RNS Number : 7998O

Portmeirion Group PLC

13 March 2009

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Portmeirion Group PLC ('Portmeirion' or 'the Group')

Preliminary results for the year ended 31 December 2008

Financial summary

	2008	2007	Decrease
	£'000	£'000	%
Revenue	31,838	32,017	(0.6)
Pre-tax profit before exceptional items*	1,408	3,411	(58.7)
Pre-tax profit after exceptional items*	1,090	4,419	(75.3)
Basic earnings per share	5.81p	30.77p	(81.1)
Dividends paid and proposed per share in respect of the year	14.70p	14.70p	-

* See note 5

Highlights:

Financial

- Total paid and proposed dividend for the year maintained at 14.70p (2007 - 14.70p).
- Revenue was essentially flat at £31.8 million (2007 - £32.0 million).
- Profit before exceptional items and tax of £1,408,000 (2007 - £3,411,000).
- Profit before taxation of £1,090,000 (2007 - £4,419,000).
- Export revenue excluding US up by 2.1%.

- UK revenue up by 9.9%.
- US revenue down by 10.9%.
- Balance sheet remains strong: cash balance up 45.4% to £3.938 million (2007 - £2.708 million).

Operational

- The Sophie Conran range has continued to sell extremely well and now accounts for 11% of total sales (2007 - 8%).
- The Pimpernel brand which we acquired in 2006 now accounts for 6% of total sales (2007 - 5%).
- Our heritage ranges - Botanic Garden (the highly popular casual dining collection worldwide), Pomona and Holly and Ivy account for 66% of total sales (2007 - 72%).
- The move to a larger warehouse in the US was completed to budget and on time. The warehouse is fully operational.

Dick Steele, Non-executive Chairman commented:

"We are pleased with these results, achieved despite the very difficult retail environment in which we have been operating. The US market has been extremely challenging in 2008 but our other key markets have performed well given the global economic situation. This is as a result of our ability to deliver designs that cater for global markets.

In the coming year we will continue to develop the brand with an emphasis on product design in order to generate long term sales increases. We have the brand, we have the product and we have the people. We will continue to drive sales, return on sales and dividend payments.

Sales for the first two months of the current year have shown a 6% increase over the corresponding period last year."

ENQUIRIES:

Portmeirion Group PLC:

Dick Steele, Non-executive Chairman	01782 744721	steele_clan@msn.com
Brett Phillips, Group Finance Director	01782 744721	bphillips@portmeirion.co.uk
Pelham Public Relations:		
Kate Catchpole	020 7337 1512	kate.catchpole@pelhampr.com
Seymour Pierce Limited (Nomad):		
Paul Davies	020 7107 8031	pauldavies@seymourpierce.com

Portmeirion Group PLC

Business Review

Dividend

The board is recommending a final dividend of 11.15p bringing the total paid and proposed for the year to 14.70p, level with 2007. The dividend will be paid, subject to shareholders' approval, on 29 May 2009 to shareholders on the register at the close of business on 1 May 2009.

Results for the year

Revenue of £31.8 million in 2008 was 0.6% below 2007. In real terms, adjusting for the US dollar effect in translating Portmeirion USA revenues, our revenue reduction compared to 2007 would have been 3.1% using a constant US dollar exchange rate. The pre-exceptional profit before tax was £1.408 million (2007 - £3.411 million) and pre-exceptional EBITDA was £2.5 million (2007 - £4.2 million). Profit before tax was £1.090 million (2007 - £4.419 million). Given global trading conditions, we consider these results to have been hard won.

The profitability in 2008 was lower than in 2007 due predominately to the 17% drop in US sales (in US dollars) which was mainly on own manufactured product. As a result of this, combined with higher fuel costs and a full year of higher warehousing costs, 2008 operating margins were significantly down. The tax charge of £515,000 is high being 47% of pre-tax profit. The two main reasons for this are that it includes a one-off charge of £134,000 required under International Financial Reporting Standards in respect of the abolition of industrial building allowances, and that the non-operating exceptional write down of the investment in associated undertaking does not attract tax relief.

Cash generation was strong. We finished the year with cash balances of £3.9 million (2007 - £2.7 million) which include some £0.7 million as the disposal proceeds of a freehold property in the USA.

Although our sales figures were creditable, they were below the levels that we had planned for; in consequence our stock balances remained above optimum levels at £10.3 million (2007 - £9.6 million), although this increase would have been a decrease of £0.1 million using a constant US dollar exchange rate. We plan to reduce stock levels in 2009.

Our pension scheme deficit is £4.2 million under IAS19, a £1.7 million increase on 2007. We made a cash contribution of £0.3 million (2007 - £0.3 million) to this final salary scheme which has now been closed for nearly ten years.

Our five largest markets account for 91% of our revenues (2007 - 93%), USA 34% (2007 - 38%), UK 32% (2007 - 29%), South Korea 17% (2007 - 17%), Canada 6% (2007 - 6%), Italy 2% (2007 - 3%). Although we continue to maintain a broad equivalence between US dollar receipts and payments, we do have a small exposure to Euro receipts.

Products

Our heritage ranges - Botanic Garden, Pomona and Holly & Ivy account for 66% of sales (2007 - 72%). Sophie Conran, which was launched in 2006, has continued to strengthen and now accounts for 11% of sales (2007 - 8%). Pimpernel, which we acquired in 2006, now accounts for 6% of sales (2007 - 5%).

One of the key strengths of Botanic Garden is the way that the range constantly grows; this is what gives it its longevity. In 2008 we added sixty more products to the Botanic Garden range. New ceramic patterns which we have launched during the year include Eden Fruits, Eden Flowers and another Sophie Conran range - White Oak. Commercial design is at the heart of our business.

Sourcing

Our drive for manufacturing efficiencies has continued. One of our largest efficiency gains was at our Stoke-on-Trent pottery where we have managed the transfer of more production into our continuous rather than intermittent kilns such that we have now decommissioned four out of six of our intermittent kilns. This major transfer, which took place in the second half of the year, was technically challenging as we had to re-specify some product. The saving in energy consumption in 2009 is estimated to be 14%.

We have transferred the production of our ceramics in China to a new supplier in order to obtain cost and technical benefits.

The split between own manufactured product from Stoke-on-Trent and outsourced supply is now 58%: 42%.

People

Over the period from 2005 to 2008 we have increased sales per employee from £48,252 to £64,190, an increase of 33%. Constantly seeking increases in sales per employee will help us to continue to prosper as a business. During 2008 we reduced the number of people employed by the Group by 46 or 9%. In 2007 and 2006 the reductions were 4% and 6% respectively.

Personal Development Plans are created through the appraisal process where appropriate and the majority of our people have them in place. Through these Plans we seek to secure the involvement of our people in the expansion of skill levels to benefit them and the business.

Health and Safety is a major agenda item at Portmeirion. Our record is excellent and has been recognised outside the company by a number of prestigious awards.

Outlook

In 2008 we faced a very difficult international trading environment. While the UK pottery industry has encountered severe difficulties Portmeirion has remained strong. Our task is clear: to develop the brand with an emphasis on product design in order to generate long term sales increases. We have the brand, we have the product and we have the people. We will continue to drive sales, return on sales and dividend payments.

Sales for the first two months of the current year have shown a 6% increase over the corresponding period last year.

Richard Steele Lawrence Bryan
Non-executive Chairman Chief Executive

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008

	Notes	2008 £'000	2007 £'000
Revenue	4	31,838	32,017
Operating costs		(30,311)	(28,665)
Operating profit before exceptional items		1,527	3,352
Operating exceptional items	2	(178)	1,008
Operating profit after exceptional items		1,349	4,360
Investment revenue		53	142
Finance costs		(176)	(242)
Share of profit of associated undertakings		4	159
Non-operating exceptional item	2	(140)	-
Profit before tax		1,090	4,419
Tax		(515)	(1,393)
Profit for the year attributable to equity holders of the parent		575	3,026
Earnings per share	3	5.81p	30.77p
Diluted earnings per share	3	5.80p	29.55p

Dividends paid and proposed per share	6	14.70p	14.70p

All the above figures relate to continuing operations.

CONSOLIDATED BALANCE SHEET

As at 31 December 2008

	2008	2007
	£'000	£'000
Non-current assets		
Intangible assets	515	631
Property, plant and equipment	5,762	6,353
Interests in associates	1,297	1,387
Deferred tax asset	467	396
Total non-current assets	8,041	8,767
Current assets		
Inventories	10,266	9,581
Trade and other receivables	6,195	6,630
Cash and cash equivalents	3,938	2,708
Current income tax asset	252	-
Total current assets	20,651	18,919
Total assets	28,692	27,686
Current liabilities		
Trade and other payables	(4,316)	(4,487)
Current income tax liabilities	-	(121)
Derivative financial instruments	(2)	-
Total current liabilities	(4,318)	(4,608)

Non-current liabilities		
Pension scheme deficit	(4,222)	(2,498)
Grant received	(104)	-
Total non-current liabilities	(4,326)	(2,498)
Total liabilities	(8,644)	(7,106)
Net assets	20,048	20,580
Equity		
Called up share capital	528	528
Share premium account	4,820	4,820
Treasury shares	(1,202)	(1,266)
Share based payment reserve	146	91
Hedging and translation reserves	1,403	(457)
Retained earnings	14,353	16,864
Total equity	20,048	20,580

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2008

	2008	2007
	£'000	£'000
Operating profit after operating exceptional items	1,349	4,360
Adjustments for:		
Depreciation	843	671
Amortisation of intangible fixed assets	179	154
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	2,371	5,185
Contributions to defined benefit pension scheme	(348)	(348)
Charge for share based payments	55	53
Exchange gain/ (loss)	422	(57)
Profit on sale of tangible fixed assets	(93)	(1,795)
Grant received	104	-
Operating cash flows before movements in working capital	2,511	3,038

Decrease/(increase) in inventories	77	(1,229)
Decrease/(increase) in receivables	1,073	(2,020)
Decrease in payables	(507)	(841)
Cash generated from/(absorbed by) operations	3,154	(1,052)
Interest paid	(15)	(4)
Income taxes paid	(472)	(1,141)
Net cash from operating activities	2,667	(2,197)
Investing activities		
Dividend received from associate	-	83
Interest received	58	132
Proceeds on disposal of property, plant and equipment	775	2,257
Purchase of property, plant and equipment	(707)	(1,379)
Purchase of intangible fixed assets	(63)	(157)
Purchase of equity interest	(194)	-
Net cash (outflow)/inflow from investing activities	(131)	936
Financing activities		
Equity dividends paid	(1,456)	(1,398)
Shares issued under employee share schemes	57	168
Net cash outflow from financing activities	(1,399)	(1,230)
Net increase/(decrease) in cash and cash equivalents	1,137	(2,491)
Cash and cash equivalents at beginning of year	2,708	5,203
Effect of foreign exchange rate changes	93	(4)
Cash and cash equivalents at end of year	3,938	2,708

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

For the year ended 31 December 2008

	2008	2007
	£'000	£'000
Exchange differences on translation of foreign operations	1,860	41
Actuarial (loss)/gain on defined benefit pension scheme	(1,913)	2,988
Deferred tax on pension deficit	536	(951)
Net expense recognised directly in equity	483	2,078
Transfers		
Transferred to profit or loss on cash flow hedges	-	6
Tax on transfers to profit or loss on cash flow hedges	-	(2)
	483	2,082
Profit for the year	575	3,026

Total recognised income and expense for the year		
attributable to equity holders of the parent	1,058	5,108

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. This announcement was approved by the Board of Directors on 12 March 2009.

1.1 The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 2008 or 2007, but is derived from those accounts. Statutory accounts for 2007 have been delivered to the Registrar of Companies and those for 2008 will be delivered following the Company's Annual General Meeting. The auditors have reported on those accounts: their reports were unqualified, did not draw attention to any matters by way of emphasis and did not contain statements under Section 237(2) or (3) of the Companies Act 1985.

1.2 For the year ended 31 December 2008 the Group prepared its annual consolidated financial statements in accordance with accounting standards adopted for use in the European Union (International Financial Reporting Standards (IFRS)).

These financial statements have been prepared in accordance with the accounting policies stated in the Group's financial statements for the year ended 31 December 2008.

The financial statements have been prepared on the historic basis, except that derivative financial instruments are stated at their fair value.

1.3 The Group ended 2008 with a cash balance of £3.9 million, no borrowings and an unused overdraft facility of £1.5 million. It manufactures approximately half of its products and sources the other half from third party suppliers. The Group sells into a number of different markets worldwide and has a spread of customers within its major UK and US markets. Consequently, the Directors believe that the Group is well placed to manage its business risks successfully despite the uncertain economic outlook.

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

2. Exceptional items

Included in exceptional items are profit or loss on the sale of land and buildings and costs associated with leasehold property not yet operational or no longer required by the business including rent-free periods granted on sub-letting. Additional labour costs incurred in moving to and setting up the new warehouse and redundancy costs have also been included as exceptional. Non-operating exceptional items are impairments of investments in associated undertaking. The analysis of exceptional items is as follows:

	2008	2007
	£'000	£'000
Profit on sale of freehold land & buildings	**92**	1,783
Costs associated with assignment of leasehold property	**-**	(126)
Redundancy costs	**(197)**	(108)
Costs associated with implementation of new warehouse	**(73)**	(541)
Operating exceptional items	**(178)**	1,008
Impairment of investment in associated undertaking	**(140)**	-
Non-operating exceptional item	**(140)**	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Continued

	2008			2007		
	Earnings	**Weighted Number of**	**Earnings Per Share**	Earnings	Weighted Number of	Earnings Per Share
	£	**Shares**	**(Pence)**	£	Shares	(Pence)
Basic earnings per share	**575,000**	**9,905,002**	**5.81**	3,026,000	9,832,804	30.77
Effect of dilutive securities:						
employee share options	**-**	**17,214**	**-**	-	408,463	-
Diluted earnings per share	**575,000**	**9,922,216**	**5.80**	3,026,000	10,241,267	29.55

4. Segmental analysis

The following table provides an analysis of the Group's revenue by geographical market, irrespective of the origin of the products:

	2008	2007
	£'000	£'000
United Kingdom	**10,259**	9,337
United States	**10,858**	12,181
South Korea	**5,400**	5,526
Rest of the World	**5,321**	4,973
	31,838	32,017

5. Profit before tax reconciliation

	2008	2007
	£'000	£'000
Pre-tax profit before exceptional items	**1,408**	3,411
Operating exceptional items (note 2)	**(178)**	1,008
Non-operating exceptional items (note 2)	**(140)**	-
Pre-tax profit after exceptional items	**1,090**	4,419

6. Dividends

The Directors recommend that a final dividend of 11.15p (2007 - 11.15p) per Ordinary share be paid, subject to shareholders' approval, on 29 May 2009 to shareholders on the register on 1 May 2009.

The total dividend proposed and paid for the year is 14.70p (2007 – 14.70p) per share.

The accounts for the year ended 31 December 2008 will be posted out to shareholders on or before 23 April 2009 and laid before the Company at the Annual General Meeting on 22 May 2009. Copies 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 following posting to shareholders.

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