



AGAPANTHUS AFRICANUS
African Lily



PORTMEIRION
GROUP PLC

Interim Statement
2002



PASSIFLORA CAERULEA
Blue Passion Flower

COMPANY INFORMATION

Board of Directors

Arthur W. Ralley
Lawrence F. Bryan BA
Euan S. Cooper-Willis MA
Janis Kong OBE
Alan M. Miles
Brett W. J. Phillips BSc ACA
Richard J. Steele BCOM FCA ATII
Barbara S. Thomas BA JD

Chairman
Chief Executive
Non-executive Director
Non-executive Director
Sales and Marketing Director
Finance Director
Senior Non-executive Director
Non-executive Director

Secretary

Brett W. J. Phillips BSc ACA

Registered Office and Number

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Registered Number 124842

Registrars

Northern Registrars Limited
Northern House
Woodsome Park
Fenay Bridge
Huddersfield
HD8 0LA
Tel: 01484 600900

CHAIRMAN'S STATEMENT

Financial Highlights:

	First Half 2002 £000's	Restated First Half 2001 £000's	Increase %
Turnover	14,395	13,552	6.2
Profit before tax	1,015	262	287.4
Earnings per share – Basic	6.56p	1.53p	328.8
Interim dividend per share	3.30p	3.30p	–

2001 results have been restated as set out in the notes to the interim financial statements following the adoption of FRS19.

Results

First half sales increased by 6.2% compared to last year's. Profit before tax increased by 287% and earnings per share by 329%.

Dividend

The Board has decided to declare an unchanged interim dividend of 3.30p payable on 1 October 2002, to shareholders on the register on 13 September 2002.

Trading Performance

I am pleased to report that the improved performance of the second half of last year has indeed continued into the first half of 2002. Total sales increased by 6.2% over the equivalent period for last year, due largely to an increase in volume sales.

Total sales in the UK increased by 3.7% compared to the first half of last year, a satisfactory performance, and in line with our retail customers' average increase. Our 15 retail outlets, although a relatively small proportion of total sales, contributed a commendable 25% increase in sales and we intend to carefully expand the number of retail sites.

After such a difficult year in 2001 for our USA business, I am now able to report some improvement. Last year's decline has been arrested and total sales are in line with the first half of last year. However, business remains very fragile and the turmoil in the equity markets has created a lack of confidence in consumers. As a result, our major retail customers are taking a very conservative approach to their sales projections. Since the USA accounts for almost 40% of our turnover, this will continue to be a significant factor in our second half performance.

CHAIRMAN'S STATEMENT (continued)

Our concerted efforts to establish Portmeirion as a successful brand in the Far East is now bearing fruit. Total sales increased by 127%, with major improvements in Korea and Japan. Our marketing initiatives include signing tours, television appearances and advertising, leading to a significant increase in the number of stores offering 'Portmeirion' branded tableware and home wares.

Our continued drive for improved manufacturing efficiency, together with investment in new plant and machinery is now delivering real benefits. The manufacturing gross margin in the first half of 2002 is considerably higher than last year and the production management team are confident that further improvements are possible to this commendable increase in productivity. This, together with tightly controlled indirect costs, has had a significant impact in improving profitability. Our commitment is to continue to invest in our manufacturing operations in Stoke-on-Trent.

The consumers' demand for new product ranges, reflecting current style and fashion, continues to be a major influence in our strategic planning. It is essential that we have new design led products every year and to that end, the Company has recently launched several important ranges. 'Ella Doran at Portmeirion' is a range of ceramic tableware, placemats and coasters, created by the well-known home ware designer Ella Doran, and produced by Portmeirion.

Handpainted glassware to complement the Botanic Garden range has been very successful since its introduction this Spring.

These new ranges, together with a new collection of porcelain mugs, textiles and candles, continue the strategy of home ware development with design excellence. I believe that our management team have produced a commendable improvement in the Company's performance, in difficult trading conditions, and we are well prepared for the challenges ahead. Our proven strategy should lead to continuing growth and success.

Arthur Ralley
Chairman
14 August 2002

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 2002 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 and related notes 1 to 9 together with the reconciliation of net cash flow to movement in net funds and the reconciliation of movements in shareholders' funds. 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.

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 responsible for preparing the interim statement in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures should be 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 2002.

Deloitte & Touche
Chartered Accountants
Colmore Gate
2 Colmore Row
Birmingham
B3 2BN

14 August 2002

"A review does not provide assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular on whether any changes may have occurred to the interim report since first published. These matters are the responsibility of the directors but no control procedures can provide absolute assurance in this area.

Legislation in the United Kingdom governing the preparation and dissemination of financial information differs from legislation in other jurisdictions"

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	Six Months to 30.6.02 £000's	As restated Six Months to 30.6.01 £000's	Year to 31.12.01 £000's
Turnover – continuing operations	6	14,395	13,552	29,626
Raw materials and operating costs		(13,539)	(13,535)	(28,492)
Operating profit – continuing operations		856	17	1,134
Share of profit of associated undertakings		81	85	245
Interest receivable and similar income		78	160	244
Profit on ordinary activities before taxation		1,015	262	1,623
Taxation on profit on ordinary activities		(333)	(103)	(623)
Profit for the period		682	159	1,000
Dividends		(343)	(343)	(1,377)
Retained profit/(loss) for the period		339	(184)	(377)
Earnings per share	4	6.56p	1.53p	9.63p
Diluted earnings per share	4	6.55p	1.53p	9.61p
Dividend per share	5	3.30p	3.30p	13.25p

See notes on pages 8 and 9

CONSOLIDATED BALANCE SHEET

	As at 30.6.02		As restated As at 30.6.01		As at 31.12.01	
	£000's	£000's	£000's	£000's	£000's	£000's
Fixed assets						
Tangible assets		8,694		9,120		8,952
Investments		1,448		1,336		1,453
		<u>10,142</u>		<u>10,456</u>		<u>10,405</u>
Current assets						
Stocks	7,410		7,841		7,591	
Debtors	5,712		6,011		6,110	
Cash at bank and in hand	5,413		4,320		5,205	
	<u>18,535</u>		<u>18,172</u>		<u>18,906</u>	
Creditors: amounts falling due within one year	<u>(3,980)</u>		<u>(4,092)</u>		<u>(4,851)</u>	
Net current assets		<u>14,555</u>		<u>14,080</u>		<u>14,055</u>
Total assets less current liabilities		<u>24,697</u>		<u>24,536</u>		<u>24,460</u>
Provisions for liabilities and charges		<u>(240)</u>		<u>(207)</u>		<u>(192)</u>
Net assets		<u>24,457</u>		<u>24,329</u>		<u>24,268</u>
Capital and reserves						
Called up share capital		520		519		519
Share premium account		4,547		4,536		4,536
Profit and loss account		19,390		19,274		19,213
Equity shareholders' funds		<u>24,457</u>		<u>24,329</u>		<u>24,268</u>

CONSOLIDATED CASH FLOW STATEMENT

	Notes	Six Months to 30.6.02 £000's	Six Months to 30.6.01 £000's	Year to 31.12.01 £000's
Cash flow from operating activities	8	1,645	(1,042)	1,252
Returns on investments and servicing of finance	9	72	164	244
Taxation		(164)	(360)	(1,018)
Capital expenditure and financial investments	9	(323)	(546)	(1,034)
Equity dividends paid		(1,034)	(1,034)	(1,377)
Cash inflow/(outflow) before use of liquid resources and financing		196	(2,818)	(1,933)
Management of liquid resources		(345)	2,438	1,350
Financing	9	12	–	–
Decrease in cash in the period		(137)	(380)	(583)
Note to consolidated cash flow statement: Reconciliation of net cash flow to movement in net funds				
Decrease in cash in the period		(137)	(380)	(583)
Cash outflow/(inflow) from increase/ (decrease) in liquid resources		345	(2,438)	(1,350)
Net funds at 1st January		5,205	7,138	7,138
Net funds at period end	7	5,413	4,320	5,205

See notes on pages 8 and 9

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	Six Months to 30.6.02 £000's	As restated Six Months to 30.6.01 £000's	Year to 31.12.01 £000's
Profit for the period	682	159	1,000
Currency translation differences	(162)	37	169
Total recognised gains and losses for the period	520	196	1,169

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Six Months to 30.6.02 £000's	As restated Six Months to 30.6.01 £000's	Year to 31.12.01 £000's
Profit for the period	682	159	1,000
Dividends	(343)	(343)	(1,377)
Currency translation differences	(162)	37	169
Shares issued under employee share schemes	12	–	–
Net addition/(reduction) to shareholders' funds	189	(147)	(208)
Opening shareholders' funds	24,268	24,476	24,476
Closing shareholders' funds	24,457	24,329	24,268

NOTES

1. The consolidated profit and loss account for the six months ended 30 June 2002 and balance sheet at that date, together with the notes to the financial information, have been reviewed by the auditors but not audited. The consolidated profit and loss account for the six months ended 30 June 2001 and balance sheet at that date have also been reviewed by the auditors but not audited. The results for the six months ended 30 June 2001 have been restated following the adoption of FRS19, the effect of which is shown in the full financial statements for the year ended 31 December 2001.
2. The comparative figures for the financial year ended 31 December 2001 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 2001 Report and Accounts.
4. The earnings per share are calculated on earnings of £682,000 (2001 – £159,000) and the weighted average number of Ordinary shares of 10,392,147 (2001 – 10,389,230) in issue during the period. The options in existence during the six months ended 30 June 2002 have a dilutive effect as defined by FRS14. The diluted earnings per share under FRS14 are calculated on earnings of £682,000 (2001 – £159,000) and a weighted average number of Ordinary shares in issue adjusted to assume conversion of all dilutive potential Ordinary shares which is 10,417,861 (2001 – 10,389,230).
5. A dividend of 3.3p (2001 – 3.3p) per Ordinary share will be paid on 1 October 2002 to shareholders on the register on 13 September 2002.
6. **Turnover by destination**

	Six Months to 30.6.02 £000's	Six Months to 30.6.01 £000's	Year to 31.12.01 £000's
United Kingdom	5,759	5,555	12,576
North America	5,932	5,775	12,625
European Union	865	1,140	2,006
Far East	1,560	688	1,721
Rest of the World	279	394	698
	<u>14,395</u>	<u>13,552</u>	<u>29,626</u>

7. Analysis of net funds

	As at 30.6.02 £000's	As at 30.6.01 £000's	As at 31.12.01 £000's
Cash in hand, at bank	408	748	545
Short term money market deposits	5,005	3,572	4,660
Total	<u>5,413</u>	<u>4,320</u>	<u>5,205</u>

Included in short term money market deposits is an advance of a European Grant of £455,000 which is repayable to the European Commission in the event of environmental improvement projects not proceeding.

NOTES (continued)

8. Reconciliation of operating profit to operating cash flows

	Six Months to 30.6.02 £000's	Six Months to 30.6.01 £000's	Year to 31.12.01 £000's
Operating profit	856	17	1,134
Depreciation	573	562	1,217
Exchange (loss)/gain	(103)	13	134
Loss/(profit) on sale of tangible fixed assets	8	(17)	(16)
Decrease/(increase) in stocks	181	(1,267)	(1,017)
Decrease/(increase) in debtors	592	(414)	(413)
(Decrease)/increase in creditors	(462)	64	213
Net cash inflow/(outflow) from operating activities	1,645	(1,042)	1,252

All of the above relate to continuing operations.

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

	Six Months to 30.6.02 £000's	Six Months to 30.6.01 £000's	Year to 31.12.01 £000's
Returns on investments and servicing of finance			
Interest received	72	164	244
Net cash inflow for returns on investments and servicing of finance	72	164	244
Capital expenditure and financial investments			
Purchase of tangible fixed assets	(335)	(628)	(1,158)
Sale of tangible fixed assets	12	82	124
Net cash outflow for capital expenditure and financial investments	(323)	(546)	(1,034)
Financing			
Issue of Ordinary shares under Executive Share Option Schemes	12	-	-
Net cash inflow from financing	12	-	-

