RNS Number:8918Z

Portmeirion Group PLC

16 March 2006

Portmeirion Group plc

Results for the year ended 31 December 2005

CHAIRMAN'S STATEMENT

Financial summary for the year

	2005 ?000's	Restated (Note 4) 2004 ?000's
Turnover	27,552	27,686
Pre-tax profit/(loss) before operating exceptionals	1,351	(420)
Pre-tax profit/(loss)	1,032	(1,613)
Basic earnings/(loss) per share	7.11p	(11.20p)
Dividends per share	13.25p	13.25p

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Highlights:

? Annual sales of ?27.552 million, 2.7% above the previous year when measured in the same US dollar exchange rate, but level with last year following the sterling/dollar exchange rate movement.

? 2005 pre-tax operating profit ?1.351 million compared to a loss of ?0.420 million (restated) in 2004.

? Final proposed dividend maintained at 9.95p.

? 2005 earnings per share 7.11p, compared to a loss of 11.20p in 2004.

Exceptional items for the year amounted to ?0.319 million compared with ?1.193 million in the previous year. Therefore, the total profit for the year, before taxation, was ?1.032 million compared with a loss of ?1.613 million (restated) the previous year.

The Board is recommending a final dividend of 9.95p bringing the total to 13.25p for the year, unchanged from 2004. The dividend will be paid, subject to shareholders' approval, on 26th May 2006, to shareholders on the register at the close of business on 28th April 2006. We are nearing our short-term goal of ensuring that the dividend is covered by earnings.

Results for the Year

I am pleased to report that, following the major re-organisation of the Company's manufacturing plants, a creditable profit improvement of some ?2.6 million was achieved. This was also after absorbing approximately ?0.5 million in costs due to the further fall, at our hedged rates, in the value of the US dollar to sterling. Since sales in the US account for over a third of the total, the Company hedges exchange rate risk by selling dollars forward. In 2004 the hedged rate was $1.63, and in 2005 $1.78. The Group is largely hedged at $1.82 for 2006, so additional exchange losses should be minimal for the current year.

The 2005 full year contribution of ?0.35 million to the Group's now closed defined benefit pension scheme has been reviewed, following the scheme's actuarial valuation during 2005. As a result the contribution will remain at the same level for 2006.

Exceptional operating costs in 2005 consisted of ?0.284 million following the consolidation of the two manufacturing sites in Stoke-on-Trent to one. The Board also decided to take an impairment charge of the Group's investment in Furlong Mills, a company supplying raw material to the ceramic industry. This impairment is a non-cash write-down of ?0.273 million. These exceptional costs were offset by an exceptional gain of ?0.238 million following the sale of the vacated manufacturing site.

The 2.7% improvement in sales on a constant exchange rate basis was achieved with an exceptional export performance, which more than offset a disappointing UK market result.

Sales in the US in dollars increased by an impressive 11%, to $18.275 million, representing 37% of total sales in sterling. This was achieved with improved sales of our established classic tableware patterns, plus the addition of lower priced Portmeirion Studio ranges, sourced from overseas. The team at our US subsidiary is to be congratulated on a fine performance in improving market share.

Sales to South Korea increased by a remarkable 41% to ?4.670 million, following a major expansion in the number of retail outlets stocking the Company's classic ranges. There is still opportunity for growth with new product ranges to be introduced this year. Apart from Japan, where we changed from selling through a wholly-owned subsidiary to a local distributor, all our other major export markets showed healthy sales increases leading to a total Group export sales increase of 18% on a constant exchange rate basis.

Sales in the UK were 19% below the previous year. Although the performance was affected to some extent by reduced consumer spending, and fewer tourists, I believe this disappointing sales trend will be corrected with the introduction of much needed new product ranges. No fewer than five new ranges are being delivered to our retail customers in the second quarter of this year, which should lead to the essential improvement in sales.

The result of this sales performance and exceptional gains on property disposal has increased the Group's cash balance to ?6.3 million at the end of the year.

There will be a further cash gain following the sale of our secondary warehousing site when the new warehouse is completed. This will ensure that the Company maintains a strong balance sheet while still investing ?3.0 million in capital expenditure for mechanising and equipping the new warehouse.

Product Strategy

The markets in both the UK and US continue to be subjected to retail price deflation. Low cost retailers and the supermarket groups continue to expand their non-food offering, and our department store customers and independent retailers are responding by offering good quality products at ever lower prices.

The Group's strategy of producing excellent design and quality in new product ranges under the Portmeirion brand, sourced overseas, is now beginning to show results, while the classic ranges continue to be produced at our Stoke-on-Trent factory.

Most notable of the five new products this Spring is a range of ceramic cookware designed by Sophie Conran. This has met with a tremendous response, both in the UK and abroad. I expect this product range to be sold in the US, Japan, Australia and South Korea, and will open up new channels of distribution for Portmeirion.

Manufacturing & Warehouse Reorganisation

As a result of the consolidation of our manufacturing sites, I had anticipated a reduction in annual operating costs of approximately ?0.5 million per annum. I am pleased to confirm that approximately half of these saving were achieved in the second half of 2005, and as a result the manufacturing gross margin improved by 3 percentage points compared to the previous year. Further cost reductions have been made at the start of 2006, since the Group is now faced with an increase of at least ?0.25 million in energy costs this year. However, the overall level of annual cost reduction should be maintained.

As reported in December 2005, the contract has now been placed for the lease of the Group's new warehouse and distribution centre. Construction work has begun, and completion is planned for the end of 2006, with operations commencing in Spring 2007.

Management Structure

The Group has continued to strengthen the sales and marketing team in 2005, without increasing the overall size of the management team. Resources have been transferred from production and support services, so that the cost base has not increased. This adjustment to the management structure is in anticipation of continued growth in the number of sourced product ranges, and the need to market our classic ranges to new export markets.

Current Trading & Prospects

I expect 2006 to be another challenging year, with consumer spending on a tight rein. Sales so far this year are below the previous year, but broadly in line with expectations. As I have reported, I expect the sales trend to improve as our new ranges come to market in the second quarter of this year.

Our consumers now require new casual dining products every season, and we will maintain the momentum of new product introductions. This, together with constant improvement in efficiency and productivity, will, I believe, result in continuing improvement in the Group's performance.

I would particularly like to thank the management team and workforce for their contribution to the successful repositioning of the Group in 2005, which will now continue through this year.

Arthur Ralley

Chairman

15th March 2006

For further information please contact:

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CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31st December 2005

As restated

Notes	Before Exceptional	Total	Before Exceptional	Total

exceptional items 2005
exceptional items 2004

items 2005 ?000's
items 2004 ?000's

2005 ?000's
2004 ?000's

?000's
?000's

Turnover - continuing operations	5	27,552	-	27,552	27,686	-	27,686
Raw materials and operating costs	2	(26,393)	(284)	(26,677)	(28,418)	(1,193)	(29,611)
		-------	-------	------	-------	-------	------
Operating profit/(loss) - continuing operations		1,159	(284)	875	(732)	(1,193)	(1,925)
Profit on sale of tangible fixed assets	2	-	238	238	-	-	-
Share of profit of		68	-	68	145	-	145

associated undertakings							
Interest receivable and similar income		207	-	207	211	-	211
Interest payable and similar charges		(2)	-	(2)	(22)	-	(22)
Other finance costs		(81)	-	(81)	(22)	-	(22)
Impairment of investment in associated undertaking	2	-	(273)	(273)	-	-	-
		-------	-------	------	-------	-------	------
Profit/(loss) on ordinary activities before taxation		1,351	(319)	1,032	(420)	(1,193)	(1,613)
Taxation on profit/(loss) on ordinary activities				(317)			454
Profit/(loss) on ordinary activities after taxation				------			------
being the profit/(loss) for the financial year				715			(1,159)
				======			======

Earnings/(loss) per share	3	7.11p	(11.20p)
		======	======= ======= ======
Diluted earnings/(loss) per share	3	7.09p	(11.20p)
		======	======= ======= ======
Dividends per share paid and proposed	6	13.25p	13.25p
		======	======= ======= ======

CONSOLIDATED BALANCE SHEET

As at 31st December 2005

			As restated	
		2005		2004
	?000's	?000's	?000's	?000's
Fixed assets				
Tangible assets		5,335		6,279
Investments		1,413		1,544

		6,748		7,823
Current assets				
Stocks	5,913		6,054	
Debtors	5,243		5,926	
Cash at bank and in hand	6,294		4,859	
	17,450		16,839	
Creditors: amounts falling due within one year	(3,081)		(2,653)	
Net current assets		14,369		14,186
Total assets less current liabilities		21,117		22,009
Provisions for liabilities and charges		(43)		(19)
Net assets excluding pension deficit		21,074		21,990
Pension deficit net of related deferred tax		(2,870)		(2,358)
Net assets including pension deficit		18,204		19,632

Capital and reserves		
Called up share capital	521	521
Share premium account	4,580	4,580
Treasury shares	(964)	(202)
Profit and loss account	14,067	14,733
	-------	-------
Equity shareholders' funds	18,204	19,632
	=======	=======

PORTMEIRION GROUP PLC

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st December 2005

	Notes	2005 ?000's	2004 ?000's
Cash inflow from operating activities	8	3,033	48
Returns on investments and servicing of finance	9	148	171

Taxation received/(paid)		54	(604)
Capital expenditure and financial investment	9	292	(414)
Equity dividends paid		(1,330)	(1,368)
		-------	-------
Cash inflow/(outflow) before use of liquid resources and financing		2,197	(2,167)
Management of liquid resources		(1,654)	2,560
Financing	9	(762)	(202)
		-------	-------
(Decrease)/increase in cash in the year	7	(219)	191
		=======	=======

Reconciliation of net cash flow to movement in net funds

	2005	2004

	?000's	?000's
(Decrease)/increase in cash in the year	(219)	191
Cash outflow/(inflow) from increase/(decrease) in liquid resources	1,654	(2,560)
Net funds at 1st January	4,859	7,228
	-------	-------
Net funds at 31st December	6,294	4,859
	=======	=======

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

For the year ended 31st December 2005

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

As

	2005	restated 2004
	?000's	?000's
Profit/(loss) for the financial year	715	(1,159)
Currency translation differences	380	(291)
Actuarial loss on defined benefit pension scheme	(998)	(1,572)
Related deferred tax	299	472
	-------	-------
Total recognised gains and losses for the financial year	396	(2,550)
Prior year adjustment	(1,331)	-
	-------	-------
Total recognised gains and losses since the last annual report	(935)	(2,550)
	=======	=======

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2005	As restated 2004
	?000's	?000's

Profit/(loss) for the financial year	715	(1,159)
Movement in pension scheme liability	(431)	(850)
Dividends paid	(1,330)	(1,379)
Currency translation differences	380	(291)
Purchase of treasury shares	(762)	(202)
	-------	-------
Net reduction in shareholders' funds	(1,428)	(3,881)
	-------	-------
Opening shareholders' funds as previously stated	20,963	23,964
Prior year adjustment	(1,331)	(451)
	-------	-------
Opening shareholders' funds as restated	19,632	23,513
	-------	-------
	-------	-------
Closing shareholders' funds	18,204	19,632
	=======	=======

NOTES

1. The financial information set out above does not constitute the Company's

statutory accounts for the years ended 31st December 2005 and 2004 but is

derived from those accounts. Statutory accounts for 2004 which have been

delivered to the Registrar of Companies, contain an unqualified audit opinion

and did not contain a statement under Section 237(2) or (3) of the Companies Act

1985. Statutory accounts for the year ended 31st December 2005 on which the

auditors have given an unqualified opinion and do not contain a statement under

Section 237(2) or (3) of the Companies Act 1985 will be delivered to the

Registrar of Companies in due course. The principal accounting policies have

been applied consistently except for the change in accounting policies as stated

in Note 4. This announcement was approved by the Board of Directors on 15th

March 2006.

2. Exceptional items

The consolidation of manufacturing onto one site referred to in the 2004 annual

report was completed during the six months ended 30 June 2005. The exceptional

operating costs incurred as a result of this move and redundancies were

?284,000.

Following the consolidation of manufacturing the vacated freehold premises were

sold. The resulting

exceptional gain is analysed as follows:

	?000's
Net proceeds (?700,000 less selling expenses of ?12,000)	688
Less: Impaired value of site	(450)

Exceptional gain	238
	==========

Furlong Mills is a supplier of raw materials to the ceramic manufacturing

industry and, in the light of continuing changes to that industry in the UK, an impairment review has been carried out which has resulted in an additional

impairment provision of ?273,000.

3. Earnings per share

Basic

The basic earnings/(loss) per share are calculated by dividing the profit after

taxation of ?715,000 (2004 - loss of ?1,159,000 as restated) by the weighted

average number of Ordinary shares in issue during the year of 10,057,467 (2004 -

10,350,192).

Diluted

The diluted earnings/(loss) per share is calculated in accordance with Financial

Reporting Standard 22

(FRS 22). This calculation uses a weighted average number of Ordinary shares in

issue adjusted to assume conversion of all dilutive potential Ordinary shares

and is shown below:

	Earnings ?	2005 Weighted Number of Shares	Earnings per Share (Pence)	Loss ?	As restated 2004 Weighted Number of Shares	Loss per Share (Pence)
Basic earnings/ (loss) per share	715,000	10,057,467	7.11	(1,159,000)	10,350,192	(11.20)
Effect of dilutive securities:						
employee share options	-	23,636	-	-	-	-
Diluted earnings/ (loss) per share	715,000	10,081,103	7.09	(1,159,000)	10,350,192	(11.20)

FRS 22 requires presentation of diluted earnings per share when a company could

be called upon to issue shares that would decrease net profit or increase net

loss per share. For a loss making company with outstanding share options, net

loss per share would only be increased by the exercise of out-of-the-money

options. Since it seems inappropriate to assume that option holders would act

irrationally and there are no other diluting future share issues, diluted loss

per share in 2004 equals basic loss per share.

4. Prior year adjustments

In addition to applying FRS 17 "Retirement Benefits" in full the Group has also

applied FRS 21 " Events after the balance sheet date". Under this financial

reporting standard dividends which have been declared after the balance sheet

are not recognised as a liability. Accordingly an adjustment has been made for

the provision of ?1,027,000 for dividends in the accounts for the year ended

31st December 2004.

The total of the prior period adjustments arising from the application of FRS 17 and FRS 21 is analysed as follows:

The closing shareholders' funds as at 31st December 2004 were restated as follows:

	?000's	?000's
Shareholders' funds at 31st December 2004 as previously stated		20,963
Pension scheme liability as at 31st December 2004, net of related deferred tax	(2,358)	
Liability for 2004 final dividend not declared at 31st December 2004	1,027	

Total prior period adjustment		(1,331)

Shareholders' funds at 31st December 2004 as restated		19,632
		========

The opening shareholders' funds as at 1st January 2004 were restated as follows:	?000's	?000's

Shareholders' funds at 1st January as previously stated		23,964
Pension scheme liability as at 31st December 2003, net of related deferred tax	(1,486)	
Liability for 2003 final dividend not declared at 31st December 2003	1,035	

Total prior period adjustment		(451)

Shareholders' funds at 1st January 2004 as restated		23,513
		========

In respect of FRS 17, the prior year adjustments have resulted in an other finance charge of ?81,000 in the 2005 profit and loss account (2004 - ?22,000).

5. Turnover by destination

Turnover by destination	2005	2004
	?000's	?000's
United Kingdom	9,562	11,848
North America	10,864	10,256

European Union	1,542	1,338
Far East	5,186	3,913
Rest of the World	398	331
	-------	--------
	27,552	27,686
	=======	========

6. Dividends

The Directors propose the payment of a final dividend of 9.95p (2003 - 9.95p)

per Ordinary share on 26th May 2006 to shareholders on the register on 28th

April 2006.

7. Analysis of net funds

	At 1st January 2005	Cash flow	At 31st December 2005
	?000's	?000's	?000's

Cash in hand, at bank	1,355	(219)	1,136
Short term money market deposits	3,504	1,654	5,158
	--------	--------	--------
Total	4,859	1,435	6,294
	========	========	========

8. Reconciliation of operating profit to operating cash flows

	2005	2004
	?000's	?000's
Operating profit/(loss)	875	(1,925)
Depreciation	952	987
Impairment of tangible fixed assets - operating exceptional	-	977
Exchange gain/(loss)	200	(248)
Loss/(profit) on sale of tangible fixed assets	21	(3)
Decrease in stocks	141	721
Decrease/(increase) in debtors	456	(441)
Increase/(decrease) in creditors	388	(20)
	-------	--------
Net cash inflow from operating activities	3,033	48
	=======	========

All of the above relate to continuing operations.

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

	2005	2005	2004	2004
	?000's	?000's	?000's	?000's
Returns on investments and servicing of finance				
Interest received	150		193	
Interest paid	(2)		(22)	
	------		-------	
Net cash inflow from returns on investments and servicing of finance		148		171
		=======		========
Capital expenditure and financial investment				
Purchase of tangible fixed assets	(458)		(437)	
Sale of tangible fixed assets	750		23	
	------		-------	

Net cash inflow/(outflow) for capital expenditure and financial investments	292	(414)
	=======	========
Financing		
Purchase of treasury shares	(762)	(202)
	------	-------
Net cash outflow from financing	(762)	(202)
	=======	========

END