RNS Number : 9260A
Portmeirion Group PLC
08 August 2008

8 August 2008

PORTMEIRION GROUP PLC

('Portmeirion' or 'the Group')

Interim results for the six months ended 30 June 2008

HIGHLIGHTS

**Financial – Good overall revenue growth in difficult markets**
– Unchanged interim dividend of 3.55 pence per share
– Revenues of £15.3 million up 5.6% on comparative period of 2007 (£14.5 million)
– Operating profit before exceptionals was £508,000 (2007 - £ 838,000)
– Balance sheet remains strong
**Operational – Continued investment in product design and development**
– UKrevenue growth of 13.1% assisted by 25.7% growth from Pimpernel
– Success of new products continues
– USrevenue declines by 9.1%
– Canadian revenue grown by 51.7%

Dick Steele, Non Executive Chairman commented:

"Total revenue growth of 5.6% is creditable given the prevailing economic conditions and a tough US market which in the past has acted as a leading indicator for world markets in our sector. We continue to improve our manufacturing capabilities against the backdrop of rising energy costs.

Product development is key to our future growth worldwide; our new product pipeline remains strong. As presaged at our AGM, the weighting of the Group's profits is shifting towards the second half of the year as we incur costs now to achieve sales in the future. We have held the interim dividend at the same level as last year. We remain confident about the long term, but, as we stated in our trading update yesterday, we are cautious for the short term. Accordingly, we believe that the Group's performance for the year ending 31 December 2008 is likely to be below management's expectations.

Enquiries:


Portmeirion Group PLC:

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## CHAIRMAN'S STATEMENT

### Overview

Despite the widely reported downturn in worldwide retail markets the performance of the Group has been creditable. We have seen a decline in the US market which was more than offset by stronger revenues elsewhere, particularly in the UK and Canada.

Revenues at £15.3million were an increase of 5.6% compared with the same period last year. Within this figure the UK market showed strong growth of 13.1% and in particular Pimpernel which grew by 25.7%. Canadian revenues were outstanding with 51.7% growth. However, revenues in the US declined by 9.1%, this decline started to bite in late April and early May this year as the worries in the US economy combined with a Presidential election had a detrimental effect on consumer spending and more importantly upon retailers' expectations of consumer spending. We anticipate that the tough conditions in the US market will be followed elsewhere in the short term.

Our UK warehouse is performing well; our US warehouse move is nearly complete.

Our operating profit before exceptional items reduced to £508,000, a decline of £ 330,000 over 2007. The Group's performance is becoming even more heavily weighted towards our historically stronger second half of the year as we incur costs now to achieve sales in the future.

Pre-exceptional EBITDA (note 8) was £1.1 million (2007 £1.2 million for the first half year and £4.2 million for the full year).

### Balance Sheet

We have maintained a healthy balance sheet with net assets of £19.6 million. Cash balances are currently £0.8 million with no borrowings and we hold 659,074 treasury shares with an average acquisition cost of £1.87p each. The pension scheme deficit of £2.4 million arises from the UK defined benefit scheme which was closed in April 1999. Stocks necessarily remain above average levels as we enter our busy trading period, stock up with new ranges and relocate our USA warehouse. Stocks are also above optimal levels. Our foreign exchange exposure is now largely self balanced.

In summary, the Group has a strong balance sheet which is able to fund further growth from product development or from acquisition. There is also the opportunity to generate further cash from reduced stockholdings.

## Dividend

The Board is recommending an unchanged interim dividend of 3.55 p per share. The generation of long term returns to shareholders remains a key priority of the Board, however it is important for us to recognise that the economic climate is uncertain at the moment, particularly in the USA. As our revenues and profits are more heavily weighted towards the second half of the year it is appropriate for us to consider dividends when we have traded through this important period.

The interim dividend will be paid on 1 October 2008 to shareholders on the register at the close of business on 5 September 2008.

## Product Development

Product development has always been the key to success at Portmeirion and this remains true today; our design team continue to provide new product ranges, designs and packaging in order to constantly refresh our offering.

This year has seen the introduction of a new colour in the Sophie Conran range, Sage. Our classic Botanic Garden range has been re-packaged to give it a more gifting feel and this is a clear example of how fresh and attractive packaging can enhance a traditional design. This year has also seen us launch new designs including Eden Fruits and in the second half of the year we plan to launch White Oak and Eden Flowers. We have also seen success with cutlery, gift boxed sets of teaspoons, cake forks and cake slices.

The Pimpernel placemat range has been totally revised with a new quality tablemat being introduced and many new interesting designs put into the range.

The emphasis on gifting has proved to be very successful and has inevitably led to more products being sourced, this percentage is now nearly 40% of sales.

## General Meeting

It is the Board's intention to convene a general meeting to address a technical issue that has arisen in respect of the interim and final dividends for the year ended 31 December 2007. The Companies Acts 1985 and 2006 require dividends paid to be covered by the distributable reserves reported in the last audited annual accounts of the relevant company circulated to shareholders or subsequent filed interim accounts. Whilst on both occasions the overall Group had sufficient distributable reserves, the appropriate transfer to the reserves of the parent company, Portmeirion, (by means of an intra-group dividend), had inadvertently not been made until after 31 December 2007.

It is, therefore, proposed that shareholders be asked to vote on a resolution to rectify and ratify the dividends for the year ended 31 December 2007 and to authorise Portmeirion to waive any rights it may have against shareholders who received the dividends or directors who authorised their payment, thus putting the shareholders and directors into the position which was always intended.

Outlook

We are pleased with these strong results in such a difficult retail climate. Our strategy remains unchanged: we are focusing on improving operational efficiency by streamlining our product base and outsourcing to overseas manufacturing where appropriate. We are enhancing the existing product base through innovative design across all key segments of the tableware and giftware market: formal, informal and children. We are focused on extending the product range through new product design and the acquisition of complimentary businesses.

In the shorter term we face two big challenges. With the very steep increase in fuel costs our UK factory fuel bills now run at £ 23,000 per week and such costs eat heavily into the manufacturing efficiencies which we make. At the same time the uncertain economic climate means that we have to be even more circumspect in our product, marketing and investment decisions.

We remain confident for the long term because of our heritage ranges, our commitment to good design, our wide geographic spread, our strong balance sheet and our experienced management team. However, we are cautious for the short term and, as we stated in our trading update issued yesterday, we believe that the Group's performance for the year ending 31 December 2008 is likely to be below management's expectations.

R.J. Steele

Non-executive Chairman

8 August 2008 Independent Review Report to

the Members of Portmeirion Group PLC

## Introduction

We have been engaged by the Company to review the condensed set of consolidated financial statements in the interim statement for the six months ended 30 June 2008 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 8. We have read the other information contained in the interim statement and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements 2410 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 statement is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the interim statement in accordance with the AIM Rules of the London Stock Exchange.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this interim statement have been prepared in accordance with the accounting policies the Group intends to use in preparing its next annual financial statements.

## Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the interim statement based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the interim statement for the six months ended 30 June 2008 is not prepared, in all material respects, in accordance with the AIM Rules of the London Stock Exchange.

Deloitte & Touche LLP

Chartered Accountants and Registered Auditor

8 August 2008

Birmingham, UK

Consolidated Income Statement

Unaudited

| | Notes | Six months to 30.06.08 £'000 | Six months to 30.06.07 £'000 | Year to 31.12.07 £'000 |
|---|---|---|---|---|
| Revenue | 2 | 15,336 | 14,520 | 32,017 |
| Operating costs | | (14,828) | (13,682) | (28,665) |
| Operating profit before exceptional items | | 508 | 838 | 3,352 |
| Exceptional items | 3 | (84) | 1,644 | 1,008 |
| Operating profit after exceptional items | | 424 | 2,482 | 4,360 |
| Investment revenue | | 31 | 90 | 142 |
| Finance costs | 4 | (74) | (106) | (242) |
| Share of profit of associated undertakings | | 25 | 25 | 159 |
| Profit before tax | | 406 | 2,491 | 4,419 |
| Tax | 5 | (150) | (930) | (1,393) |
| Profit for the period attributable to equity holders of the parent | | 256 | 1,561 | 3,026 |
| Earnings per share | 7 | 2.59p | 15.94p | 30.77p |
| Diluted earnings per share | 7 | 2.51p | 15.40p | 29.55p |
| Dividends paid and proposed per share | 6 | 3.55p | 3.55p | 14.70p |

All the above figures relate to continuing operations.

Consolidated Balance Sheet

Unaudited

| | As at | As at | As at |
|---|---|---|---|
| | 30.06.08 | 30.06.07 £'000 | 31.12.07 |
| | £'000 | | £'000 |
| Non-current assets | | | |
| Intangible assets | 595 | 714 | 631 |
| Property, plant and equipment | 6,324 | 6,329 | 6,353 |
| Interests in associates | 1,401 | 1,377 | 1,387 |
| Deferred tax asset | 396 | - | 396 |
| Total non-current assets | 8,716 | 8,420 | 8,767 |
| Current assets | | | |
| Inventories | 10,116 | 9,896 | 9,581 |
| Trade and other receivables | 6,660 | 5,373 | 6,630 |
| Cash and cash equivalents | 794 | 1,959 | 2,708 |
| Derivative financial instruments | 6 | 64 | - |
| Total current assets | 17,576 | 17,292 | 18,919 |
| Total assets | 26,292 | 25,712 | 27,686 |
| Current liabilities | | | |
| Trade and other payables | (3,908) | (4,085) | (4,487) |
| Current income tax liabilities | (395) | (33) | (121) |
| Total current liabilities | (4,303) | (4,118) | (4,608) |
| Non-current liabilities | | | |
| Deferred income tax liabilities | - | (560) | - |
| Pension scheme deficit | (2,404) | (4,028) | (2,498) |
| Total non-current liabilities | (2,404) | (4,588) | (2,498) |
| Total liabilities | (6,707) | (8,706) | (7,106) |
| Net assets | 19,585 | 17,006 | 20,580 |
| Equity | | | |
| Called up share capital | 528 | 525 | 528 |
| Share premium account | 4,820 | 4,725 | 4,820 |
| Treasury shares | (1,232) | (1,266) | (1,266) |
| Hedging and translation reserves | (468) | (2) | (457) |
| Retained earnings | 15,937 | 13,024 | 16,955 |
| Total equity | 19,585 | 17,006 | 20,580 |

Consolidated Cash Flow Statement

Unaudited

| | Six months | Six months | Year |
|---|---|---|---|
| | to 30.06.08 | to 30.06.07 | to 31.12.07 |
| | £'000 | £'000 | £'000 |
| Operating profit after exceptional items | 424 | 2,482 | 4,360 |
| Adjustments for: | | | |
| Depreciation | 489 | 314 | 671 |
| Amortisation of intangible fixed assets | 97 | 68 | 154 |
| Earnings before interest, tax, depreciation and amortisation ("EBITDA") | 1,010 | 2,864 | 5,185 |
| Contributions to defined benefit pension scheme | (174) | (174) | (348) |
| Charge for share based payments | 28 | 22 | 53 |
| Exchange loss | - | (75) | (61) |
| Loss/(profit) on sale of tangible fixed assets | 1 | (1,793) | (1,795) |
| Operating cash flows before movements in working capital | 865 | 844 | 3,034 |
| Increase in inventories | (535) | (1,544) | (1,229) |
| Decrease/(increase) in receivables | 7 | (891) | (2,020) |
| Decrease in payables | (579) | (1,243) | (841) |
| Cash absorbed by operations | (242) | (2,834) | (1,056) |
| Interest paid | - | - | (4) |
| Income taxes received/(paid) | 67 | (627) | (1,141) |
| Net cash from operating activities | (175) | (3,461) | (2,201) |
| Investing activities | | | |
| Dividend received from associate | - | - | 83 |
| Interest received | 51 | 97 | 132 |
| Proceeds on disposal of property, plant and equipment | 15 | 2,172 | 2,257 |
| Purchase of property, plant and equipment | (476) | (921) | (1,379) |
| Purchase of intangible fixed assets | (61) | (154) | (157) |
| Purchase of equity interest | (194) | - | - |
| Net cash (outflow)/inflow from investing activities | (665) | 1,194 | 936 |
| Financing activities | | | |
| Equity dividends paid | (1,104) | (1,047) | (1,398) |
| Shares issued under employee share schemes | 30 | 70 | 168 |
| Net cash outflow from financing activities | (1,074) | (977) | (1,230) |
| Net decrease in cash and cash equivalents | (1,914) | (3,244) | (2,495) |
| Cash and cash equivalents at beginning of period | 2,708 | 5,203 | 5,203 |
| Cash and cash equivalents at end of period | 794 | 1,959 | 2,708 |

Consolidated Statement of Recognised Income and Expense

Unaudited

| | Six months to 30.06.08 £'000 | Six months to 30.06.07 £'000 | Year to 31.12.07 £'000 |
|---|---|---|---|
| Exchange differences on translation of foreign operations | **(11)** | (77) | 41 |
| Actuarial gain on defined benefit pension scheme | **-** | - | 2,988 |
| Deferred tax on pension deficit | **-** | (111) | (951) |
| **Net (expense)/income recognised directly in equity** | **(11)** | (188) | 2,078 |
| **Transfers** | | | |
| Transferred to profit or loss on cash flow hedges | **-** | 3 | 6 |
| Tax on transfers to profit or loss on cash flow hedges | **-** | (1) | (2) |
| | **(11)** | (186) | 2,082 |
| Profit for the period | **256** | 1,561 | 3,026 |
| **Total recognised income and expense for the period** | **245** | 1,375 | 5,108 |

Reconciliation of Movements in Shareholders' Equity

Unaudited

| | Six months to 30.06.08 £'000 | Six months to 30.06.07 £'000 | Year to 31.12.07 £'000 |
|---|---|---|---|
| Opening balance | 20,580 | 16,586 | 16,586 |
| Total recognised income and expense for the period | 245 | 1,375 | 5,108 |
| Dividends paid | (1,104) | (1,047) | (1,398) |

| | | | |
|---|---|---|---|
| Shares issued under employee share schemes | 30 | 70 | 168 |
| Increase in share based payment reserve | 28 | 22 | 53 |
| Deferred tax on share based payment | - | - | 63 |
| Purchase of equity interest | (194) | - | - |
| Closing balance | 19,585 | 17,006 | 20,580 |

Notes to the Consolidated Financial Statements

1. **Basis of preparation and accounting policies**

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 International Standard on Review Engagements 2410 issued by the Auditing Practices Board. The Group's statutory accounts for the year ended 31 December 2007, prepared in accordance with accounting standards adopted for use in the European Union (International Financial Reporting Standards (IFRS)), 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.

These interim financial statements have been prepared in accordance with IFRS on the historic basis, except that derivative financial instruments are stated at their fair value. The same accounting policies, presentation and methods of computation are followed in the interim financial statements as applied in the Group's latest annual audited financial statements.

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

2. 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 30.06.08 £'000 | Six months to 30.06.07 £'000 | Year to 31.12.07 £'000 |
|---|---|---|---|
| United Kingdom | 4,710 | 4,163 | 9,337 |
| United States | 4,792 | 5,273 | 12,181 |
| South Korea | 2,825 | 2,895 | 5,526 |
| Rest of the World | 3,009 | 2,189 | 4,973 |
| | 15,336 | 14,520 | 32,017 |

3. Exceptional items

The Directors define re-organisation 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 and reorganisation costs. The analysis of exceptional items is as follows:

| | Six months to 30.06.08 £'000 | Six months to 30.06.07 £'000 | Year to 31.12.07 £'000 |
|---|---|---|---|
| Profit on sale of freehold land & buildings | - | 1,793 | 1,783 |
| Costs associated with assignment of leasehold property | - | (139) | (126) |
| Redundancy costs | (84) | (10) | (108) |
| Costs associated with implementation of new warehouse | - | - | (541) |
| | (84) | 1,644 | 1,008 |

**Notes to the Consolidated Financial Statements**

Continued

4. **Finance costs**

| | Six months to 30.06.08 £'000 | Six months to 30.06.07 £'000 | Year to 31.12.07 £'000 |
|---|---|---|---|
| Interest paid | - | - | 4 |
| (Gains)/losses on financial derivatives | (6) | 44 | 111 |
| Defined benefit pension costs -other finance costs | 80 | 62 | 127 |
| | 74 | 106 | 242 |

5. **Taxation**

Tax for the interim period is charged at 37% (year to 31 December 2007 32%) 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. **Dividend**

A dividend of 3.55p (2007 - 3.55p) per ordinary share will be paid on 1 October 2008 to shareholders on the register on 5 September 2008.

7. **Earnings per share**

The earnings per share are calculated on profit after tax of £256,000 (2007 - £1,561,000) and the weighted average number of ordinary shares of 9,893,488 (2007 - 9,791,802) in issue during the period. The share options in existence during the six months ended 30 June 2008 have a dilutive effect. The diluted earnings per share are calculated on earnings of £256,000 (2007 - £1,561,000) and the weighted average of ordinary shares in issue adjusted to assume conversion of all dilutive potential ordinary shares which is 10,180,068 (2007 - 10,137,066).

8. **Reconciliation of earnings before interest, tax, depreciation and amortisation**

| | **Six months to 30.06.08 £'000** | Six months to 30.06.07 £'000 | Year to 31.12.07 £'000 |
|---|---|---|---|
| Operating profit before exceptional items | **508** | 838 | 3,352 |
| Add back; | | | |
| Depreciation | **489** | 314 | 671 |
| Amortisation | **97** | 68 | 154 |

| | | | |
|---|---|---|---|
| Earnings before exceptional items, interest, tax, depreciation and amortisation ("Pre exceptional EBITDA") | **1,094** | 1,220 | 4,177 |

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, ST4 7QQ or from the website, www.portmeirion.com after 31 August 2008.



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