers or if, and to the extent it is unable to do so, itself to subscribe for a total of 2,400,000 Ordinary shares at a price of 180p per Ordinary share. A proforma statement of adjusted net assets is set out at note 4.15 below.

This would result, after deducting a provision of £345,000 for estimated expenses payable by the Company, in an increase in the net assets of the Company of £3,975,000.

4.13 Reserves

	£'000
The movements on reserves are:	
Profit and loss account:	
Balance as at 1st January, 1988	2,459
Retained profits	565
Foreign exchange gains arising on consolidation	2
Balance as at 31st July, 1988	3,026

4.14 Capital commitments

Capital expenditure authorised at 31st July, 1988 amounted to £460,000, of which £140,000 had been contracted for.

4.15 Proforma statement of adjusted net assets

The adjusted net assets attributable to Ordinary shareholders after including the estimated net proceeds of the proposed issue are as follows:

	31st July, 1988 £'000
Net assets at 31st July, 1988 (as above)	3,368
Estimated net proceeds of proposed issue of Ordinary shares (note 4.12)	3,975
Adjusted net assets attributable to Ordinary shareholders	7,343

Yours faithfully,

Peat Marwick McLintock
Chartered Accountants

PART IV: GENERAL INFORMATION

1. The Company

The Company, whose registered office and principal place of business is at Penkhull New Road, Stoke-on-Trent, Staffordshire ST4 5DD was incorporated in England on 18th October, 1912 as a limited company under the Companies (Consolidation) Act, 1908 registered number 124,842 under the name A. E. Gray & Co. Limited. Pursuant to Special Resolutions of the Company, the name of the Company was changed to "The Portmeirion Potteries Limited" on 28th March, 1962 and to "Portmeirion Potteries (Holdings) Limited" on 6th July, 1964. On re-registration as a public limited company on 17th October, 1988 the Company's name was changed by Special Resolution dated 5th October, 1988 to Portmeirion Potteries (Holdings) PLC.

2. Share Capital

(a) As at 3rd October, 1985, the authorised share capital of the Company was £150,000 divided into 150,000 Ordinary shares of £1 each of which 119,702 were in issue.

(b) By an Ordinary Resolution of the Company dated 3rd October, 1985 the Directors of the Company were generally and unconditionally authorised for the purposes of Section 80 of the Companies Act 1985 (the "Act") to exercise all the powers of the Company to allot relevant securities as defined in that Section up to a maximum nominal amount of 30,280 Ordinary shares of £1 each until 3rd October, 1990.

(c) By an Ordinary Resolution of the Company dated 5th October, 1988 the authorised and issued Ordinary shares of £1 each in the capital of the Company were sub-divided into Ordinary shares of 5p each.

(d) By an Ordinary Resolution of the Company dated 5th October, 1988:—

(i) the authorised capital of the Company was increased to £750,000 by the creation of an additional 12,000,000 Ordinary shares;

(ii) the Directors of the Company were generally and unconditionally authorised for the purposes of Section 80 of the Act to exercise all the powers of the Company to allot relevant securities as defined in that Section up to a maximum nominal amount of 12,568,160 Ordinary shares such authority to expire at the conclusion of the next Annual General Meeting of the Company and any previous authority being immediately cancelled; and

(iii) on the recommendation of the Directors, the Company resolved pursuant to the Articles of Association of the Company to set free for distribution £222,286 standing to the credit of the Company's share premium account and £17,118 of distributable reserves and that the Directors should apply the same in the payment up of 4,788,080 Ordinary shares to be issued fully paid at par by way of capitalisation of such share premium and reserves to existing shareholders of the Company on the basis of two new Ordinary shares for every one such share then held.

(e) By resolution of the Board of Directors dated 5th October, 1988 4,788,080 Ordinary shares were issued and allotted by way of capitalisation of share premium and reserves to existing shareholders on the basis of two new Ordinary shares for every one such share then held.

(f) By a Special Resolution dated 5th October, 1988 the Company adopted the Articles of Association, which contain, inter alia, the provisions referred to in paragraph 6 below.

(g) By a Special Resolution of the Company dated 18th October, 1988 the Directors of the Company were authorised:—

(i) on or before 30th November, 1988 to allot equity securities (as defined in Section 94(2) of the Act) for cash as if Section 89(1) of the Act did not apply to such allotment, up to a maximum of 3,078,050 Ordinary shares for the purposes of the Placing; and

(ii) to allot equity securities for cash as if Section 89(1) of the Act did not apply to such allotment, such power being limited to (1) the allotment of equity securities in connection with a rights issue in favour of holders of Ordinary shares where the equity securities attributable to the interests of all the holders of the Ordinary shares are proportionate (as nearly as may be) to the respective numbers of Ordinary shares held by them, but subject to such exclusions or arrangements as the Directors of the Company shall deem necessary in relation to fractional entitlements or pursuant to the laws of any territory or requirements of any regulatory body or any stock exchange in any territory, and (2) the allotment of equity securities up to an aggregate nominal amount of £15,960 such authority to expire at the conclusion of the next Annual General Meeting of the Company.

(h) At the date of this document the authorised share capital of the Company is £750,000 divided into 15,000,000 Ordinary shares of which 7,182,120 have been issued and are fully paid and 2,400,000 Ordinary shares are now being issued in the Placing.

(i) 2,400,000 Ordinary shares will be allotted for cash at 180p per share to placees subject to the terms and conditions of the Placing Agreement described in paragraph 5 below, by a resolution of the Board of Directors or a duly authorised committee thereof.

(j) (i) On 24th November, 1986 the Company adopted a Share Option Scheme (the "1986 Scheme") under which options over 9,666 Ordinary shares of £1 each were granted to employees at an exercise price of £32.50 per Ordinary share of £1 each during 1987. Following the sub-division of Ordinary shares and capitalisation of share premium and reserves referred to in (c) and (e) above the number and exercise price of such options have been provisionally adjusted (subject to Inland Revenue approval) so that at the date hereof the number of such options over Ordinary shares of 5p each is 579,960 and the exercise price is 54p per Ordinary share. On 5th October, 1988 options over 334 Ordinary shares of £1 each (equivalent to options over 20,040 Ordinary shares of 5p each) were granted at a price to be agreed with the Inland Revenue which is expected to be the Placing price of 180p per Ordinary share of 5p each. The 1986 Scheme has now closed following a resolution of the Directors on 5th October, 1988 and no further options will be granted under it.

(ii) On 5th October, 1988 the Company adopted the executive share option scheme referred to in paragraph 7(b) below (the "1988 Scheme"). No options have been granted under the 1988 Scheme.

Summaries of the 1986 Scheme and the 1988 Scheme are given in paragraph 7 below.

(k) Save as disclosed in this paragraph 2, in the three years immediately preceding the date of this document, no share or loan capital of the Company or of any of its subsidiaries has been issued (apart from intra-group issues by subsidiaries), for cash or a consideration other than cash and, save as disclosed in paragraph 5 below, no commissions, discounts, brokerages or other special terms have been granted by the Company or any of its subsidiaries in connection with the issue or sale of any share or loan capital.

(l) Following the Placing, 5,417,880 Ordinary shares will remain unissued. Of these, 600,000 unissued Ordinary shares are reserved for issue on the exercise of subsisting rights under the 1986 Scheme and a maximum of 958,212 Ordinary shares are reserved for issue in respect of options which may be granted under the 1988 Scheme. The balance of unissued and unreserved Ordinary shares will amount to 3,859,668 all of which are the subject of the authority referred to in (d)(ii) above. Save as disclosed in this paragraph 2, no material issues of shares (except to shareholders pro rata to their existing holdings) will be made by the Company within one year of the date of this document without the prior approval of the Company in General Meeting.

(m) Save as disclosed in (j)(i) above, no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.

3. Subsidiaries and Associated Companies

(a) The Company is the holding company of the Group. The subsidiaries of the Company, which are listed below, are wholly-owned private companies incorporated in England and Wales, and carry on business in Great Britain, with their registered offices at Penkhull New Road, Stoke-on-Trent, Staffordshire ST4 5DD.

Name	*Nature of Business*	*Date of Incorporation*	*Issued and fully paid Share Capital*
Portmeirion Potteries Limited	Manufacture, sale and distribution of pottery products and accessories	17th August, 1946	30,000 ordinary shares of £1 each
Portmeirion Enterprises Limited	Intermediate holding company for overseas interests	4th October, 1985	100 ordinary shares of £1 each

(b) The Company's principal associated companies are incorporated and carrying on business as set out below:—

Name	*Place of Incorporation and Registered Office*	*Nature and Place of Business*	*Percentage Equity held*	*Other holders*
Portmeirion Canada Inc.	Canada; 20 Voyager Court South, Rexdale, Ontario M9W 5M7 Canada	Marketing & distribution in Canada	50%	William Smith & Sons Inc. (50%)
The Furlong Mills Company, Limited	England; Furlong Lane Burslem Stoke-on-Trent ST6 3LB	Suppliers and millers of clay in England	27.6%	Churchill China Limited (34.4%) Dudson Holdings Limited (38%)

(c) Portmeirion Enterprises Limited is a 50% equity holder in a partnership called Portmeirion USA with Naugatuck Triangle Corporation — a Connecticut Corporation. This partnership markets and distributes the Group's products in the United States and commenced business on 1st January, 1986. It is based at Great Hill Road, PO Box 5 Naugatuck, Connecticut 06770, USA.

4. Directors' and Other Interests

(a) As at the date of this document the interests of the Directors in Ordinary shares of the Company (as they appear in the Register of Directors' Interests maintained under Section 325 of the Act) and of which the Company has been notified under Sections 324 or 328 of the Act are as follows:

(i) Issued Share capital

Name	*Beneficial*	*Non-Beneficial*	*Percentage of Issued Share Capital beneficially owned following the Placing*
E. S. Cooper-Willis	1,200,060	1,344,060	12.52
S. C. Williams-Ellis	1,134,060	1,200,060	11.84
G. A. Hesp	212,640	93,300	2.22
K. Farhadi	1,151,040	360,000	12.01
M. J. Gulliver	70,320	70,320	0.73
J. C. Pointon	30,000	58,500	0.31
P. J. White	18,000	—	0.19

B. W. J. Phillips and D. A. H. Baer intend to subscribe in the Placing for 550 and 6,000 Ordinary shares respectively representing interests of 0.01 per cent. and 0.06 per cent. of the issued share capital following the Placing respectively.

The non-beneficial interests of E. S. Cooper-Willis and S. C. Williams-Ellis represent, save to the extent of 210,000 Ordinary shares in which E. S. Cooper-Willis is interested as trustee, their interests in each other's beneficially owned Ordinary shares.

(ii) Share Options

The following Directors have been granted options (provisionally adjusted as stated in paragraph 2(j)(i) above) under the 1986 Scheme to subscribe for the following number of Ordinary shares at an adjusted exercise price per share as stated below, such options being exercisable no earlier than three years and no later than ten years after the date of grant of such options:

Name	*Number of Ordinary shares*	*Date Granted*	*Exercise Price per share*
G. A. Hesp	120,000	6th October, 1987	54p
J. C. Pointon	120,000	6th October, 1987	54p
P. J. White	120,000	6th October, 1987	54p
M. J. Gulliver	120,000	6th October, 1987	54p
B. W. J. Phillips	17,040	5th October, 1988	*

* to be agreed with the Inland Revenue but expected to be the Placing price of 180p per share.

(b) The Company has been notified of the following additional interests which will represent five per cent. or more of the issued share capital of the Company following the Placing:

Name	*Number of Ordinary shares*	*Percentage of Issued Capital following the Placing*
Griffin Trustees Limited	1,680,000	17.53

Griffin Trustees Limited is an independent trust company and is the trustee of a discretionary trust established by Caroline Anwyl Fulbright, a daughter of E. S. Cooper-Willis and S. C. Williams Ellis, for the benefit of a wide class of beneficiaries which include members of the Cooper-Willis family.

(c) Each of the Executive Directors of the Company listed below has entered into a service agreement with Portmeirion Potteries Limited terminable by either party on two years' notice. Annual salary includes Directors' fees and pension contributions but excludes bonus payments which are described in (d) below.

Name	*Date Entered into*	*Current Annual Salary* £
E. S. Cooper-Willis	17th October, 1988	37,500
S. C. Williams-Ellis	17th October, 1988	37,500
G. A. Hesp	21st September, 1988	66,102
B. W. J. Phillips	18th October, 1988	35,000
K. Farhadi	21st September, 1988	50,854
J. C. Pointon	21st September, 1988	41,369
P. J. White	21st September, 1988	41,369
M. J. Gulliver	21st September, 1988	47,457

(d) The aggregate remuneration of and benefits in kind granted to the Directors of the Company for the year ended 31st December, 1987 amounted to £279,155 which included a Director's fee of £1000 paid to R. Llewelyn, a former Director. Under the arrangements now in force, it is estimated that for the year ending 31st December, 1988 such emoluments will amount to £357,151. The executive Directors are entitled under their service agreements to a profit-related annual bonus calculated at 1 per cent. of annual salary for every ½ per cent. by which the audited profit before tax exceeds the Directors' budgeted profit for the relevant period as determined prior to its commencement. The maximum bonus is 20 per cent. of annual salary.

(e) Mr. G. Hesp is a director of The Furlong Mills Company, Limited, an associated company of the Group, which supplies clay to the Group under the arrangements described in Part I.

(f) No Director of the Company is or was interested, directly or indirectly, in any transaction which is or was unusual in its nature or condition or significant to the business of the Group and which was effected by any member of the Group during the current financial year or during the financial year ended 31st December, 1987 or which was effected during an earlier financial year and remains in any respect outstanding or unperformed.

5. Placing Arrangements

By an agreement (the "Placing Agreement") dated 27th October, 1988 between the Company (1) the Directors (2) and Kleinwort Securities (3), Kleinwort Securities has agreed conditionally, *inter alia,* upon the Ordinary shares of the Company in issue and proposed to be issued pursuant to the Placing being admitted to the Official List of The Stock Exchange on or before 2nd November, 1988 or such later date as Kleinwort Securities may agree being not later than 7th November, 1988 ("Admission") as agent of the Company to procure subscribers or, to the extent it is unable to do so, as principal to subscribe for 2,400,000 Ordinary shares at a price of 180p per Ordinary share. Kleinwort Securities has the right in certain circumstances to terminate its obligations under the Placing Agreement prior to Admission, in which event the Placing will not proceed. Of the Ordinary shares comprised in the Placing a total of 16,888 will be offered to employees of the Group.

Under the Placing Agreement the Directors have given Kleinwort Securities certain warranties as to the business of the Group and the contents of these Listing Particulars and have agreed to indemnify the Company and its subsidiaries against certain taxation matters. In addition, each of the Directors has undertaken on his or her own behalf and on behalf of his or her spouse and infant children not to dispose of any Ordinary shares without the consent of Kleinwort Securities until 31st December, 1989. Griffin Trustees Limited has undertaken not to dispose of any Ordinary shares registered in its name at the date hereof on the same terms as the Directors.

The Company has agreed to pay the costs and expenses of, and incidental to, Admission including all legal, accounting, printing and advertising fees and expenses. The Company has agreed to pay to Kleinwort Securities a fee of £100,000 and a placing commission of ½ per cent on the value of the Ordinary shares being placed at the Placing Price in both cases plus Value Added Tax if any. The Company will also pay an additional commission of ½ per cent on the value of the 600,000 Ordinary shares (plus value added tax if any) placed by the second distributor Henry Cooke, Lumsden plc.

The Placing Agreement will terminate if the admission of the Ordinary shares, issued and to be issued, to the Official List of The Stock Exchange shall not have become effective by 3rd November, 1988 or such later date as Kleinwort Securities may agree being not later than 9.30 a.m. on 7th November, 1988.

6. Memorandum and Articles of Association

(a) The Company's principal objects (which are contained in Clause 3 of its Memorandum of Association) are to carry on the business of a holding and investment company and pottery manufacturer and distributor.

(b) The Articles of Association of the Company contain provisions, *inter alia*, to the following effect:

(i) *Share Capital*

Subject to the provisions of the Act, the unissued share capital is at the disposal of the Directors who may allot, grant options over or otherwise dispose of unissued shares generally and unconditionally at their discretion.

(ii) *Variation of Rights and Alteration of Share Capital*

Subject to the provisions of the Act:

(a) all or any of the rights or privileges attached to any class of shares in the capital of the Company may be varied with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of an Extraordinary Resolution passed at a separate meeting of the holders of shares of that class;

(b) The Company may by Ordinary Resolution increase its share capital, consolidate and divide all or any of its shares into shares of larger amount or cancel shares which have not been taken or agreed to be taken by any person, sub-divide its shares into shares of smaller amount and the Company may by Special Resolution reduce its share capital, capital redemption reserve and share premium account;

(c) The Company may, with the sanction of an Extraordinary Resolution passed at a separate meeting of the holders of any class of convertible securities, purchase its own shares (including any redeemable shares).

(iii) *Voting Rights*

Subject to disenfranchisement in the event of non-compliance with a statutory notice requiring disclosure as to the beneficial ownership of shares and subject to any special terms as to voting on which any shares may be held, at a general meeting every member present in person, or a corporation present by a duly authorised representative, shall have one vote only and, on a poll, every member present in person or by proxy shall, on a show of hands, have one vote for every Ordinary share held by him.

In the case of joint holders, the vote of the senior (seniority being determined by the order in which the names of the holders stand in the register of members) who tenders a vote shall be accepted to the exclusion of the votes of the other joint holders.

(iv) *Share transfers*

The instrument of transfer of a share shall be in any usual form or in any other form which the Directors may approve, and shall be executed by or on behalf of the transferor and, where the share is not fully paid, by or on behalf of the transferee. The Directors may, in their absolute discretion and without giving any reason, refuse to register any transfer of a share which is not fully paid. There is no restriction on the free transferability of fully paid shares, provided that the transfer, in favour of not more than four transferees, is lodged with the Company duly stamped, accompanied by the relevant certificate and is in respect of only one class of share. The Ordinary shares are in registered form.

(v) *Directors*

(a) No shareholding qualification is required by a Director.

(b) The Directors are not subject to retirement on reaching the age of 70 years and no Director shall be incapable of being appointed a Director by reason of his having attained the age of 70.

(c) Directors are entitled to remuneration by way of fees for their services as directors not exceeding £50,000 in aggregate per annum or such larger sum as may be determined from time to time by the Company in general meeting together with reasonable travelling, hotel and other expenses as may be properly incurred in connection with their duties. Any Director appointed to the office of Managing Director or Executive Director or other executive office or any Director who discharges any special duty or function or otherwise performs services any of which, in the opinion of the Board, are outside the scope of his ordinary duties as a Director may receive such additional remuneration as the Board may determine.

(d) The Board may from time to time appoint one or more of their number to any executive or salaried office of the Company on such terms as to remuneration or otherwise as the Board thinks fit and may revoke or vary such appointment.

(e) At every general meeting one third of the Directors subject to retirement by rotation (or, if their number is not three or a multiple of three, the number nearest to but not exceeding one third) shall retire from office. A retiring Director shall be eligible for re-appointment. All Directors, except the Managing Director, are subject to retirement by rotation.

(f) Any Director may be, or become, a director or other officer or member of any other company in which the Company may be interested and no such Director shall be accountable for any remuneration or other benefits received by him as a director or officer or member of any such other company.

(g) The Board may entrust to and confer upon any Director any of the powers exercisable by it upon such terms and conditions and with such restrictions as it thinks fit.

(h) The Board may establish and maintain any pension or superannuation funds (whether contributory or otherwise) or share option or share incentive or profit sharing schemes or trusts for the benefit of any present or former employee or Director of the Company or of its associated companies, or the spouses or surviving spouses, families or dependants of any such persons, provided that in the case of a Director he holds or has held salaried employment with the Company, or its subsidiaries or associated companies.

(i) Save as provided below, a Director shall not vote or be counted in a quorum on any resolution of the Board in respect of any contract, transaction or arrangement or other proposal in which he has a material interest (otherwise than by virtue of his interest in shares, debentures or other securities of the Company) except in respect of any resolution relating to the following matters, namely:

(i) any offer of shares or debentures or other securities of or by the Company or any of its subsidiaries for subscription in which offer he is or is to be interested as a subscriber or as a participant in the underwriting or sub-underwriting thereof;

(ii) the giving to him of any security or indemnity in respect of money lent or obligations undertaken by him for the benefit of the Company or any of its subsidiaries;

(iii) the giving to a third party of any security or indemnity in respect of any obligation of the Company or any of its subsidiaries for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;

(iv) any proposals concerning any other company in which he is interested directly or indirectly and whether as an officer or shareholder or otherwise howsoever, provided that he is not the holder of or beneficially interested in 1 per cent. or more of any class of the equity share capital of such company (or of any third company through which the interest is derived) or of the voting rights available to members of the relevant company;

(v) the adoption, modification or operation of a superannuation fund or retirement benefit scheme under which he may benefit and which has been approved by or is subject to and conditional upon approval by the Board of Inland Revenue for taxation purposes;

(vi) any arrangement for the benefit of employees of the Company or of any of its subsidiaries under which the Director benefits in a similar manner as the employees and which does not afford to any Director as such any privilege or advantage not generally afforded to the employees to whom such arrangement relates.

The Company may by Ordinary Resolution suspend or relax any of these provisions to any extent permitted by law or ratify to such extent any transaction not permitted by law or ratify to such extent any transaction not duly authorised by reason of a contravention of these provisions.

(vi) *Borrowing Powers*

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital, or any part thereof, but shall restrict the borrowings of the Company and exercise all powers of control exercisable by the Company in relation to its subsidiaries so as to secure (but as regards subsidiaries only insofar as by the exercise of such rights or powers of control by the Board can secure) that, save with the previous sanction of an Ordinary Resolution, no money shall be borrowed if the aggregate principal amount outstanding of all moneys borrowed by the Company and its subsidiaries (excluding intra-group borrowings) then exceeds or would as a result of such borrowing exceed an amount equal to two and one half times the aggregate of:

(a) the amount paid up on or credited as paid up on the issued share capital of the Company; and

(b) the amount standing to the credit of the consolidated capital and revenue reserves of the Company and its subsidiaries (as more particularly defined in the Articles of Association)

all as shown in the latest audited consolidated balance sheet of the Company and its subsidiaries.

(vii) *Dividends*

The members of the Company are entitled in proportion to the number of shares held by them and to the amounts paid up or credited as paid up thereon, during any portion of the period in respect of which the dividend is paid, to share in the whole of the profits of the Company paid out as dividends. The Company in General Meeting may declare dividends but no dividends shall exceed the amount recommended by the Directors. When, in the opinion of the Directors, the profits of the Company permit, the Directors may from time to time resolve to pay such interim dividends as they think proper. No dividend or interim dividend shall be paid otherwise than in accordance with the provisions of the Companies Act, 1985.

Any dividend unclaimed for a period of 12 years from its date of declaration shall be forfeited and shall revert to the Company.

(viii) *Distribution of Assets on Liquidation*

The members of the Company are entitled in proportion to the number of shares held by them and to the amounts paid up or credited as paid up thereon, to share in the whole of any surplus in the event of the liquidation of the Company.

(ix) *Untraced Shareholders*

The Company will be entitled to sell the shares of a member or the shares to which a person is entitled by transmission if, during a period of 12 years, at least 3 dividends in respect of the shares in question have become payable, all warrants and cheques sent to him during that period have remained uncashed and the Company gives notice in both a leading London daily newspaper and in a newspaper circulating in the area of the member's address of its intention to sell and also gives notice to The Stock Exchange accordingly.

7. Share Option Schemes

(a) *The 1986 Scheme*

The Company adopted the 1986 Scheme on 24th November, 1986. The 1986 Scheme was open to full-time Directors and employees of the Company and its subsidiaries and was available to such of them as were nominated by the Board of Directors of the Company. It provided for the grant of options to purchase Ordinary shares in the Company at a price determined by the Board of Directors but in no event less than the market value of such shares at the date of grant of the option. The market value of the shares was based on what an Ordinary share might reasonably be expected to fetch on a sale in the open market determined in accordance with Part VIII of the Capital Gains Tax Act 1979 and agreed between the Company and the Inland Revenue.

The maximum number of Ordinary shares over which options could be granted under the 1986 Scheme was 10,000 Ordinary shares of £1 each. No participant was entitled to be granted options under the 1986 Scheme if the exercise value of all options granted to that participant exceeded the greater of £100,000 or four times such employee's relevant emoluments. Options cannot be exercised earlier than three years nor later than ten years following the date of grant subject to certain provisions allowing earlier exercise (for example on the death or the ceasing of employment of the option holder).

The auditors may, following certain variations or reorganisations in the capital of the Company, recommend (subject to Inland Revenue approval) an adjustment of the number of shares over which options may become exercisable and the price at which such options can be exercised. It is currently proposed that as a result of the sub-division of Ordinary shares of £1 each into Ordinary shares of 5p each and the subsequent capitalisation of share premium and reserves by an issue of Ordinary shares to existing shareholders on the basis of two new Ordinary shares for every one such share then held, each subsisting option should be converted into an option over 60 Ordinary shares of 5p each at a price to be fixed by the auditors with Inland Revenue approval. As at the date hereof (based upon options over 10,000 Ordinary shares of £1 each having been granted under the 1986 Scheme there are outstanding (subject to Inland Revenue approval) options to purchase 600,000 Ordinary shares. The 1986 Scheme has now closed following a resolution of the Directors passed on 5th October, 1988 and no further options will be granted under it.

(b) *The 1988 Scheme*

On 5th October, 1988 the Company adopted the 1988 Scheme (subject to Inland Revenue approval under Schedule 9 to the Income and Corporation Taxes Act 1988). No options have been granted under the 1988 Scheme, and none will be granted until the 1988 Scheme is approved by the Inland Revenue. The rules of the 1988 Scheme (the "Rules"), as adopted, are subject to amendments necessary or desirable to obtain Inland Revenue approval and that of any other body whose approval the Board considers it desirable to obtain. The Rules have been submitted to the Inland Revenue for formal approval.

The principal terms of the 1988 Scheme are as follows:—

(a) *Administration of the 1988 Scheme*

The 1988 Scheme will be administered by a committee of the Directors of the Company ("the Committee") in accordance with the Rules. No member of the Committee will be eligible to participate in the 1988 Scheme.

(b) *Eligible Employees*

Offers of participation may be made to such full time Directors and employees of the Company or any of its participating subsidiaries (being those Directors or employees who are obliged to devote substantially the whole of their working time to the Company or any of its participating subsidiaries, and in any event in the case of Directors not less than 25 hours per week, and in the case of employees not less than 20 hours per week) as the Committee shall select.

(c) *Grant of Options*

Options may be granted, subject to Inland Revenue approval, initially within 42 days following Inland Revenue approval and thereafter at any time during the period of 42 days following the preliminary announcement of the final or interim results of the Company for any financial period. No option may be granted later than 4th October, 1998.

(d) *Subscription Price*

The subscription price at which options may be exercised is determined by the Committee. The subscription price per share will, following listing of the Ordinary shares, be not less than the greater of the nominal value of an Ordinary share and an amount equal to the middle market quotation of an Ordinary share on the dealing day immediately preceding the date when the option is granted. A consideration of £1 is payable for the grant of an option and is not refundable.

(e) *Limits of the 1988 Scheme*

(i) No option may be granted if, as a result, the aggregate number of Ordinary shares issued and issuable under the 1988 Scheme or any other executive share scheme, (except the 1986 Scheme) adopted by the Company would exceed 5 per cent. of the issued Ordinary share capital of the Company at that time.

(ii) The maximum number of Ordinary shares over which options may be granted under the 1988 Scheme, when combined with the number of Ordinary shares issued or capable of being issued under any other employee share option scheme (except the 1986 Scheme) in the 10 years commencing with the date of adoption of the 1988 Scheme, may not exceed 10 per cent. of the issued ordinary share capital of the Company from time to time.

(iii) The number of shares over which options may be granted under the 1988 Scheme in any three year period, when aggregated with the number of shares over which options are granted in that period under any other employee share option scheme and the number of shares subscribed in that period under any share incentive or profit sharing scheme, may not exceed 3 per cent. of the issued Ordinary share capital of the Company from time to time.

(iv) The number of Ordinary shares over which options may be granted under the 1988 Scheme in the four years following its adoption, when aggregated with the number of Ordinary shares over which options to subscribe are granted by the Company in that period (excluding options which have lapsed or been surrendered) under any other scheme for selected employees or directors may not exceed 2.5 per cent. of the issued Ordinary share capital of the Company from time to time.

(v) In any event the aggregate number of shares available under the 1988 Scheme cannot exceed 958,212 Ordinary shares (subject to adjustment) as described in paragraph (i) below.

(vi) An individual's participation in the 1988 Scheme is limited so that whichever is the greater of:—

(a) the total subscription price of Ordinary shares still capable of being issued on the exercise of options previously granted to him under the 1988 Scheme and any other scheme approved in accordance with Schedule 9 to the Income and Corporation Taxes Act 1988; or

(b) the total subscription price of Ordinary shares over which unexercised options have been granted to him during the previous ten years under the 1988 Scheme and under any other scheme for selected employees or directors (except the 1986 Scheme);

may not exceed four times his relevant emoluments, or if he is not receiving relevant emoluments, four times the lesser of £25,000 and his annual rate of basic salary.

(f) *Exercise of Options*

Options, which may not be transferred or assigned, will not normally be exercisable before the expiry of three years from the date of grant. They may, however, be exercisable earlier, within specified time periods, in the event of death, if the holder's employment terminates by reason of injury, disability, ill-health, retirement, redundancy or his employer ceasing to be a member of the Company or any of its subsidiaries, or in circumstances where his employment has been terminated on terms that he may exercise his options. Options will lapse at the expiry of 10 years from the date of grant.

Special provisions allow options to be exercised in the event of the Company becoming a subsidiary as the result of a take-over offer, or a reconstruction or amalgamation, within six months thereafter or, if earlier, within 30 days before the last date on which the offeror is bound or entitled to acquire the Ordinary shares compulsorily, unless the acquiring company offers the holder an equivalent option over shares in the acquiring company, or its parent, in exchange for his option and he accepts that offer.

(g) *Exchange of Options on Acquisition*

Upon an acquiring company obtaining control of the Company, holders of options have the ability to accept an offer by the acquiring company to be granted options over shares in the acquiring company, or its parent, in substitution for their options over shares in the Company, provided that the substitute options comply with the requirements of Schedule 9 to the Income and Corporation Taxes Act 1988.

(h) *Ordinary shares subject to the 1988 Scheme*

Ordinary shares issued on the exercise of an option will rank *pari passu* with existing issued Ordinary shares except in respect of any rights determined by reference to a date preceding the date of allotment. The Company will apply to The Stock Exchange for such shares to be listed on that Exchange.

(i) *Variation of Share Capital*

On any variation of the share capital of the Company by way of capitalisation or rights issue or by consolidation, sub-division or reduction of capital, the subscription price and/or the number of shares comprised in an option and/or the limits on the numbers of shares subject to the 1988 Scheme shall be adjusted in such a manner as the auditors confirm in writing to be fair and reasonable, provided that there is no increase in the subscription price or reduction below nominal value, and subject to the prior approval of the Inland Revenue.

(j) *Amendments to the 1988 Scheme*

The Board may make amendments to the Rules, except that the provisions in relation to the following matters may not be amended to the advantage of participants without the prior approval of the Company in General Meeting:—

(i) the eligibility of employees and the subscription price;

(ii) the maximum limits of the 1988 Scheme including the amount of Ordinary shares which may be issued pursuant to the 1988 Scheme and the limit on an individual's participation in the 1988 Scheme;

(iii) the restrictions on transfer of options;

(iv) the periods during and circumstances in which options may be offered, accepted and exercised;

(v) the rights attaching to Ordinary shares issued under the 1988 Scheme;

(vi) the provisions of the 1988 Scheme regarding adjustment to the limits of the 1988 Scheme in the event of capitalisation and rights issues, sub-divisions, consolidations and reductions in the share capital of the Company; and

(vii) the Rule requiring that the above provisions may not be amended without the prior approval of the Company in General Meeting.

No amendment may take effect without the prior written approval of the Inland Revenue. No amendment may be made to alter, to the disadvantage of any option holder, any rights already acquired by him without the consent of participants holding options over at least 75 per cent. of the shares under option. The Board may, notwithstanding the above provisions, make any amendments necessary to secure and maintain approval by the Inland Revenue.

8. Premises

The following comprise the principal establishments from which the Group operates:—

Address	*Tenure*	*Use*	*Size*
Penkhull New Road Stoke-on-Trent	Freehold	Main Site (Factory, Offices & Design Studio)	4.63 acres
Falcon Works Sturgess Street Stoke-on-Trent	Freehold		
Bank House Kirkham Street Stoke-on-Trent	Freehold		
London Road Stoke-on-Trent	Freehold		

9. Taxation

(a) The Directors have been advised that the Company is a close company within the meaning of Sections 414 and 415 of the Income and Corporation Taxes Act 1988 and is expected to remain so following the Placing.

(b) Under the Placing Agreement described in paragraph 5 above, indemnities have been given to the Company and each of its subsidiaries in respect of taxation including any tax payable by the Company or any of its subsidiaries as a result of any apportionment under Chapter 3 of Part XI, Income and Corporation Taxes Act 1988, in respect of any period ended on or before 31st December, 1987, and any capital transfer tax or inheritance tax for which the Company or any of its subsidiaries is or becomes liable.

(c) Under current United Kingdom taxation legislation, no tax will be withheld at source from dividend payments by the Company but (except to the extent that it is in receipt of franked investment income) the Company will have to account to the Inland Revenue when it pays any dividend for an amount of advance corporation tax at a rate which is related to the basic rate of income tax and which is currently $^{25}/_{75}$ths of the amount of the dividend. Accordingly, the advance corporation tax related to a dividend currently equals 25 per cent. of the cash dividend plus the advance corporation tax attributable thereto.

Shareholders resident in the United Kingdom for taxation purposes (other than corporate shareholders) are normally liable to income tax on the aggregate amount of the dividend and an imputed tax credit equal to $^{25}/_{75}$ths of the amount of the dividend; the tax credit is available to be set against any income tax payable.

A United Kingdom resident corporate shareholder is not normally liable to corporation tax or income tax in respect of dividends received from the Company, and such dividends will be available to frank dividends paid by such a company. United Kingdom resident shareholders who are exempt from tax in respect of investment income are entitled to repayment by the Inland Revenue of the tax credit in respect of dividends. Individual shareholders resident in the United Kingdom whose income tax liability is less than the aggregate of the amount of income tax deducted from other income paid to them and the tax credit in respect of dividends are entitled to an appropriate repayment of tax.

A shareholder who is not resident in the United Kingdom is not generally entitled to the benefit of a tax credit in respect of any dividend received. However, no assessment will be made on such a person in respect of basic rate income tax. An entitlement to the tax credit, or part of it, may be available if there is an appropriate provision granting such entitlement in any applicable double taxation agreement. A non-United Kingdom resident shareholder may also be subject to foreign taxation on dividend income under the local tax law to which that person is subject.

The above is only a general outline of the possible liabilities to taxation which might arise on payment of a dividend by the Company. Any shareholder who is in doubt as to his tax position should consult his professional adviser.

10. Material Changes

Save as disclosed herein, there has been no material change in the financial or trading position of the Group since 31st July, 1988, the date to which the latest audited accounts were made up.

11. Material Contracts

The following contracts, not being in the ordinary course of business, have been entered into by the Company or its subsidiaries within the two years immediately preceding the date of this document and are or may be material:—

(a) A shareholders agreement dated 15th April, 1987 between William Smith & Sons Inc. (1) and Portmeirion Potteries Limited (2) whereunder each party subscribed for 100 shares each in Portmeirion Canada Inc. for a consideration of $20,000 with other provisions regulating the conduct of the business of Portmeirion Canada Inc.

(b) A licence dated 15th April, 1987 between Portmeirion Potteries Limited (1) and Portmeirion Canada Inc (2), licensing Portmeirion Canada Inc. to use certain trade marks and intellectual property rights of the Group. This licence terminates on 30th June, 1990 but is automatically renewed thereafter annually unless twelve months' notice of non-renewal is given by either party.

(c) A contract and a subsequent transfer dated 25th April, 1988 between United Co-operatives Limited (1) and Portmeirion Potteries Limited (2) whereunder the former transferred to the latter land and buildings at London Road, Stoke-on-Trent for a consideration of £850,000.

(d) The Placing Agreement referred to in paragraph 5 above.

12. Working Capital

The Directors consider that, having regard to the bank facilities available and to the net proceeds of the Placing, the Group has sufficient working capital for its present requirements.

13. Miscellaneous

(a) The Group had on average 260 employees in the financial year ended 31st December, 1985, 283 employees in the financial year ended 31st December, 1986 and 356 employees in the financial year ended 31st December, 1987.

(b) Neither the Company nor any of its subsidiaries is engaged in any legal or arbitration proceedings which may have, or have had during the twelve months prior to the date hereof, a significant effect on the Portmeirion Group's financial position and no such legal or arbitration proceedings are known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

(c) The financial information relating to the Portmeirion Group contained in this document does not amount to full accounts within the meaning of Section 254 of the Act. Full accounts (prepared under section 227 of the Act) for the Group relating to each of the five financial periods to 31st December, 1987 have been delivered to the Registrar of Companies, accompanied in each case by an unqualified report from the auditors for the time being (as such term is defined in Section 271 of the Act).

(d) Messrs. Edward Rushton Son & Kenyon, Kleinwort Securities and Peat Marwick McLintock have each given and not withdrawn their respective written consents to the issue of this document with the inclusion herein of copies of their valuations, letters and/or reports (as the case may be) in the form and context in which they appear.

(e) The estimated expenses of the Placing and the application for the share capital to be admitted to the Official List are £345,000 (excluding Value Added Tax) and include total remuneration to the financial intermediaries, including placing commission, expected to amount to £127,000 (exclusive of Value Added Tax). The proceeds of the Placing, net of such expenses, are estimated to amount to £3,975,000 and will be applied as stated in this document.

(f) The price at which the Ordinary shares are being offered under the Placing is 180p of which 5p represents the nominal value of each such share and 175p represents premium.

(g) The allotment of Ordinary shares is subject to the provisions of Section 80 of the Act governing the authority of the Directors to allot relevant securities and Section 89 of the Act, governing the rights of pre-emption of holders of relevant shares over allotments of equity securities including Ordinary shares. As set out in paragraphs 2(d) and (g) above, the Directors have been given power to allot Ordinary shares which may be allotted in connection with a rights issue and equity securities up to an aggregate nominal amount of £15,960 pursuant to Section 95 of the Act, as if Section 89 of the Act did not apply thereto and to allot up to 3,078,050 Ordinary shares in connection with the Placing. The provisions of Section 89 of the Act apply to the balance of the authorised but unissued share capital of the Company which is not the subject of the power given under Section 95 of the Act.

(h) Ordinary shares being issued to placees under the Placing will be registered free of registration fees. No temporary documents of title will be issued and it is expected that definitive certificates will be despatched on 2nd November, 1988.

(i) The Auditors of the Group for the two financial periods ended 31st December, 1986 were Messrs. F. Geen and Co, Chartered Accountants. The Auditors for the financial period ended 31st December, 1987 were Messrs. Peat Marwick McLintock, Chartered Accountants, who continue to hold such office.

(j) Kleinwort Securities is a member of The Securities Association.

14. Documents for Inspection

Copies of the following documents will be available for inspection at the offices of Lovell White Durrant, 73 Cheapside, London EC2V 6ER, during normal business hours on any weekday (Saturdays excluded) until 12th November, 1988:—

(i) The Memorandum and Articles of Association of the Company;

(ii) The audited accounts of the Company for the twelve month financial periods ended 31st December, 1986 and 31st December, 1987 and for the seven month period ended 31st July, 1988;

(iii) The report of Messrs. Peat Marwick McLintock contained in Part III of this document, and the statement of adjustments made by them in arriving at the figures set out in their report;

(iv) The valuation report of Messrs. Edward Rushton Son & Kenyon, Valuers and Surveyors referred to in Part III of this document;

(v) The letters relating to the profit forecast set out in Part II of this document;

(vi) The service agreements referred to in paragraph 4(c);

(vii) The rules of the 1986 Scheme and the 1988 Scheme;

(viii) The material contracts referred to in paragraph 11 above;

(ix) The letters of consent referred to in paragraph 13(d) above;

(x) A letter from Griffin Trustees Limited to Kleinwort Securities dated 27th October, 1988 giving the undertaking referred to in paragraph 5 above; and

(xi) A memorandum relating to the unsecured Loan notes referred to in Note 4.10 of the report of Messrs. Peat Marwick McLintock contained in Part III of this document.

Dated 27th October, 1988.

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