RNS Number:9276B

Portmeirion Group PLC

13 August 2004

PORTMEIRION GROUP PLC

RESULTS FOR 6 MONTHS ENDED

30 JUNE 2004

CHAIRMAN'S STATEMENT

Financial Highlights:-

	First Half 2004 ?000's	First Half 2003 ?000's	Increase/ (Decrease) %
Turnover	13,392	13,211	1.4
(Loss)/Profit before tax	(364)	506	(171.9)
(Loss)/Earnings per share - Basic	(2.30p)	3.07p	(174.9)
Interim dividend per share	3.30p	3.30p	-

Results

Sales increased only by 1.4% compared to last year's in a very difficult first half. The adverse dollar exchange rate, additional costs of pension fund contributions and early production problems in respect of a new product range in the first quarter resulted in a first half pre-tax loss of ?364,000, compared with a first half pre-tax profit of ?506,000 last year.

Dividend

Given the strong balance sheet, the Board has decided to declare an unchanged interim dividend of 3.30p payable on 1st October 2004, to shareholders on the register on 17th September 2004.

Trading Performance

The improvement in Group sales has been slower than anticipated. Following the sales decrease of 7.2% in 2003, sales in the first quarter of 2004 were 1% lower than the same period in 2003. Sales in the second quarter then improved showing a 3.6% increase over the equivalent period in 2003, and resulting in the first half overall increase of 1.4%.

It is encouraging to report that sales in our US market have shown a major improvement, being 22% ahead of last year in dollar terms. However, this translates to a 14% increase when converted to sterling because of the weakened dollar. Sales in the UK were 4% ahead of last year, but with higher than planned levels of discounting in order to achieve this increase, resulting in reduced gross margins during the 6 month period. Sales in Korea again showed good progress, being 14% ahead of last year. However, sales to Europe and the rest of the world all recorded significant reductions, and in total Group sales for the 6 months were below management's expectations.

Production margins were much improved in the second quarter of the 2004 financial year, following initial production problems with the introduction of a new range in the first quarter. I expect production margins for the second half to be stabilised at this improved level.

As reported in the Group trading statement made on 28th July 2004, these factors, together with the previously reported additional costs of pension fund contributions and the ongoing negative impact of exchange rates, have resulted in the first half pre-tax loss. Consequently, the Board has lowered its expectations as to the Group's trading performance for the full year to December 2004.

The ceramic tableware market continues to be fiercely competitive, with overall selling price deflation in our main markets: - the UK and the US. Our response in launching the lower priced imported Portmeirion Studio range has been successful, and is contributing significantly to the improvement in US sales. Portmeirion Studio ranges will continue to be expanded for both the US and the UK markets, and represent a major opportunity to acquire incremental sales, targeting new markets by producing Portmeirion designed products, manufactured in lower cost countries. The focus will be to maintain production of our very successful classic ranges in the UK. However, the emphasis will be on ensuring that productivity is consistently improved.

In the light of current trading conditions and prospects, the Board has reviewed its capital expenditure plans. The substantial capital expenditure planned over the next three years, to build a new distribution centre and expanded manufacturing facilities, will be significantly reduced. This will preserve the Company's strong balance sheet and cash resources. The Group will go ahead with the acquisition of a new distribution centre, essential for future development, by leasing an appropriate building. The expenditure on internal equipment is expected to be approximately ?3.0 million.

Current Trading and Prospects

I expect trading conditions to remain difficult, and indeed sales in July were below expectation, although the order book is encouraging. Sales and profitability in the second half are normally greater than the first half, with additional sales of gift products and glassware. August also sees the launch of a superb new high specification range of cookware, designed and co-branded with Aga. This range complements and fits the Aga cooker range, and will be retailed in their stand-alone retail outlets, in addition to our regular distribution outlets. This style of cookware will also be launched in the US as Portmeirion "Fire and Ice". Our performance in the US is expected to continue its much improved trend. However, I can only be cautious about prospects for the second half of the year.

The Group will now be focusing on repositioning its activities. It will continue to develop and diversify its product range, based on excellent design and quality and it will take advantage of manufacturing sources wherever appropriate

around the world, in order to win new business in new markets. The Board also

expects to strengthen the Group's management team by introducing appropriate

expertise where necessary.

While this repositioning takes place, the Group will plan its investments so as

to protect its strong balance sheet and, so far as possible, maintain dividends.

A Ralley

Chairman

12th August 2004

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 2004 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 9. 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.

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 2004.

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

Birmingham

12 August 2004

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	Six Months to 30.6.04 ?000's	Six Months to 30.6.03 ?000's	Year to 31.12.03 ?000's
Turnover - continuing operations	6	13,392	13,211	28,512
Raw materials and operating costs		(13,915)	(12,885)	(26,665)
		---------	---------	---------
Operating (loss)/profit - continuing operations		(523)	326	1,847

Share of profit of associated undertakings	71	87	216
Interest receivable and similar income	110	93	174
Impairment of investment in associated undertaking	-	-	(234)
Interest payable and similar charges	(22)	-	-
	---------	---------	---------
(Loss)/profit on ordinary activities before taxation	(364)	506	2,003
Taxation on (loss)/profit on ordinary activities	124	(187)	(697)
	---------	---------	---------
(Loss)/profit for the period	(240)	319	1,306
Dividends	(344)	(344)	(1,381)
	---------	---------	---------

	Note			
Retained loss for the period		(584)	(25)	(75)
		=========	=========	=========
(Loss)/earnings per share	4	(2.30p)	3.07p	12.54p
		=========	=========	=========
Diluted (loss)/earnings per share	4	(2.30p)	3.06p	12.53p
		=========	=========	=========
Dividend per share	5	3.30p	3.30p	13.25p
		=========	=========	=========

See notes below

CONSOLIDATED BALANCE SHEET

	As at 30.6.04		As at 30.6.03		As at 31.12.03	
	?000's	?000's	?000's	?000's	?000's	?000's
Fixed assets						

Tangible assets	7,618	7,984	7,872
Investments	1,476	1,632	1,460
	-------	-------	-------
	9,094	9,616	9,332
Current assets			
Stocks	6,962	7,104	6,775
Debtors	5,721	5,265	4,868
Cash at bank and in hand	5,123	6,142	7,228
	-------	-------	-------
	17,806	18,511	18,871
Creditors: amounts falling due within one year	(3,439)	(3,548)	(3,932)
	-------	-------	-------
Net current assets	14,367	14,963	14,939
	-------	-------	-------
Total assets less current liabilities	23,461	24,579	24,271

Provisions for liabilities and charges	(310)	(162)	(307)
	-------	-------	-------
Net assets	23,151	24,417	23,964
	=======	=======	=======
Capital and reserves			
Called up share capital	521	521	521
Share premium account	4,580	4,580	4,580
Treasury shares	(202)	-	-
Profit and loss account	18,252	19,316	18,863
	-------	-------	-------
Equity shareholders' funds	23,151	24,417	23,964
	=======	=======	=======

CONSOLIDATED CASH FLOW STATEMENT

	Notes	Six Months to 30.6.04 ?000's	Six Months to 30.6.03 ?000's	Year to 31.12.03 ?000's
Cash flow from operating activities	8	(446)	(244)	1,852
Returns on investments and servicing of finance	9	73	99	173
Taxation		(249)	(176)	(431)
Capital expenditure and financial investments	9	(245)	(214)	(697)
Equity dividends paid		(1,036)	(1,035)	(1,381)
		---------	---------	---------

Cash outflow before use of liquid resources and financing		(1,903)	(1,570)	(484)
Management of liquid resources		2,435	1,155	420
Financing	9	(202)	34	34
Increase/(decrease) in cash in the period		330	(381)	(30)

Note to consolidated cash flow statement:

Reconciliation of net cash flow to movement in net funds

Increase/(decrease) in cash in the period	330	(381)	(30)
Cash inflow from decrease in liquid resources	(2,435)	(1,155)	(420)

Net funds at 1st January		7,228	7,678	7,678
		---------	---------	---------
Net funds at period end	7	5,123	6,142	7,228
		=========	=========	=========

See notes below

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	Six Months to 30.6.04	Six Months to 30.6.03	Year to 31.12.03
	?000's	?000's	?000's

(Loss)/profit for the period	(240)	319	1,306
Currency translation differences	(27)	61	(342)
	---------	---------	---------
Total recognised gains and losses for the period	(267)	380	964
	=========	=========	=========

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Six Months to 30.6.04 ?000's	Six Months to 30.6.03 ?000's	Year to 31.12.03 ?000's
(Loss)/profit for the period	(240)	319	1,306
Dividends	(344)	(344)	(1,381)

Currency translation differences	(27)	61	(342)
Shares issued under employee share schemes	-	34	34
Purchase of treasury shares	(202)	-	-
	---------	---------	---------
Net (reduction)/addition to shareholders' funds	(813)	70	(383)
Opening shareholders' funds	23,964	24,347	24,347
	---------	---------	---------
Closing shareholders' funds	23,151	24,417	23,964
	=========	=========	=========

NOTES

1. The consolidated profit and loss account for the six months ended 30 June 2004, the consolidated balance sheet at that date, the consolidated cash flow statement, the statement of total recognised gains and losses, the

reconciliation of movements in shareholders' funds and 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 2003 and

the consolidated balance sheet at that date have also been reviewed by the

auditors but not audited.

2. The comparative figures for the financial year ended 31 December 2003 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 2003 Report and Accounts.

4. The earnings per share are calculated on a loss of ?240,000 (2003 - earnings

of ?319,000) and the weighted average number of Ordinary shares of 10,421,230

(2003 - 10,406,114) in issue during the period. As the effect of share options

is anti-dilutive for the six months ended 30 June 2004, the anti-dilutive share

options have been excluded from the calculation of diluted weighted average number of Ordinary shares. The diluted earnings per share under FRS 14 for the

six months ended 30 June 2003 are calculated on earnings of ?319,000 and a

weighted average number of Ordinary shares in issue adjusted to assume

conversion of all dilutive potential Ordinary Shares which is 10,409,295.

5. A dividend of 3.3p (2003 - 3.3p) per Ordinary share will be paid on 1 October

2004 to shareholders on the register on 17 September 2004.

6. Turnover by destination

	Six Months to 30.6.04 ?000's	Six Months to 30.6.03 ?000's	Year to 31.12.03 ?000's
United Kingdom	5,552	5,337	12,055
North America	4,728	4,255	9,920
European Union	730	1,402	1,873
Far East	2,196	1,938	4,099
Rest of the World	186	279	565
	13,392	13,211	28,512

7. Analysis of net funds

	As at 30.6.04 ?000's	As at 30.6.03 ?000's	As at 31.12.03 ?000's
Cash in hand, at bank	1,494	813	1,164
Short term money market deposits	3,629	5,329	6,064
Total	5,123	6,142	7,228

8. Reconciliation of operating profit to operating cash flows

	Six Months to 30.6.04 ?000's	Six Months to 30.6.03 ?000's	Year to 31.12.03 ?000's
Operating (loss)/profit	(523)	326	1,847
Depreciation	494	487	950

Exchange gain/(loss)	13	11	(305)
(Profit)/loss on sale of tangible fixed assets	(2)	(30)	35
Increase in stocks	(187)	(909)	(580)
(Increase)/decrease in debtors	(563)	415	611
Increase/(decrease) in creditors	322	(544)	(706)
	---------	---------	---------
Net cash (outflow)/inflow from operating activities	(446)	(244)	1,852
	=========	=========	=========

All of the above relate to continuing operations.

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

	Six Months to 30.6.04		Six Months to 30.6.03		Year to 31.12.03	
	?000's	?000's	?000's	?000's	?000's	?000's

Returns on investments and servicing of finance			
Interest received	95	99	173
Interest paid	(22)	-	-
	-------	-------	-------
Net cash inflow from returns on investments and servicing of finance	73	99	173
	=======	=======	=======
Capital expenditure and financial investments			
Purchase of tangible fixed assets	(262)	(285)	(801)
Sale of tangible fixed assets	17	71	104
	-------	-------	-------
Net cash outflow for capital expenditure and financial			

investments	(245)	(214)	(697)
	=======	=======	=======
Financing			
Issue of Ordinary shares under share option schemes	-	34	34
Purchase of treasury shares	(202)	-	-
	-------	-------	-------
Net cash (outflow)/ inflow from financing	(202)	34	34
	=======	=======	=======

For further information please contact Arthur Ralley (Chairman), Brett Phillips (Finance Director) on: 01782 744721.