RNS Number:7829B
9th August 2007

Portmeirion Group PLC

("Portmeirion" or "the Group")

Interim results for the six months ended 30 June 2007

HIGHLIGHTS:

Financial–Solid set of financial results underpin impressive sales growth

- Operating profit before exceptional items and financing of £838,000 compared to £748,000 in 2006.
- Profit before taxation of£2,491,000 compared to £713,000 in 2006.
- Revenue increased by 19% to £14.5 million compared to £12.2 million in 2006.
- Export revenue up by 18%.
- UK revenue up by 22%.
- Proposed interim dividend of 3.55p, an increase of 7.6%.

Operational

- Sophie Conran collection performed ahead of expectations
- New 64,000 sq ft Trentham Lakes warehouse operational
- New ranges being actively developed in the UK and sourced in the Far East
- Externally sourced products expected to comprise a third of sales in 2007
- Current trading in-line with expectations

Dick Steele, Non Executive Chairman commented:

"We have had a very encouraging first half with sales in the UK and North America well ahead of last year. Growth has been driven by the popularity of our well established ranges such as Botanic Garden and importantly, by the success of the new ranges particularly Sophie Conran.

"In addition, we have achieved some major structural changes to the Group with the completion of the new warehouse which will have long term benefits as we expand. These results demonstrate the huge potential for the Group both in the UK and internationally and we look forward to the future with confidence."

ENQUIRIES:

Portmeirion	Dick Steele, Non-executive Chairman	01782 744721
	steele_clan@msn.com	01782 744721
	Brett Phillips, Group Finance Director	
	bphillips@portmeirion.co.uk	
Pelham Public Relations	James Henderson	020 7743 6673
	James.henderson@pelhampr.com	

Chairman's Statement

Trading performance

I am delighted to report that revenue has increased significantly in our UK, US and other markets. In the UK sales were 22% above the same period in 2006, in the US they were 9% ahead in sterling terms and 20% ahead in local currency. Our other markets were 29% ahead. This strong sales growth follows a turnaround in sales in the second half of last year with an 11% increase resulting in a full year increase of 3.2% in 2006.

The Group has a clear strategy for growth in place which is already generating impressive sales and profit increases. There are three principal strands to our strategy:

- Focus on improving operating efficiency by streamlining our manufacturing cost base and outsourcing to overseas manufacturing where appropriate

- Enhance the existing product base with innovative designs across all key segments of the tableware and giftware market; formal, informal and children

- Extend the product range through the acquisition of niche bolt on businesses.

This strategy is enabling us to maintain our position and profile at the forefront of the UK and overseas tableware and giftware markets helped by some very successful new product ranges including Sophie Conran's range and Jacqueline Wilson's "Totally Tracy" collection which to date have both performed well ahead of expectation.

Our pure manufacturing margin has held steady compared to last year, although costs after manufacturing – particularly UK warehousing where we have been double running and royalties reflecting more designer ranges - have increased. We expect that the double running costs of UK warehousing will cease by the year end, but royalty costs will continue to increase in line with our design strategies.

Profitability

Operating profit before exceptional[1] items and financing was£838,000, an increase of 12% compared to the restated figures for 2006, reflecting an excellent sales performance, steady margins and careful cost control. The exceptional credit of£1,644,000 is largely composed of the profit achieved on the disposal of a freehold site which became surplus to requirements as a result of the consolidation of our UK manufacturing facilities, a process which we started in 2004 and which is now complete.

Dividend

The Board has decided to increase the interim dividend by 7.6% to 3.55p per ordinary share, this is the same percentage increase as was applied to the final dividend last year. The dividend will be paid on 1 October 2007 to shareholders on the register on 7 September 2007.

1. See note 4 on page 16 for definition of exceptional.

Balance sheet

Our balance sheet remains strong, with net assets of £17.0 million. Our cash at bank is currently£2.0 million, following a greater investment in stock required to pursue our sales opportunities, our new ranges and to facilitate double running as the new UK warehouse was commissioned. The fixed asset investment in the new warehouse has been partly financed by the sale of a surplus freehold site. We hold 677,218 of treasury shares, at an average balance sheet acquisition cost of £1.87 each.

Accounting policies

These are the first results presented under International Financial Reporting Standards (IFRS) and the comparatives have been restated on this basis. The only significant impact for the interim report is in respect of accounting for forward foreign exchange contracts which has had a net adverse effect on the profit before tax compared to last year of £217,000. Details of the adjustments are set out in note 10.

New UK warehouse

We started shipping some product from our new Trentham Lakes warehouse in Stoke-on-Trent in June 2007 and with effect from 30 June 2007, one of our other two UK warehouses ceased operation. Most products will be shipped from the new warehouse from September 2007 and the remaining old warehouse will close shortly thereafter. The installation and commissioning of the automatic handling equipment was completed satisfactorily and within budget. It will be some time before the full cost savings we have planned for are achieved as we will still have one surplus leasehold property for disposal. We will also have to bring our stock levels back into balance once double running has ceased.

Product development

We have continued to develop contemporary ranges in the Far East, taking advantage of outside manufacturing capabilities. In 2006 20% of our total volume came from externally sourced product, we continue to anticipate that 2007 will see a third of our volume from externally sourced product.

We have been delighted by the success of our new ranges, in particular the Sophie Conran range which is currently our second biggest seller in the UK and our fourth biggest seller in the US.

On 13 October 2006 we acquired the Pimpernel brand and certain assets from the Administrator to the company. This has been a successful transaction for Portmeirion and has already generated sales in excess of the purchase price.

Current trading

These results are to the end of June, the month of July has seen sales at a similar level to July last year but we still have our important Autumn trading period to come.

We look forward to the future with confidence.

R.J. Steele

Non-executive Chairman

8 August 2007

Independent Review Report to

Portmeirion Group PLC

Introduction

We have been instructed by the Company to review the financial information for the six months ended 30 June 2007 which comprises the consolidated income statement, the consolidated balance sheet, the consolidated cash flow statement, the consolidated statement of recognised income and expense, the reconciliation of movements in shareholders' equity and related notes 1 to 10. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the Company, in accordance with Bulletin 1999/4 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the Directors. The Directors are also responsible for ensuring that the accounting policies and presentation applied to the interim figures are consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed and also preparing the interim report as required by AIM Rules issued by the London Stock Exchange.

International Financial Reporting Standards

As disclosed in note 1, the next financial statements of the Group will be prepared in accordance with International Financial Reporting Standards as adopted for use in the EU. Accordingly, the Interim Report has been prepared in accordance with the recognition and measurement criteria of IFRS and by the AIM Rules. The accounting policies are consistent with those that the Directors intend to use in the annual financial statements.

Review work performed

We conducted our review in accordance with the guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK and Ireland) and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2007.

Deloitte & Touche LLP

Chartered Accountants, Birmingham, UK

8 August 2007

Consolidated Income Statement

Unaudited

	Notes	Six months to 30.06.07 £'000	Restated* Six months to 30.06.06 £'000	Restated* Year to 31.12.06 £'000
Revenue	3	**14,520**	12,232	28,422
Operating costs		**(13,682)**	(11,484)	(25,747)
Operating profit before exceptional items and financing		**838**	748	2,675
Exceptional items	4	**1,644**	(277)	(277)
Operating profit after exceptional items		**2,482**	471	2,398
Interest receivable from bank deposits		**90**	130	231
Finance costs	6	**(106)**	137	46
Share of profit of associated undertakings		**25**	(25)	58
Impairment in investment in associated undertaking		**-**	-	(46)
Profit before tax		**2,491**	713	2,687
Income tax		**(930)**	(263)	(938)
Profit for the period attributable to equity holders of the parent		**1,561**	450	1,749
Earnings per share	8	**15.94p**	4.57p	17.81p
Diluted earnings per share	8	**15.40p**	4.52p	17.58p
Dividend per share	7	**3.55p**	3.30p	14.00p

All the above figures relate to continuing operations.

* Restated to reflect the adoption of IFRS as per note 10.

Consolidated Balance Sheet

Unaudited

	As at 30.06.07 £'000	Restated* As at 30.06.06 £'000	Restated* As at 31.12.06 £'000
Non-current assets			
Property, plant and equipment	**6,329**	5,068	5,767
Intangible assets	**714**	69	628
Interests in associates	**1,377**	1,369	1,332
Derivative financial instruments	**-**	36	-
Total non-current assets	**8,420**	6,542	7,727
Current assets			
Inventories	**9,896**	6,859	8,352
Trade and other receivables	**5,373**	4,815	4,467
Cash and cash equivalents	**1,959**	5,209	5,203
Derivative financial instruments	**64**	76	105
Assets held for sale	**-**	-	350
Total current assets	**17,292**	16,959	18,477
Total assets	**25,712**	23,501	26,204
Current liabilities			
Trade and other payables	**(4,085)**	(3,179)	(5,328)
Current income tax liabilities	**(33)**	(377)	(246)
Derivative financial instruments	**-**	(4)	-
Total current liabilities	**(4,118)**	(3,560)	(5,574)
Non-current liabilities			
Deferred income tax liabilities	**(560)**	(24)	(49)
Pension scheme deficit	**(4,028)**	(2,796)	(3,995)
Total non-current liabilities	**(4,588)**	(2,820)	(4,044)
Total liabilities	**(8,706)**	(6,380)	(9,618)
Net assets	**17,006**	17,121	16,586
Equity			
Called up share capital	**525**	523	523
Share premium account	**4,725**	4,657	4,657
Treasury shares	**(1,266)**	(1,263)	(1,266)
Share based payment reserve	**60**	22	38
Cash flow hedging reserve	**(3)**	(65)	(6)
Tax on cash flow hedging reserve	**1**	20	2
Retained earnings	**12,964**	13,227	12,638
Total equity	**17,006**	17,121	16,586

* Restated to reflect the adoption of IFRS as per note 10.

Consolidated Cash Flow Statement

Unaudited

	Six months to 30.06.07 £'000	Six months to 30.06.06 £'000	Year to 31.12.06 £'000
Operating profit	**2,482**	471	2,398
Adjustments for:			
Depreciation	**314**	368	712
Amortisation of intangible fixed assets	**68**	18	54
Contributions to defined benefit pension scheme	**(174)**	(174)	(348)
Charge for share based payments	**22**	10	26
Exchange loss	**(75)**	(160)	(328)
Profit on sale of tangible fixed assets	**(1,793)**	(6)	(16)
Operating cash flows before movements in working capital	**844**	527	2,498
Increase in inventories	**(1,544)**	(946)	(2,439)
(Increase)/decrease in receivables	**(891)**	56	382
(Decrease)/increase in payables	**(1,243)**	139	2,290
Cash (absorbed by)/generated from operations	**(2,834)**	(224)	2,731
Interest paid	**-**	(1)	(1)
Income taxes (paid)/refunded	**(627)**	437	(306)
Net cash from operating activities	**(3,461)**	212	2,424
Investing activities			
Interest received	**97**	181	304
Proceeds on disposal of property, plant and equipment	**2,172**	11	32
Purchase of property, plant and equipment	**(921)**	(237)	(1,678)
Purchase of intangible fixed assets	**(154)**	(10)	(605)
Purchase of treasury shares	**-**	(299)	(302)
Purchase of equity interest	**-**	(40)	(40)
Net cash inflow/(outflow) from investing activities	**1,194**	(394)	(2,289)
Financing activities			
Equity dividends paid	**(1,047)**	(982)	(1,305)
Shares issued under employee share schemes	**70**	79	79
Net cash outflow from financing activities	**(977)**	(903)	(1,226)
Net decrease in cash and cash equivalents	**(3,244)**	(1,085)	(1,091)
Cash and cash equivalents at beginning of period	**5,203**	6,294	6,294
Cash and cash equivalents at end of period	**1,959**	5,209	5,203

Consolidated Statement of Recognised Income and Expense

	Six months to 30.06.07 £'000	Six months to 30.06.06 £'000	Year to 31.12.06 £'000

Exchange differences on translation of foreign operations	**(77)**	(234)	(498)
Actuarial loss on defined benefit pension scheme	**-**	-	(1,858)
Deferred tax on pension deficit	**(111)**	-	557
Net expense recognised directly in equity	**(188)**	(234)	(1,799)
Transfers			
Transferred to profit or loss on cash flow hedges	**3**	66	125
Tax on transfers to profit or loss on cash flow hedges	**(1)**	(19)	(37)
	(186)	(187)	(1,711)
Profit for the period	**1,561**	450	1,749
Total recognised income and expense for the period	**1,375**	263	38

Reconciliation of Movements in Shareholders' Equity

	Six months to 30.06.07 £'000	Six months to 30.06.06 £'000	Year to 31.12.06 £'000
Opening balance as previously reported	**16,538**	18,205	18,205
Adjustments on adoption of IFRS from 1 January 2006	**48**	(115)	(115)
Opening balance as restated	**16,586**	18,090	18,090
Total recognised income and expense for the period	**1,375**	263	38
Dividends paid	**(1,047)**	(982)	(1,305)
Shares issued under employee share schemes	**70**	79	79
Increase in share based payment reserve	**22**	10	26
Purchase of treasury shares	**-**	(299)	(302)
Purchase of equity interests	**-**	(40)	(40)
Closing balance	**17,006**	17,121	16,586

Notes to the Financial Statements

1. Basis of preparation

1.1 The interim financial information has not been audited and does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985 but has been reviewed by the auditors in accordance with Bulletin 1999/4 issued by the Auditing Practices Board. The Company's statutory accounts for the year ended 31 December 2006, prepared under UK GAAP, have been delivered to the Registrar of Companies; the report of the auditors on these accounts was unqualified and did not contain a statement under Section 237 (2) or (3) of the Companies Act 1985.

1.2 Prior to 2007 the Group prepared its audited financial statements under United Kingdom Generally Accepted Accounting Principles (UK GAAP). For the year ending 31 December 2007 the Group is required to prepare its annual consolidated financial statements in accordance with accounting standards adopted for use in the European Union (International Financial Reporting Standards (IFRS)).

These interim financial statements have been prepared in accordance with the accounting policies set out below, taking into account the requirements and options in IFRS 1‘First-time adoption of International Financial Reporting Standards'. The Group has not adopted the reporting requirements of IAS 34 ‘Interim Financial Reporting'. The transition date for the Group's application of IFRS is 1 January 2006 and the comparative figures for 30 June 2006 and 31 December 2006 have been restated accordingly. Reconciliations of the income statement (previously the profit and loss account) and the balance sheet from previously reported UK GAAP to IFRS are shown in note 10.

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

2. Accounting policies

The accounting policies which follow set out those policies which are expected to apply in preparing the financial statements for the year ending 31 December 2007. These policies have been followed in producing these interim statements.

2.1 Basis of consolidation

The consolidated financial statements incorporate the financial statements of Portmeirion Group PLC and its subsidiaries.

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

2.2 Investment in associates

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

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

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

2.3 **Non-current assets held for sale**

Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. The Directors must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

2.4 **Provisions**

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

2.5 **Revenue recognition**

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

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

2.6 **Operating leases**

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

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

2.7 **Foreign currencies**

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

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

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

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

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

2.8 **Operating profit**

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

Exceptional items are defined as reorganisation costs: specifically profit or loss on the sale of land and buildings, rent-free periods and other costs associated with the assignment of leasehold property no longer required by the business and redundancy costs.

2.9 **Group pension schemes**

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

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

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

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

2.10 Taxation

The tax expense represents the sum of the current tax and deferred tax.

Current tax including UK corporation tax and foreign tax is provided at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements.

Deferred tax is not provided on timing differences on unremitted earnings of subsidiaries and associates where there is no commitment to remit these earnings. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

2.11 Property, plant and equipment

Property, plant and equipment are held at cost, net of depreciation less any provision for impairment. Depreciation is provided by either the reducing balance method or the straight line method at rates calculated to write off the cost of the assets less their estimated residual value over their expected useful lives:

Freehold buildings	- 2% per annum

Short leasehold buildings	- over the life of the lease
Plant and vehicles	- 10% to 33% per annum

2.12 Intangible assets

Purchases of trademarks are included at cost and written off in equal annual instalments over 5 years, which is their estimated useful economic life. Provision is made for any impairment.

Computer software is held at cost, net of depreciation less any provision for impairment.

2.13 Impairment of tangible and intangible assets excluding goodwill

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

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

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

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

2.14 Inventories

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

2.15 Derivative financial instruments

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

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

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

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

2.16 **Share-based payments**

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

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

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

A liability equal to the portion of the goods or services received is recognised at the current fair value determined at each balance sheet date for cash-settled, share-based payments.

2.17 **Segmental reporting**

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

3. **Geographical segments**

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

	Six months to 30.06.07	Six months to 30.06.06	Year to 31.12.06
	£'000	£'000	£'000
United Kingdom	**4,163**	3,422	8,457
United States	**5,273**	4,855	11,009
South Korea	**2,895**	2,323	5,590
Rest of the World	**2,189**	1,632	3,366
	14,520	12,232	28,422

4. Exceptional items

As stated in the Group's accounting policies, the Directors define reorganisation costs as exceptional. Specifically included under such exceptional costs are profit or loss on the sale of land and buildings, rent-free periods and other costs associated with the assignment of leasehold property no longer required by the business and redundancy costs. The analysis of exceptional items is as follows:

	Six months to 30.06.07	Six months to 30.06.06	Year to 31.12.06
	£'000	£'000	£'000
Profit on sale of freehold land & buildings	**1,793**	-	-
Costs associated with assignment of leasehold property	**(139)**	-	-
Redundancy costs	**(10)**	(277)	(277)
	1,644	(277)	(277)

5 Taxation

Tax for the interim period is charged at 37% (year to 31 December 2006 35%) representing the best estimate of the weighted average annual corporation tax rate expected for the full year. Deferred tax has been calculated at a rate of 28%.

6. Finance costs

	Six months to 30.06.07	Six months to 30.06.06	Year to 31.12.06
	£'000	£'000	£'000
Interest paid	**-**	(1)	(1)
(Losses)/gains on financial derivatives	**(44)**	173	111
Other finance costs	**(62)**	(35)	(64)
	(106)	137	46

7. Dividend

A dividend of 3.55p (2006 –3.3p) per ordinary share will be paid on 1 October 2007 to shareholders on the register on 7 September 2007.

8. Earnings per share

The earnings per share are calculated on profit after tax of £1,561,000 (2006 – £450,000) and the weighted average number of ordinary shares of 9,791,802 (2006 – 9,852,718) in issue during the period. The share options in existence during the six months ended 30 June 2007 have a dilutive effect. The diluted earnings per share are calculated on earnings of £1,561,000 (2006 – £450,000) and the weighted average of ordinary shares in issue adjusted to assume conversion of all dilutive potential ordinary shares which is 10,137,066 (2006 – 9,951,750).

9. Analysis of net funds

	As at	As at	As at
	30.06.07	30.06.06	31.12.06
	£'000	£'000	£'000
Cash in hand and at bank	**609**	1,314	1,178
Short term money market deposits	**1,350**	3,895	4,025
Total	**1,959**	5,209	5,203

10. Explanation of transition to IFRS

As explained in Note 1, these are the Group's first interim financial statements prepared for part of the first year in which financial statements will be prepared in accordance with International Financial Reporting Standards (IFRS).

The accounting policies in Note 2 have been applied in preparing these interim financial statements, and in preparing an opening IFRS balance sheet as at 1 January 2006 (the Group's date of transition). The preparation of these financial statements has required the adjustment of amounts previously reported in financial statements prepared in accordance with UK GAAP.

As required by IFRS 1 "First time adoption of international reporting standards" an explanation of how the transition from UK GAAP to IFRS has affected the Group's financial position is set out in the tables below. The adjustments shown in the tables are:

(i) The effect of the change to valuing pension scheme assets at bid rather than mid price as required by IAS 19 "Employee Benefits".

(ii) The effect of the revised treatment of the Group's forward foreign exchange contracts as required by IAS 39 "Financial Instruments: Recognition and Measurement".

(iii) The reclassification of interest paid to finance costs.

(iv) The disclosure of share of profit of associated undertakings net of income taxes.

(v) The reclassification of software assets as intangible assets.

(vi) The separate disclosure of income taxes payable or recoverable.

(vii) The reclassification of property being marketed for sale as an asset held for sale in current assets.

10.1 Reconciliation of income statement for the six months ended 30 June 2006

	UK GAAP	IAS 39	Other IFRS Reclass-ifications	IFRS
	£'000	£'000	£'000	£'000
Revenue	**12,232**	**-**	**-**	**12,232**
Operating costs	(11,484)	-	-	(11,484)
Operating profit before exceptional items and financing	**748**	-	-	**748**
Exceptional items	(277)	-	-	(277)
Operating profit after exceptional items	**471**	-	-	**471**
Interest receivable from bank deposits	130	-	-	130
Interest payable	(1)	-	1	-
Finance costs	(35)	173	(1)	137
Share of profit of associated undertakings	(55)	-	30	(25)
Profit before tax	**510**	**173**	**30**	**713**
Income tax	(181)	(52)	(30)	(263)
Profit for the period	**329**	**121**	**-**	**450**
Earnings per share	**3.34p**			**4.57p**
Diluted earnings per share	**3.31p**			**4.52p**

10.2 Reconciliation of income statement for the year ended 31 December 2006

	UK GAAP	IAS 19	IAS 39	Other IFRS Reclass-	IFRS
	£'000	£'000	£'000		£'000

				ifications £'000	
Revenue	**28,422**	**-**	**-**	**-**	**28,422**
Operating costs	(25,747)	-	-	-	(25,747)
Operating profit before exceptional items and financing	**2,675**	-	-	-	**2,675**
Exceptional items	(277)	-	-	-	(277)
Operating profit after exceptional items	**2,398**	**-**	**-**	**-**	**2,398**
Interest receivable from bank deposits	231	-	-	-	231
Interest payable	(1)	-	-	1	-
Finance costs	(62)	(2)	111	(1)	46
Share of profit of associated undertakings	64	-	-	(6)	58
Impairment in investment in associated undertaking	(46)	-	-	-	(46)
Profit before tax	**2,584**	**(2)**	**111**	**(6)**	**2,687**
Income tax	(912)	1	(33)	6	(938)
Profit for the period	**1,672**	**(1)**	**78**	**-**	**1,749**
Earnings per share	**17.03p**				**17.81p**
Diluted earnings per share	**16.80p**				**17.58p**

10.3 Reconciliation of balance sheet as at 1 January 2006

	As at 01.01.06 **UK GAAP £'000**	**IAS 19 £'000**	**IAS 39 £'000**	**Other IFRS Re-classifications £'000**	**As at 01.01.06 IFRS £'000**
Non-current assets					
Property, plant and equipment	5,335	-	-	(77)	5,258
Intangible assets	-	-	-	77	77
Interests in associates	1,413	-	-	-	1,413
Derivative financial instruments	-	-	-	-	-
Total non-current assets	6,748	-	-	-	6,748
Current assets			-		
Inventories	5,913	-	-	-	5,913
Trade and other receivables	5,243	-	-	(321)	4,922
Current income tax receivable	-	-	-	321	321
Cash and cash equivalents	6,294	-	-	-	6,294
Derivative financial instruments	-	-	-	-	-
Assets held for sale	-	-	-	-	-
Total current assets	17,450	-	-	-	17,450
Total assets	**24,198**	-	-	-	**24,198**
Current liabilities		-	-		
Trade and other payables	(3,080)	-	-	42	(3,038)

Current income tax liabilities	-	-	-	(42)	(42)
Derivative financial instruments	-	-	(131)	-	(131)
Total current liabilities	(3,080)	-	(131)	-	(3,211)
Non-current liabilities					
Deferred income tax liabilities	(43)	-	39	-	(4)
Pension scheme deficit	(2,870)	(23)	-	-	(2,893)
Total non-current liabilities	(2,913)	(23)	39	-	(2,897)
Total liabilities	**(5,993)**	**(23)**	**(92)**	-	**(6,108)**
Net assets	**18,205**	**(23)**	**(92)**	-	**18,090**
Equity					
Called up share capital	521	-	-	-	521
Share premium account	4,580	-	-	-	4,580
Treasury shares	(964)	-	-	-	(964)
Share based payment reserve	12	-	-	-	12
Cash flow hedging reserve	-	-	(131)	-	(131)
Tax on cash flow hedging reserve	-	-	39	-	39
Retained earnings	14,056	(23)		-	14,033
Total equity	**18,205**	**(23)**	**(92)**	-	**18,090**

10.4 Reconciliation of balance sheet as at 30 June 2006

	As at 30.06.06 UK GAAP £'000	IAS 19 £'000	IAS 39 £'000	Other IFRS Re-classifications £'000	As at 30.06.06 IFRS £'000
Non-current assets					
Property, plant and equipment	5,137	-	-	(69)	5,068
Intangible assets	-	-	-	69	69
Interests in associates	1,369	-	-	-	1,369
Derivative financial instruments	-	-	36	-	36
Total non-current assets	6,506	-	36	-	6,542
Current assets					
Inventories	6,859	-	-	-	6,859
Trade and other receivables	4,815	-	-	-	4,815
Cash and cash equivalents	5,209	-	-	-	5,209
Derivative financial instruments	-	-	76	-	76
Assets held for sale	-	-	-	-	-
Total current assets	16,883	-	76	-	16,959
Total assets	**23,389**	-	**112**	-	**23,501**
Current liabilities					
Trade and other payables	(3,504)	-	-	325	(3,179)
Current income tax liabilities	-	-	(52)	(325)	(377)
Derivative financial instruments	-	-	(4)	-	(4)
Total current liabilities	(3,504)	-	(56)	-	(3,560)
Non-current liabilities					
Deferred income tax liabilities	(44)	-	20	-	(24)
Pension scheme deficit	(2,773)	(23)	-	-	(2,796)
Total non-current liabilities	(2,817)	(23)	20	-	(2,820)
Total liabilities	**(6,321)**	**(23)**	**(36)**	-	**(6,380)**
Net assets	**17,068**	**(23)**	**76**	-	**17,121**
Equity					
Called up share capital	523	-	-	-	523
Share premium account	4,657	-	-	-	4,657
Treasury shares	(1,263)	-	-	-	(1,263)
Share based payment reserve	22	-	-	-	22
Cash flow hedging reserve	-	-	(65)	-	(65)
Tax on cash flow hedging reserve	-	-	20	-	20
Retained earnings	13,129	(23)	121	-	13,227
Total equity	**17,068**	**(23)**	**76**	-	**17,121**

10.5 Reconciliation of balance sheet as at 31 December 2006

	As at	IAS 19	IAS 39	Other IFRS Re-classifications	As at

	31.12.06	£'000	£'000	£'000	31.12.06
	UK GAAP £'000				IFRS £'000
Non-current assets					
Property, plant and equipment	6,243		-	(476)	5,767
Intangible assets	502	-	-	126	628
Interests in associates	1,332	-	-	-	1,332
Derivative financial instruments	-	-	-	-	-
Total non-current assets	8,077	-	-	(350)	7,727
Current assets					
Inventories	8,352	-	-	-	8,352
Trade and other receivables	4,467	-	-	-	4,467
Cash and cash equivalents	5,203	-	-	-	5,203
Derivative financial instruments	-	-	105	-	105
Assets held for sale	-	-	-	350	350
Total current assets	18,022	-	105	350	18,477
Total assets	**26,099**	**-**	**105**	**-**	**26,204**
Current liabilities					
Trade and other payables	(5,524)	-	-	196	(5,328)
Current income tax liabilities	(17)	-	(33)	(196)	(246)
Derivative financial instruments	-	-	-	-	-
Total current liabilities	(5,541)	-	(33)	-	(5,574)
Non-current liabilities					
Deferred income tax liabilities	(51)	-	2	-	(49)
Pension scheme deficit	(3,969)	(26)	-	-	(3,995)
Total non-current liabilities	(4,020)	(26)	2	-	(4,044)
Total liabilities	**(9,561)**	**(26)**	**(31)**	**-**	**(9,618)**
Net assets	**16,538**	**(26)**	**74**	**-**	**16,586**
Equity					
Called up share capital	523	-	-	-	523
Share premium account	4,657	-	-	-	4,657
Treasury shares	(1,266)	-	-	-	(1,266)
Share based payment reserve	38	-	-	-	38
Cash flow hedging reserve	-	-	(6)	-	(6)
Tax on cash flow hedging reserve	-	-	2	-	2
Retained earnings	12,586	(26)	78	-	12,638
Total equity	**16,538**	**(26)**	**74**	**-**	**16,586**

This interim statement will be posted out to shareholders in August and will be available from the Company Secretary at Portmeirion Group PLC, London Road, Stoke-On-Trent, Staffs. ST4 7QQ or from the website, www.portmeirion.com after 31 August 2007.