RNS Number:9938S
Portmeirion Group PLC
14 March 2007

PORTMEIRION GROUP PLC
RESULTS FOR YEAR ENDED
31ST DECEMBER 2006

CHAIRMAN'S STATEMENT

Financial summary for the year

	2006 £000's	Restated 2005 £000's	Increase/ (Decrease) %
Turnover	28,422	27,552	3.2
Pre-tax profit before exceptional items	2,861	1,699	68.4
Pre-tax profit after exceptional items	2,584	1,380	87.2
Operating cash flow	2,731	3,033	(10.0)
Basic earnings per share	17.03p	10.57p	61.1
Dividends per share	14.00p	13.25p	5.7

Highlights:

• 2006 pre-tax profit before exceptional items of £2.861 million compared to £1.699 million in the previous year, an increase of 68%.

• Annual sales of £28.4 million, 3.2% above the previous year. Second half sales increased by 11% above the previous year's second half.

• Exceptional costs for the year amounted to £0.277 million compared to £0.319 million in the previous year. Therefore, total pre-tax profit for the year was £2.584 million compared with £1.380 million the previous year, an increase of 87%.

• Proposed final dividend of 10.70p, an increase for the year of 5.7%.

• 2006 earnings per share of 17.03p, compared to 10.57p in 2005, an increase of 61%.

• Acquisition of the Pimpernel brand of placemats, coasters and trays in October 2006.

Dividend

The Board is recommending a final dividend of 10.7p bringing the total to 14.0p for the year, an increase of 5.7% compared to 2005. The dividend will be paid, subject to shareholders' approval, on 25th May 2007, to shareholders on the register at the close of business on 27th April 2007.

Results for the year

2006 has been a year when the Group's strategy of transformation to a supplier of designer branded homewares and giftware, rather than solely a ceramic manufacturer, has delivered excellent results. Furthermore, the acquisition of the Pimpernel brand will provide important synergies for future development and expansion.

I am pleased to report another creditable improvement in pre-tax profit of £1.2 million, due in part to an increase in Group annual sales of 3.2% and also to a significant increase to both production gross profit margin and gross profit margins on sourced products.

Exceptional management re-organisation costs of £0.277 million were incurred as a result of further reducing costs in our manufacturing operation. There will also be exceptional costs in 2007 as the commissioning of the new warehouse is completed and the move to it takes place during the first half of 2007.

Net dollar receipts in 2007 are expected to be significantly lower than 2006 as more products are sourced from the Far East in US dollars. The Group has hedged against the effect of movements in the US dollar exchange rate. Approximately 75% of the expected net dollar receipts in 2007 are covered by forward exchange contracts.

As a result of these sales and profit margin improvements, the Group generated £2.7 million cash at the operating level in 2006. Capital expenditure of £2.3 million, including £0.5 million on the acquisition of the Pimpernel brand and £1.5 million on plant and equipment for the new warehouse, and maintaining the dividend at £1.3 million have been the significant factors in the £1.1 million reduction of the Group's cash balance to £5.2 million at the year end.

The 2006 full year cash contribution of £0.348 million to the Group's closed final salary pension scheme was the same as in 2005. The pension scheme deficit, net of deferred tax, has increased under revised FRS 17 assumptions by £1.1 million to £4.0 million.

The Group owned a 4.8 acre freehold site, which will be vacated during the first half of 2007 when the move to the new warehouse is made. In January 2007 this site was sold for a cash sum of £2.175 million, which will create an exceptional pre-tax profit of £1.7 million in the first half of 2007. Given the strength of the Group's balance sheet and this injection of cash, the Board is recommending an increase in the final dividend to 10.7p.

Group sales for the year increased by 3.2% over the previous year and by 4.2% when measured at the same US dollar exchange rate as 2005. At the half year I reported Group sales 5.7% lower than 2005, but following an excellent increase of 11% in the second half of 2006 annual sales finished 3.2% ahead. This was due to a very strong second half sales performance in North America and the Far East coupled with a major improvement in UK sales. At the half-year sales in the UK were 22% lower than 2005, but sales in the second half were almost level with 2005, giving an annual figure which was 12% lower. This significant improvement in UK sales has continued into the first two months of 2007. These increases have been achieved with the introduction of new product ranges sourced in the Far East, and with added value promotional initiatives with our classic ranges manufactured in the UK.

Once again the Group achieved an excellent increase in total export sales of 11.0%. Notable improvements were a 7.4% increase in US sales and sales to Canada of nearly double that of 2005. Added to these was yet another very substantial increase of 20% in sales to South Korea, which has been achieved primarily with sales of classic ranges. We are introducing some of our contemporary ranges into South Korea in 2007 and, therefore, I believe we can obtain further growth in this very important market. In 2006 exports totalled 70% of the Group's sales, which is a very positive reflection on the continuing collectability of our classic ranges around the world.

Product Strategy

The Group's strategy of producing excellent design, quality and value in new product ranges, sourced overseas, has delivered significant increased sales in the second half of 2006, and with more new ranges arriving the trend is expected to continue this year. As previously reported, the range designed in collaboration with Sophie Conran is a runaway success and is being expanded in 2007. Additional collaborative ranges are being introduced this year under the Portmeirion banner, and I expect further sales gains to result.

The Group made an important acquisition of the Pimpernel brand in the fourth quarter of 2006. Pimpernel has been the leading brand of placemats, coasters and trays in the UK and has also established markets in the US and Canada. The main Pimpernel functions have been promptly integrated into the Portmeirion systems at minimal cost, and the necessary sales and marketing team is in place. The Portmeirion design and marketing teams have started to exploit the enormous potential for incremental sales, with complementary designs and new channels of distribution. All Pimpernel products are sourced in the Far East, and together with the increasing programme of Portmeirion branded products also sourced, US dollar purchases will increase very considerably in 2007 and beyond. Since some 40% of Group sales are in US dollars, the result is an increasing natural hedge against adverse exchange rate movements.

Manufacturing and Warehousing

The consolidation of two manufacturing sites into one was completed during 2005, and 2006 saw the first full year of subsequent benefits. The estimated annual operating cost reduction of £0.5 million was easily achieved: the actual figure being close to £1.0 million per annum. The manufacturing gross margin in 2006 increased by 3 percentage points following a similar improvement the previous year, despite significant increases in energy costs in 2006. The Group will continue to provide the necessary investment to ensure further improvements in manufacturing productivity at its UK site and, therefore, in gross margins, and can expect to at least maintain the gross margins on sourced products.

The new warehouse is almost completed and commissioning of the automatic handling equipment is underway. I expect the move from the old warehouse to the new to be completed by mid-year, on schedule. I have reported regularly on the benefits that will result in the quality of service to our retail customers, and this will benefit the Group's bottom line.

Management Team

As previously reported, the Group has expanded its sales and marketing team, transferring costs from production and administration. This strategy is now producing positive results on two fronts. The Group has successfully opened new national accounts with the new product ranges that have been introduced, both in the UK and the US, and new export business has been generated with both the classic and new product ranges.

With the design team producing a steady flow of innovative new ideas, the Group has a very strong integrated team for future success.

Current Trading and Prospects

I am pleased to report a positive start to 2007, with a sales increase percentage in double digits for the first two months compared to 2006. This is before the contribution of sales from the new Pimpernel ranges, which will become available in the second quarter of 2007. The Group is now in a position to maintain this momentum, with many new product ranges of tableware and giftware in development. I, therefore, believe that the Group can increase overall sales whilst continuing to keep a tight rein on costs, with the resultant benefit to Group profitability.

The Group's new Chairman, Dick Steele, currently the senior Non-executive Director, succeeds me with effect from 1st May 2007 and, with his able leadership and a very experienced Board of Directors, I expect the Group to continue the excellent progress of recent years.

I would like to thank the management team and workforce for their valuable contribution to the success of the Group in 2006.

Arthur Ralley
Chairman
14th March 2007

CONSOLIDATED PROFIT AND LOSS ACCOUNT
For the year ended 31st December 2006

					As restated (Note 4)		
		Before exceptional items	Exceptional items	Total	Before exceptional items	Exceptional items	Total
	Notes	2006	2006	2006	2005	2005	2005
		£000's	£000's	£000's	£000's	£000's	£000's
Turnover - continuing operations	5	28,422	-	28,422	27,552	-	27,552
Raw materials and operating costs	2	(25,747)	(277)	(26,024)	(26,045)	(284)	(26,329)

Operating profit/(loss) - continuing operations	2,675	(277)	2,398	1,507	(284)	1,223
Profit on sale of tangible fixed assets	-	-	-	-	238	238
Share of profit of associated undertakings	64	-	64	68	-	68
Impairment of investment in associated undertaking	(46)	-	(46)	-	(273)	(273)
Interest receivable and similar income	231	-	231	207	-	207
Interest payable and similar charges	(1)	-	(1)	(2)	-	(2)
Other finance costs	(62)	-	(62)	(81)	-	(81)
Profit/(loss) on ordinary activities before taxation	2,861	(277)	2,584	1,699	(319)	1,380
Taxation on profit on ordinary activities			(912)		(317)	

	Note	2006	2005
Profit on ordinary activities after taxation being the profit for the financial year		------ 1,672 ======	------- 1,063 =======
Earnings per share	3	17.03p ======	10.57p =======
Diluted earnings per share	3	16.80p ======	10.54p =======
Dividends per share paid and proposed	6	14.00p ======	13.25p =======

CONSOLIDATED BALANCE SHEET
As at 31st December 2006

				As restated (Note 4)
		2006		2005
	£000's	£000's	£000's	£000's

Fixed assets

Intangible assets		502		-
Tangible assets		6,243		5,335
Investments		1,332		1,413
		8,077		6,748
Current assets				
Stocks	8,352		5,913	
Debtors	4,467		5,243	
Cash at bank and in hand	5,203		6,294	
	18,022		17,450	
Creditors: amounts falling due within one year	(5,541)		(3,080)	
Net current assets		12,481		14,370
Total assets less current liabilities		20,558		21,118
Provisions for liabilities		(51)		(43)
Net assets excluding pension deficit		20,507		21,075
Pension deficit net of related deferred tax		(3,969)		(2,870)
Net assets including pension deficit		16,538		18,205
Capital and reserves				
Called up share capital		523		521
Share premium account		4,657		4,580

Treasury shares	(1,266)	(964)
Share based payment reserve	38	12
Profit and loss account	12,586	14,056
	------	------
Equity shareholders' funds	16,538	18,205
	======	======

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31st December 2006

	Notes	2006 £000's	2005 £000's
Cash inflow from operating activities	8	2,731	3,033
Returns on investments and servicing of finance	9	303	148
Taxation (paid)/received		(306)	54
Capital expenditure and financial investment	9	(2,251)	292
Equity dividends paid		(1,305)	(1,330)
		-------	------
Cash (outflow)/inflow before use of liquid resources and financing		(828)	2,197

Management of liquid resources		1,133	(1,654)
Financing	9	(263)	(762)
		-------	------
Increase/(decrease) in cash in the year		42	(219)
		=======	======

Reconciliation of net cash flow to movement in net funds (Note 7)

	2006	2005
	£000's	£000's
Increase/(decrease) in cash in the year	42	(219)
Cash (inflow)/outflow from (decrease)/increase in liquid resources	(1,133)	1,654
Net funds at 1st January	6,294	4,859
	-------	------
Net funds at 31st December	5,203	6,294
	=======	======

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
For the year ended 31st December 2006

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

As restated

(Note 4)	2006	2005
	£000's	£000's
Profit for the financial year	1,672	1,063
Currency translation differences	(498)	380
Actuarial loss on defined benefit pension scheme	(1,856)	(998)
Related deferred tax	557	299
	------	------
Total recognised gains and losses for the financial year	(125)	744
Prior year adjustment (Note 4)	1	-
	------	------
Total recognised gains and losses since the last annual report	(124)	744
	======	======

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

		As restated (Note 4)
	2006	2005
	£000's	£000's
Profit for the financial year	1,672	1,063
Movement in pension scheme liability	(1,299)	(779)

Dividends paid	(1,305)	(1,330)
Currency translation differences	(498)	380
Shares issued under employee share schemes	79	-
Increase in share based payment reserve	26	3
Purchase of treasury shares	(302)	(762)
Purchase of equity interest	(40)	-
	------	------
Net reduction in shareholders' funds	(1,667)	(1,425)
	------	------
Opening shareholders' funds as previously stated	18,204	19,632
Prior year adjustment (Note 4)	1	(2)
	------	------
Opening shareholders' funds as restated	18,205	19,630
	------	------
Closing shareholders' funds	16,538	18,205
	======	======

NOTES

1. The financial information set out above does not constitute the Company's statutory accounts for the years ended 31st December 2006 and 2005 but is

derived from those accounts. Statutory accounts for 2005 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 2006 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 14th March 2007.

2. Exceptional items

The rationalisation and re-organisation of the business continued in the first half of 2006. The exceptional redundancy costs incurred as a result were £277,000. Exceptional costs of £284,000 relating to this re-organisation were incurred in 2005.

3. Earnings per share

Basic
The basic earnings per share are calculated by dividing the profit after taxation of £1,672,000 (2005 - £1,063,000 as restated) by the weighted average number of Ordinary shares in issue during the year of 9,818,990 (2005 - 10,057,467).

Diluted
The diluted earnings per share are calculated in accordance with Financial Reporting Standard 22 (FRS22). 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 £	2006 Weighted Number of Shares	Earnings per Share (Pence)	Earnings £	As restated 2005 Weighted Number of Shares	Earnings per Share (Pence)
Basic earnings per share	1,672,000	9,818,990	17.03	1,063,000	10,057,467	10.57
Effect of dilutive securities: employee share options	-	131,701	-	-	23,636	-
Diluted earnings per share	1,672,000	9,950,691	16.80	1,063,000	10,081,103	10.54

4. Prior year adjustments

The Group has applied FRS 20 "Share Based Payment" for the first time. Under this 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 31st December 2005 were restated as follows:

	£000's
Shareholders' funds at 31st December 2005 as previously stated	18,204
Adjustment to liability for phantom share options under FRS 20	1

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

The opening shareholders' funds as at 1st January 2005 were restated as follows:

	£000's
Shareholders' funds at 1st January 2005 as previously stated	19,632
Adjustment to liability for phantom share options under FRS 20	(2)

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

Also under FRS 20 a reserve for share based payment has been created. The balance on this reserve as at 31st December 2005 was £12,000.

5. Turnover by destination

Turnover by destination	2006	2005
	£000's	£000's
United Kingdom	8,457	9,562

North America	12,204	10,864
European Union	1,558	1,542
Far East	5,757	5,186
Rest of the World	446	398
	-------	-------
	28,422	27,552
	=======	=======

6. Dividends

The Directors recommend that a final dividend of 10.70p (2005 - 9.95p) per Ordinary share be paid on 25th May 2007 to shareholders on the register on 27th April 2007.

7. Analysis of net funds	At 1st January 2006	Cash flow	At 31st December 2006
	£000's	£000's	£000's
Cash in hand, at bank	1,136	42	1,178
Short term money market deposits	5,158	(1,133)	4,025
	------	-------	-------
Total	6,294	(1,091)	5,203
	======	=======	=======

8. Reconciliation of operating profit to operating cash flows As restated

(Note 4)

	2006 £000's	2005 £000's
Operating profit	2,398	1,223
Depreciation	744	952
Amortisation of intangible fixed assets	22	-
Contributions to defined benefit pension scheme	(348)	(348)
Charge for share based payments	26	3
Exchange (loss)/gain	(328)	200
(Profit)/loss on sale of tangible fixed assets	(16)	21
(Increase)/decrease in stocks	(2,439)	141
Decrease in debtors	382	456
Increase in creditors	2,290	385
Net cash inflow from operating activities	2,731	3,033

All of the above relate to continuing operations.

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

	2006 £000's	2006 £000's	2005 £000's	2005 £000's
Returns on investments and servicing of finance				
Interest received	304		150	
Interest paid	(1)		(2)	
Net cash inflow from returns on investments and servicing of finance		303		148

		=======	=======
Capital expenditure and financial investment			
Purchase of intangible fixed assets	(524)		-
Purchase of tangible fixed assets	(1,759)		(458)
Sale of tangible fixed assets	32		750
	------		------
Net cash (outflow)/inflow for capital expenditure and financial investments		(2,251)	292
		=======	=======
Financing			
Issue of Ordinary shares under share option schemes	79		-
Purchase of equity interest	(40)		-
Purchase of treasury shares	(302)		(762)
	------		------
Net cash outflow from financing		(263)	(762)
		=======	=======

A copy of the annual report and accounts will be posted out to shareholders in late April 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 in late April.

For further information please contact:

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