

RNS Number:5419H
Portmeirion Group PLC
11 August 2006

PORTMEIRION GROUP PLC
RESULTS FOR 6 MONTHS ENDED
30 JUNE 2006

CHAIRMAN'S STATEMENT

Financial Highlights

- 2006 pre-exceptionals profit of £787,000, compared to £243,000 (restated) in 2005.
- 2006 pre-tax profit after exceptionals of £510,000 compared to £197,000 (restated) in 2005.
- 2006 earnings per share 3.34p compared to 1.46p (restated) in 2005.
- Total export sales increased by 2.7%, representing 72% of total Group sales.
- Proposed interim dividend maintained at 3.30p.

Dividend

The Board has decided to maintain the interim dividend at 3.30p per ordinary share of 5p each, payable on 2 October 2006 to shareholders on the register on 8 September 2006.

Trading Performance

I am pleased to report that the Group produced a pre-tax profit of £787,000, before exceptional redundancy costs, of £277,000. The pre-tax profit before exceptional items, therefore, was a commendable 224% improvement on the comparable profit in the first half of 2005. Total Group turnover declined by 5.7% in the first half, compared to the first half of 2005. However, there was a significant increase of 3 percentage points in manufacturing gross margin and this, together with higher gross profit margins on imported products, more than

offset the effect of the lower turnover. However, the Board recognises that Group sales must increase in order to sustain profit improvement.

Although total Group turnover was lower, export turnover increased by 2.7%, following a healthy increase of 18% in 2005. Turnover in the US was particularly good, being 9% ahead of 2005, and accounting for 40% of total Group turnover.

However, the sound export performance was undermined by a disappointing decline of 22% in sales in the UK. I had anticipated an improvement in UK sales in the second quarter, with the introduction of several new product ranges. In the event, these new ranges, all produced in the Far East, became available only at the end of June, and so did not provide the uplift expected. These ranges are now in distribution to our retail customers and are selling well, and I therefore anticipate the improvement in sales from the new products in the second half of the year. Our association with Sophie Conran has proved to be particularly successful. Initial demand for the range, jointly designed with her exclusively for Portmeirion, has far exceeded expectations and now extends beyond the UK to our markets in the US, Canada, Europe and Australia. The Group will substantially increase promotional activity with its well-known classic ranges, in order to further underpin a sales recovery in the UK.

Manufacturing & Outsourcing

The results clearly demonstrate the profitability improvements to be achieved from implementation of the Group's strategy.

The consolidation of UK manufacturing of our classic ranges has produced a significant improvement in gross profit margin. The Group has reduced manufacturing costs, while maintaining overall capacity, and I am sure that further improvements in productivity will ensue.

At the same time, new contemporary designs that have been outsourced to the Far East have been produced to the Group's required quality standards, and are now selling well at more competitive prices.

I am confident that the Group's stated aim of outsourcing 50% of product will

result in incremental sales in the medium and long term, and reduce the risk inherent with manufacturing almost solely in the UK.

New Warehouse & Distribution Centre

The new 64,000 sq.ft. building is under construction and on schedule. Some £3 million in capital expenditure will be needed to mechanise and fit out the building, to be operational by Spring 2007. With the Group's strong balance sheet, I expect this to be completed without any borrowing.

Current Trading & Prospects

The reinvention of the Group and its style of trading continues apace.

The Group's strategy of developing contemporary ranges in the Far East, whilst consolidating UK manufacturing, is now proving to be very successful. Tableware in the UK and US is becoming ever more price competitive, and the timely move to respond with our own lower priced ranges with the Portmeirion brand and design content will be expanded. We have introduced a high proportion of giftware products in our new ranges, and supported this with new ranges of gift glassware.

I anticipate that the market in the UK for our classic ranges will continue to be challenging but we can increase our export business with these ranges, particularly in the US.

The second half has started positively with Group sales in July above last year.

Finally, the Group still has a significant freehold property site that will be vacated and sold when the new warehouse is commissioned, in 2007.

For all these reasons, I anticipate an improvement in overall Group sales and a commensurate increase in profitability.

The Board will continue with its policy of maintaining the dividend whenever possible.

Chairmanship

I would like to take this opportunity to announce that on reaching my 65th year in April 2007, I will retire from the Board.

Consideration of a successor is underway, and an announcement will be made in due course.

A. Ralley
Chairman
10 August 2006

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 2006 which comprises the consolidated profit and loss account, the consolidated balance sheet, the consolidated cash flow statement, the statement of total recognised gains and losses, the reconciliation of movements in shareholders' funds and related notes 1 to 11. We have read the other information contained in the interim statement 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 statement, 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.

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 United Kingdom auditing standards 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 2006.

Deloitte & Touche LLP
Chartered Accountants, Birmingham, UK
10 August 2006

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	Six Months	As restated	As
restated				
Year		to 30.6.06	Six Months	
31.12.05			to 30.6.05	to
£000's		£000's	£000's	

Turnover - continuing operations	8	12,232	12,968	
27,552				
-----	-----	-----	-----	-----

Raw materials and operating costs (excluding exceptional costs)		(11,484)	(12,777)	
(26,045)				
Exceptional operating costs		(277)	(284)	
(284)				
-----	-----	-----	-----	-----

Raw materials and operating costs		(11,761)	(13,061)	
(26,329)				
-----	-----	-----	-----	-----

Operating profit before exceptional costs - continuing operations		748	191	
1,507				
Exceptional operating costs		(277)	(284)	
(284)				
-----	-----	-----	-----	-----

Operating profit/(loss) after exceptional costs - continuing operations		471	(93)	
1,223				
Exceptional profit on sale of tangible fixed assets		-	238	
238				
Share of (loss)/profit of associated undertakings		(55)	9	
68				
Interest receivable and similar income		130	84	
207				
Interest payable and similar charges		(1)	-	
(2)				
Other finance costs		(35)	(41)	
(81)				
Exceptional impairment of investment in associated				

undertaking (273)		-	-	
		-----	-----	-----

Profit on ordinary activities before taxation 1,380		510	197	
		-----	-----	-----

Profit on ordinary activities before exceptional items and taxation 1,699		787	243	
Exceptional items (319)	6	(277)	(46)	
		-----	-----	-----

Profit on ordinary activities before taxation 1,380		510	197	
		-----	-----	-----

Taxation on profit on ordinary activities (317)		(181)	(49)	
		-----	-----	-----

Profit for the period 1,063		329	148	
		=====	=====	
=====				
Earnings per share 10.57p	4	3.34p	1.46p	
		=====	=====	
=====				
Diluted earnings per share 10.54p	4	3.31p	1.46p	
		=====	=====	
=====				
Dividend per share 13.25p	5	3.30p	3.30p	
		=====	=====	
=====				

The comparative figures for the 6 months to 30 June 2005 have been restated to

reflect the implementation of FRS 20 "Share Based Payment" and the correct

treatment of the pension fund contributions under FRS 17.

CONSOLIDATED BALANCE SHEET

	As at 30.6.06		As restated As at 30.6.05		As As at
restated	As at 30.6.06	As at 30.6.06	As at 30.6.05	As at 30.6.05	As at
31.12.05	£000's	£000's	£000's	£000's	£000's
£000's					
Fixed assets					
Tangible assets	5,137		5,577		
5,335					
Investments	1,369		1,584		
1,413					
	-----		-----		-

	6,506		7,161		
6,748					
Current assets					
Stocks	6,859		6,457		5,913
Debtors	4,815		4,958		5,243
Cash at bank and in hand	5,209		4,272		6,294
	-----		-----		-----
	16,883		15,687		17,450
Creditors: amounts falling due within one year	(3,504)		(2,083)		(3,080)
	-----		-----		-----
Net current assets	13,379		13,604		
14,370					
	-----		-----		-

Total assets less current liabilities	19,885		20,765		
21,118					
Provisions for					

liabilities and (43) charges -----	(44)	(19)	-
Net assets excluding pension deficit 21,075	19,841	20,746	
Pension deficit net of (2,870) related deferred tax -----	(2,773)	(2,265)	-
Net assets including pension deficit 18,205 =====	17,068	18,481	
Capital and reserves Called up share 521 capital Share premium 4,580 account Treasury shares (964) Share based payment reserve 12 Profit and loss 14,056 account -----	523 4,657 (1,263) 22 13,129	521 4,580 (691) 4 14,067	-
Equity shareholders' funds 18,205 =====	17,068	18,481	

CONSOLIDATED CASH FLOW STATEMENT

Notes Six Months Six Months
Year

31.12.05		to 30.6.06	to 30.6.05	to
£000's		£000's	£000's	
Cash flow from operating activities 3,033	10	(224)	109	
Returns on investments and servicing of finance 148	11	180	88	
Taxation refunded 54		437	202	
Capital expenditure and financial 292 investments	11	(236)	502	
Equity dividends paid (1,330)		(982)	(999)	
-----		-----	-----	-----
Cash (outflow)/inflow before use of liquid resources and financing 2,197		(825)	(98)	
Management of liquid resources (1,654)		1,263	504	
Financing (762)	11	(260)	(489)	
-----		-----	-----	-----
Increase/(decrease) in cash in the period (219)		178	(83)	
=====		=====	=====	
Reconciliation of net cash flow to movement in net funds				
Increase/(decrease) in cash in the period (219)		178	(83)	
Cash (inflow)/outflow from (decrease)/increase in liquid				

resources		(1,263)	(504)	
1,654				
Net funds at 1 January		6,294	4,859	
4,859		-----	-----	----

Net funds at period end	9	5,209	4,272	
6,294		=====	=====	
=====				

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

restated	Year	As restated		As
		Six Months	Six Months	
	to 31.12.05	to 30.6.06	to 30.6.05	to
£000's	£000's	£000's	£000's	
Profit for the period	1,063	329	148	
Currency translation differences	380	(234)	196	
Actuarial loss on defined benefit pension scheme (998)		-	-	
Related deferred tax	299	-	-	
-----		-----	-----	----
Total recognised gains and losses for the period	744	95	344	
Prior period adjustment (Note 7)	-	1	-	
-----		-----	-----	----
Total recognised gains and losses since the last annual report	744	96	344	
=====		=====	=====	
=====				

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

restated Year 31.12.05 £000's	Six Months to 30.6.06 £000's	As restated Six Months to 30.6.05 £000's	As to
Profit for the period 1,063	329	148	
Movement in pension scheme liability (779)	-	-	
Dividends (1,330)	(982)	(999)	
Currency translation differences 380	(234)	196	
Shares issued under employee share schemes -	79	-	
Increase/(decrease) in share based payment reserve 3	10	(5)	
Purchase of treasury shares (762)	(299)	(489)	
Purchase of equity interest -	(40)	-	
-----	-----	-----	----
Net reduction in shareholders' funds (1,425)	(1,137)	(1,149)	
=====	=====	=====	
Opening shareholders' funds as previously stated 19,632	18,204	19,632	

Prior period adjustment (Note 7) (2)	1	(2)	
	-----	-----	----

Opening shareholders' funds as restated 19,630	18,205	19,630	
	=====	=====	
=====			
Closing shareholders' funds 18,205	17,068	18,481	
	=====	=====	
=====			

NOTES

1. The interim financial statements for the six months ended 30 June 2006 and the six months ended 30 June 2005 have been reviewed by the auditors but not audited.

2. The comparative figures for the financial year ended 31 December 2005 are not the Group's statutory accounts for that year. Those accounts have been reported on by the Group's auditors and delivered to the Registrar of Companies. The report of the auditors was unqualified and did not contain a statement under Section 237(2) or (3) of the Companies Act 1985.

3. This Interim Statement has been prepared in accordance with the accounting policies set out in the Group's 2005 Report and Accounts with the exception of share based payments. FRS 20 "Share Based Payment" is applicable for the first time and has a prior year impact which is detailed in Note 7.

4. Earnings per share

The earnings per share are calculated on profit after tax of £329,000 (2005 - £148,000) and the weighted average number of ordinary shares of 9,852,718 (2005 - 10,163,016) in issue during the period. The share options in existence during

the six months ended 30 June 2006 have a dilutive effect as defined by Financial Reporting Standard 22 (FRS 22). The diluted earnings per share under FRS 22 are calculated on earnings of £329,000 and a weighted average number of ordinary shares in issue adjusted to assume conversion of all dilutive potential ordinary shares which is 9,951,750. The share options in existence during the six months ended 30 June 2005 did not have a dilutive effect as defined by FRS 22.

5. Dividend

A dividend of 3.3p (2005 - 3.3p) per ordinary share will be paid on 2 October 2006 to shareholders on the register on 8 September 2006.

6. Exceptional items

The rationalisation and reorganisation of the business continued in the first half of 2006. The exceptional redundancy costs incurred as a result were £277,000.

The analysis of exceptional costs incurred during 2006 and 2005 is as follows:

Year	Six Months to 30.6.06	Six Months to 30.6.05	to
	£000's	£000's	
31.12.05			
£000's			
Exceptional operating costs	(277)	(284)	
(284)			
Profit on sale of tangible fixed assets	-	238	
238			
Impairment of investment in associated undertaking	-	-	
(273)			
	-----	-----	-----
	(277)	(46)	
(319)			
	=====	=====	
=====			

7. Prior period adjustments

The Group has applied FRS 20 "Share Based Payment" for the first time. Under this financial reporting standard the profit and loss account is charged with the fair value of share based payments. In the case of Portmeirion this has resulted in fair values being established for share options and phantom share options which have been granted. The resulting prior year adjustments were as follows:

The closing shareholders' funds as at 31 December 2005 were restated £000's as follows:

Shareholders' funds at 31 December 2005 as previously stated
18,204

Adjustment to liability for phantom share options under FRS 20
1

Shareholders' funds at 31 December 2005 as restated
18,205

=====

The opening shareholders' funds as at 1 January 2005 were restated as £000's as follows:

Shareholders' funds at 1 January as previously stated
19,632

Adjustment to liability for phantom share options under FRS 20
(2)

Shareholders' funds at 1 January 2005 as restated
19,630

=====

Also under FRS 20 a reserve for share based payment has been created. The balances on this reserve were as follows:

	As at	As at
As at		
	30.6.06	30.6.05
31.12.05		

£000's	£000's	£000's
Share based payment reserve	22	4
12	=====	=====
=====		

In addition to the above, the profit and loss account for the six months ended 30 June 2005 has been restated to adjust for the funding of the pension

scheme, as required by FRS 17. This has resulted in a credit to the previously published income statement of £174,000, and is consistent with the

full year treatment at 31 December 2005.

8. Turnover by destination

Year	Six Months to 30.6.06	Six Months to 30.6.05	to
£000's	£000's	£000's	
United Kingdom	3,422	4,391	
9,562			
North America	5,458	4,701	
10,864			
Other European Union	723	882	
1,542			
Far East	2,419	2,774	
5,186			
Rest of the World	210	220	
398	-----	-----	---

	12,232	12,968	
27,552	=====	=====	
=====			

9. Analysis of net funds

As at	As at	As at
31.12.05	30.6.06	30.6.05
£000's	£000's	£000's

Cash in hand, at bank	1,314	1,272	
1,136			
Short term money market deposits	3,895	3,000	
5,158			
-----			---
	Total	5,209	4,272
6,294			
=====			

10. Reconciliation of operating profit to operating cash flows

restated	Six Months	As restated	As
Year	to 30.6.06	Six Months	
31.12.05		to 30.6.05	to
£000's	£000's	£000's	
Operating profit/(loss)	471	(93)	
1,223			
Depreciation	386	483	
952			
Contribution to defined benefit pension	(174)	(174)	
(348)			
scheme			
Charge/(credit) for share based payments	10	(5)	
3			
Exchange (loss)/gain	(160)	109	
200			
(Profit)/loss on sale of tangible fixed	(6)	9	
21			
assets			
(Increase)/decrease in stocks	(946)	(403)	
141			
Decrease in debtors	56	755	
456			
Increase/(decrease) in creditors	139	(572)	
385			
-----			---
	Net cash (outflow)/inflow from operating	(224)	109
3,033			
activities	=====	=====	
=====			

All of the above relate to continuing operations.

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

	Six Months to 30.6.06		Six Months to 30.6.05		Year to
31.12.05	£000's	£000's	£000's	£000's	£000's
£000's					
Returns on investments and servicing of finance					
Interest received	181		88		150
Interest paid	(1)		-		(2)
	-----		-----		-----
Net cash inflow for returns on investments and servicing of finance		180		88	
148		=====		=====	
=====					
Capital expenditure and financial investments					
Purchase of tangible fixed assets	(247)		(224)		(458)
Sale of tangible fixed assets	11		726		750
	-----		-----		-----
Net cash (outflow)/inflow for capital expenditure and financial investments		(236)		502	
292		=====		=====	
=====					
Financing					
Issue of ordinary shares under share option schemes	79		-		-
Purchase of equity interest	(40)		-		-
Purchase of treasury shares	(299)		(489)		(762)
	-----		-----		-----
Net cash outflow from financing		(260)		(489)	
(762)		=====		=====	
=====					

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 2006.

For further information please contact:

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