Timeless Design

PORTMEIRION GROUP PLC

Interim Statement 2021

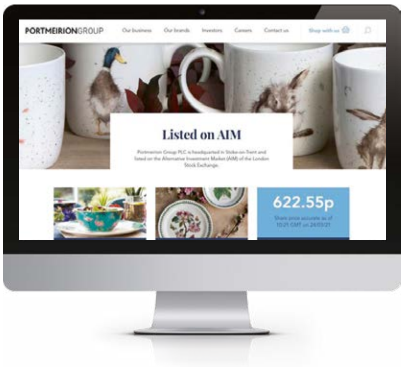
Stock code: PMP

Portmeirion Group PLC, the designer, manufacturer and worldwide distributor of high quality homewares under the Portmeirion, Spode, Royal Worcester, Pimpernel, Wax Lyrical and Nambé brands, is pleased to announce its results for the six months ended 30 June 2021.

Our Brands page 1 >

Overview

Financial Statements



Visit our website at
portmeiriongroup.com

Pictured on front cover (clockwise from top):
Portmeirion Botanic Garden Harmony,
Wax Lyrical Hand Care, Spode Blue Italian,
Nambé Scoop Server and Champagne Flutes.

Pictured above: Spode Creatures of Curiosity.

Headlines

Financial Headlines

- Record Group revenue of £43.1 million, an increase of 35% over the prior year (2020: £32.0 million) and 24% over pre Covid-19 levels (2019: £34.9 million).
- Like-for-like sales in constant currency up 7% against 2019 ("YO2Y"), ahead of pre Covid-19 levels despite ongoing disruptions, showing the strength of consumer demand and progress with our online strategy.
- Headline profit before tax[1] was £1.5 million (2020: loss before tax £2.7 million, 2019: profit before tax £0.5 million).
- Continued strong online sales growth which increased by 15% on a constant currency basis over 2020 with gross margin improvement of +900bps and 124% growth YO2Y.
- Earnings per share up to 9.12p per share (2020: loss per share 20.71p, 2019: earnings per share 3.96p).
- Strong balance sheet maintained and significant headroom within current borrowing facilities.
- Dividends to be resumed for FY21.
- Following a strong first half of the year and with an expanding global order book, the Group remains confident of achieving market expectations for FY21.

Operational Headlines

- Good progress in developing online and digital capabilities, including further investment in online platforms and fulfilment capabilities.
- Strong growth (57% against 2020, 4% YO2Y) in key South Korean market following successful period of management action and focus on stabilisation of stock levels. Growth expected to continue in H2.
- Completed a number of automation investments in UK ceramic factory which will increase capacity to underpin future sales growth and margin improvements.
- Successful expansion of home fragrance brand portfolio at Wax Lyrical; new factory line now producing hand and body care ranges, with first products shipping in the third quarter of the year.
- New product launches including Sophie Conran for Portmeirion and Spode Creatures of Curiosity.
- Our UK businesses both achieved Investor in People (IIP) Platinum accreditation in recognition to our commitment to leading, supporting and improving our workforce.

1 Headline profit/(loss) before tax excludes exceptional items – see note 3.

Our Brands

PORTMEIRION®

Established in 1960

Beautiful designs and practicality for modern-day living.

Pictured: Sophie Conran for Portmeirion Arbor & Floret

portmeirion.co.uk

Spode

Established in 1770

Contemporary yet timeless great British design.

Pictured: Spode Morris & Co.

spode.co.uk

WAX LYRICAL ENGLAND

Established in 1980

The UK's largest home fragrance company, based in the British Lake District.

Pictured: Wax Lyrical Homecenter

waxlyrical.com

ROYAL WORCESTER® ESTABLISHED 1751

Established in 1751

A rich and diverse design heritage.

Pictured: Royal Worcester Wrendale Design

royalworcester.co.uk

pimpernel

Established in 1945

The premier brand for placemats and coasters.

Pictured: Sara Miller London Portmeirion made by Pimpernel

pimpernelinternational.co.uk

nambe DESIGN YOUR LIFE®

Established in 1951

Making museum-quality art a part of daily life.

Pictured: Nambé Harmony Salad Bowl & Servers

nambe.co.uk

Interim Review

Excellent first half performance driven by success of online strategy

Trading

We are delighted to announce that reported sales were up on pre Covid-19 levels despite the ongoing disruptions from the pandemic which included the closure of retail in the UK during the first four months of the period.

We have continued to grow sales in our online channels – a key part and focus of our long term strategy. At the same time, we have increased average prices and margins on our own websites sales channels versus the same period in 2020, with average gross margin increasing by +900bps. In our key UK and US markets, 51% of sales went through all online channels (2020: 48%).

We have also seen strong growth from our rest of world markets, particularly from our key South Korean market which grew 57% on a more sustainable base following a successful period of stabilisation over the last few years.

We have continued to develop new products for our customers through the pandemic and have seen successful launches including a new Sophie Conran for Portmeirion range and Spode Creatures of Curiosity.

Financial highlights

Revenue was £43.1 million for the first six months of the year, an increase of 35% over the previous year (H1 2020: £32.0 million) and 24% over pre Covid-19 levels (2019: £34.9 million).

Like-for-like sales on a constant currency basis, excluding the benefit of sales from our Nambé division (acquired in July 2019) and additional sales from Portmeirion Canada (fully acquired in August 2020), were up by 35% over 2020 and by 7% over 2019 levels (Y02Y).

Our operating performance was encouraging; headline operating profit[1] was £1.7 million which was significantly ahead of both the prior year (H1 2020: operating loss £2.2 million) and pre Covid-19 levels (H1 2019: operating profit £0.7 million). This left the Group's operating margin at 4.0% for the first half of the year, which was significantly ahead of pre Covid-19 levels in 2019 of 1.9%.

Following the strong revenue and operating performance, headline profit before tax[1] was £1.5 million (2020 H1: loss before tax £2.7 million, 2019 H1: profit before tax £0.5 million). Headline basic earnings per share[1] was 9.12p per share (2020: basic loss per share 20.71p, 2019: basic earnings per share 3.96p).

1 Headline profit/(loss) before tax, headline operating profit/(loss) and headline earnings/(loss) per share exclude exceptional items (see note 3).

Operational overview

Our increased focus on online sales channel development allowed us to continue to grow and deliver our products into the hands of end consumers despite the ongoing challenges associated with the Covid-19 pandemic. Our experienced teams have worked hard to mitigate Covid-related disruption to our supply chains, including the extremely tight global container freight market.

Our two UK manufacturing sites both operated throughout the first half of the year. Demand for "Made in Britain" ceramics has remained strong and our Stoke-on-Trent factory is now operating above pre Covid-19 output levels. Our Wax Lyrical site in the Lake District has continued to produce our home fragrance lines, and following the completion of the hand and body product line extension, has launched a number of new collections which we have already started to ship in the third quarter.

The Group continues to prioritise the health and safety of our workforce and customers and ensure appropriate measures are in place at all of our premises.

The Group has continued to generate operating cash which has supported ongoing strategic investment. From the time of the equity raise in June 2020, the Group has spent a net sum of £4.0 million on capital expenditure, and has a number of further new projects already at the later stages of planning to accelerate future sales growth.

We continue to monitor the impact of Brexit on our trading markets. We have seen some disruption to shipping product into the EU from the UK and additional duty costs, but this has not had a material impact on H1 profitability.

Geographical performance

Following the acquisition of Nambé in July 2019, the USA became the Group's largest geographical market and accounted for 35% of total Group revenue. With the lifting of Covid-19 restrictions across the USA, this market grew by 44% compared to the first half of 2020 and like-for-like sales are now above 2019 levels. We see good opportunity for further growth in our US market in the next few years driven by further online penetration and new product launches.

Our second largest market is the UK, which accounted for 31% of total Group sales. Despite ongoing Covid-19 restrictions in the UK, with non-essential retail closed for the first quarter of the year, sales increased by 5% in this market. This was driven by the continued growth in online sales both on our own ecommerce site and third party platforms.

In international markets, sales in South Korea grew by 57%. South Korea was one of the first countries to enter national lockdown in 2020, and sales in H1 2020 were duly impacted. Our sales into the market rebounded strongly in the second half of 2020 and we continued to see growth due to new ranges and collections launched with our distributor.

In our rest of world markets, sales were up 93% over the same period in 2020 as various restrictions around the world ended and economies started to recover from the pandemic. Rest of world sales benefitted from additional sales in Canada due to the Group owning 100% of the share capital of Portmeirion Canada (fully acquired in August 2020). We also experienced strong growth in Australia and the Middle East.

Our own ecommerce sales increased by 15% at a constant currency rate in the first half of 2021 and are up 124% on 2019 pre Covid-19 levels as we start to see the benefit of our focus and online transformation strategy. This is a key ongoing area of focus and we continue to invest in increasing resource and expertise in this area.

Segmental performance

At Portmeirion UK, the main trading entity of the Group, sales increased 45% to £21.9 million (2020: £15.1 million). This increase was driven by a return to growth in both the UK and international markets following the impact of Covid-19 on H1 2020.

Sales from the Portmeirion North America division include sales made through our long standing Portmeirion USA entity, sales from the Nambé business, acquired in July 2019, and sales made by Portmeirion Canada which was fully acquired in August 2020. Sales made by the division increased by 59% to £16.7 million for the first half (2020: £10.5 million); on a like-for-like basis, to exclude the benefit of additional sales from Portmeirion Canada, sales were 44% ahead of the prior year.

Sales from our global home fragrance division decreased by 28% over the prior year to £4.6 million (2020: £6.4 million). This decrease was driven by a reduction in hand sanitiser sales which benefitted the first half of 2020; the majority of these sales were not repeated as supply from overseas became more readily and cheaply available. Excluding these sales underlying home fragrance sales were above 2020 levels, but below historic levels due to the impact of the closure of physical UK retail stores.

Profit

In the first half of 2021, the Group made a headline profit before tax[1] of £1.5 million; this compared to a loss before tax of £2.7 million in 2020 and a profit before tax of £0.5 million in 2019.

This profit was a pleasing result and in line with management expectations, and is set against a challenging UK retail backdrop with forced non-essential retail closures for all of the first quarter of the year.

1 Headline profit/(loss) before tax exclude exceptional items (see note 3).

Dividend

The Board is committed to a dividend policy which ensures we retain and invest enough capital in our business to drive long-term growth in our brands and we maintain a prudent and sustainable level of dividend cover.

The Board determined not to pay a dividend for FY20 due to the impact and disruption of Covid-19 on our business. On the basis of our strong first half trading performance we expect to resume dividend payments for FY21.

Balance sheet

The Group ended the first half of 2021 with net cash of £0.1 million; this compares to net cash of £1.1 million at 30 June 2020 and net cash of £0.7 million at 31 December 2020. In addition to the cash balance of £9.0 million and bank borrowings of £8.9 million, the Group also has unutilised committed bank facilities of £15.0 million.

Our stock balance is £29.3 million compared to £30.6 million at 30 June 2020 and £27.3 million at 31 December 2020. Excluding the inventory balance in Portmeirion Canada (acquired in August 2020), our like-for-like inventory has reduced by £2.5 million or 8% since the previous half year end. The business continues to invest in seasonal working capital to support the second half retail sales peak, so an increase over the year end position is to be expected.

We carry significant goodwill and intangible asset values on our balance sheet of some £15.7 million. These balances largely relate to the acquisitions of Wax Lyrical and Nambé and the goodwill is reviewed annually. The intangible assets are amortised over a range of ten and twenty years depending on their nature.

	2021 £m	2020 £m	2019 £m
Reported sales	**43.1**	32.0	34.9
H1 like-for-like sales*	**35.8**	27.4	34.4
H1 constant currency like-for-like sales*	**36.7**	27.2	34.4
Total own website sales	**5.2**	4.7	2.0
UK/US sales via online channels	**51%**	48%	30%

* Like-for-like sales exclude the benefit in 2021 and 2020 of a full year sales of Nambé (acquired in July 2019) and additional sales from Portmeirion Canada (acquired August 2020) previously held as an associated company.

Environmental, Social and Governance

The Group remains committed to the vision and values which support the Group's culture of openness and integrity and encourage behaviours that will positively impact our long-term sustainability.

We remain committed to being environmentally responsible through our dedication to reducing energy consumption, improving efficiency including improved production yields and reduced waste.

At our Stoke-on-Trent ceramic factory, we continue to strive for improvement in energy efficiency and reduce carbon emissions; as a result of ongoing investment in kiln firing, energy recirculation and throughput capacity we have both improved energy efficiency and reduced carbon emissions by 10% over the prior year. We have also committed to reducing our plastic content in packaging which has yielded a 50% reduction in usage over 2020 levels. We are also focused on recycling waste material and this was resulted in less than 1% of our waste going to landfill sites, with much ceramic waste being reused in the construction industry.

At our home fragrance factory in the Lake District, we continue to utilise a wind turbine to provide 60% of the energy required on the site. As part of new product launches including the hand and body care ranges, we are using biopolymer plastic which is made from renewable energy sources which actually helps reduce CO_2 emissions as part of the process. Wax Lyrical strive for continuous improvement in the environmental impact of its products, which includes using 100% recyclable future pump bottles, utilising longer-lasting diffuser oil and being a member of the Roundtable on Sustainable Palm Oil (RSPO).

We continue to employ and recruit people who share our company values. Our ethics and governance are supported by internal policies and procedures. Further details on our corporate culture and its integration within the Group can be found on our website, www.portmeiriongroup.com, and in the Stakeholder Engagement, Our Sustainability and Corporate Governance Statements in our Annual Report and Accounts.

We are proud to have achieved Investor in People (IIP) Platinum accreditation in both our UK businesses in recognition to our commitment to leading, supporting and improving our workforce to achieve business results. Platinum is the highest level of IIP accreditation, which positions Portmeirion among the elite few for its commitment to high performance through excellent people management.

Strategic areas of focus

Our brands have a combined history of more than 750 years as the much loved choice for our customers' homes. Our ambition is to be a leading force in the global homewares category.

Our long-term strategy is centred around driving profitable growth through:

- developing significant online sales channels including our own websites in key markets. In doing so we deepen the relationship with our end consumer and provide enhanced levels of satisfaction and demand for our products in the future;
- increasing our footprint in new markets through new product categories, and driving commercial activity in new geographies;
- building our brands' reach to engage even more consumers through new product design, as well as new formats of existing product and ranges including those targeted at the growing market for gifting; and
- leveraging our long established areas of core business strengths. These include investing in automation in our UK factories to drive both extra capacity and cost efficiency, our network of sourced factories around the world, and developing further direct to consumer warehouse capacity in our core markets.

We are confident that these initiatives, taken together, will drive accelerated sales growth and a sustained improvement in our operating margins which will deliver enhanced shareholder value.

Within these areas the Group has a number of specific areas of focus.

Interim Review continued

Products and brands

The Group has six major brands – Portmeirion, Spode, Royal Worcester, Pimpernel, Wax Lyrical and Nambé. Supporting and developing our brands is central to our business strategy and we continue to invest in both our heritage patterns and new product ranges.

Collectively, these brands have been chosen by our customers for more than 750 years, and we continue to invest and grow these brands via both line extensions to existing ranges and new complementary lines. In the last 12 months we have significantly increased the size of our brand marketing teams who, working with our designers, will develop and execute roadmaps to grow the sales footprints of our brands.

In addition to new product that we have already launched in 2021, we have an exciting future new product pipeline for the next 24 months that we believe will drive our sales over the next few years.

A list of our current ranges can be found at www.portmeirion.co.uk, www.spode.co.uk, www.waxlyrical.com, www.royalworcester.co.uk, www.pimpernelinternational.co.uk and www.nambe.co.uk. Customers in the United States should go to www.portmeirion.com and www.nambe.com. Our Canadian website operates under www.haustopia.com.

Accelerate our online transformation

The impact of Covid-19 has accelerated the trend to shopping online which represents a great opportunity for the Group to deepen our relationship and all points of contact with our end consumers. We have made great progress with our own website sales up 124% (Y02Y on pre Covid-19 levels) and with all online channel sales now representing 51% in our UK and US markets (2020: 48%, 2019: 30%). We have hired significant new digital marketing and online sales expertise in the past twelve months and will continue across the next 18 months to deploy accelerated investments behind our front end and back end web systems, customer data systems and in building further direct to consumer warehouse capacity to meet our forecast growth.

Stabilise and diversify within our South Korean market

We have spent the last 24 months stabilising sales to our South Korean market with strengthened internal controls to reduce stock overhangs caused by excessive parallel shipping of product from other markets.

We are pleased therefore to see the benefit of this action and from recent new product launches, demonstrated by 57% sales growth over 2020 and 4% over 2019. From this more stable base we expect to see further and sustainable growth in our South Korean market over the next few years. Our Portmeirion Botanic Garden range is much loved in South Korea and we are looking forward to launching new products in 2022 to mark the 50th anniversary of the launch of this range.

Rest of the world expansion

The Group sells into more than 70 countries around the world, with more than 80% of these sales made in our three key markets of the USA, UK and South Korea. We see a great opportunity to grow in other markets around the world through new distributor relationships and are particularly focused on Asia, Middle East and Europe.

Rest of world sales grew by 93% over 2020 levels with particularly strong growth in Australia and the Middle East and by 40% from Y02Y.

Included in rest of world sales are those made by Portmeirion Canada, our long standing 50% owned associated company which we fully acquired in August 2020. The Canadian retail market has been on Covid-19 related lockdown through much of the first half of FY21, but we have seen encouraging progress in sales made via online channels including the relaunch of our Canadian website, www.haustopia.com.

Operating capabilities and efficiency

We constantly review our operating capabilities in order to position the Group to meet the changing requirements of our customers, including our ongoing strategy and focus on growth in online and direct to consumer fulfilment.

We have increased our capital investment in the past 12 months with new automation projects in our Stoke-on-Trent factory and a new hand and body product production line in our Wax Lyrical factory in the Lake District. These projects will add extra production capacity, new revenue streams and deliver lower cost per unit as part of our strategy to improve Group operating margins.

We have commenced capital projects in 2021 in both our UK and US warehouses to increase our direct to consumer order fulfilment capacity and overall system integration and service levels. When complete these initiatives will provide additional support to our online sales growth strategy.

Corporate governance and Board

The Board are committed to good governance and we have continued to apply the Quoted Companies Alliance ("QCA") Corporate Governance Code, complying with its principles throughout the period. To see how the Group addresses the key governance principles defined in the QCA Code please refer to our website at www.portmeiriongroup.com/investors.

The Board keeps its composition and performance under review to ensure that we have the appropriate skills and experience in place to deliver our strategy.

Outlook

We are delighted with our excellent results in the first half of the financial year. Since the period end trading has continued that trend into the first two months of the second half. Looking forward we have a strong order book across our key markets for the rest of the year. We are cognisant of the ongoing, widely reported disruption and volatility in global supply chains, including labour shortages, container shipping delays and significant market price rises in container shipping rates all of which impact our business. We have taken and will continue to take mitigating action where possible, expediting stock shipments, building additional raw material and finished goods stock contingency, reviewing our own selling prices and continuing to offer added protection and flexibility to our staff to protect them from Covid-19 and related absence.

We remain confident of achieving market expectations[1], and the accelerated strategic investments we are making across our business will enable a strong path of growth in the next few years.

The Group benefits from global brands and products with timeless design. We have strong market positions around the world and over 750 years of combined history. During this pandemic we have not stood still and have continued to increase our investment behind our online growth strategy, new product pipeline and making our operations more efficient. We believe this investment, together with our strong balance sheet, underpins future growth and we remain confident in our ability to generate shareholder value.

1 Current consensus market expectations for 2021 are revenue of £90 million and profit before tax of £6.4 million, and for 2022 are revenue of £99.5 million and profit before tax of £10.0 million.

Dick Steele
Non-executive Chairman

Mike Raybould
Chief Executive

13 September 2021

Independent Review Report

to Portmeirion Group PLC

We have been engaged by Portmeirion Group PLC ("the Group") to review the interim financial information for the six months ended 30 June 2021 which comprises the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated statement of cash flows and related notes 1 to 12. We have read the other information contained in the interim statement and considered whether it contains any apparent misstatements or material inconsistencies with the interim financial information.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 issued by the Auditing Practices Board and our Engagement Letter dated July 2021. 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.

Respective responsibilities of directors and auditor

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 AIM Rules issued by the London Stock Exchange, which requires that the interim statement must be prepared and presented in a form consistent with that which will be adopted in the Company's annual accounts having regard to the accounting standards applicable to such annual accounts.

Our responsibility is to express to the Company a conclusion on the consolidated interim financial information in the interim statement based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom.

A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim financial information in the interim statement does not give a true and fair view of the financial position of the Company as at 30 June 2021 and of its financial performance and its cash flows for the six months then ended, in accordance with the AIM Rules issued by the London Stock Exchange.

Signed:

Mazars LLP

Chartered Accountants

The Pinnacle

160 Midsummer Boulevard

Milton Keynes

MK9 1FF

13 September 2021

Notes:

(a) The maintenance and integrity of the Portmeirion Group PLC web site is the responsibility of the directors; the work carried out by us does not involve consideration of these matters and, accordingly, we accept no responsibility for any changes that may have occurred to the interim report since it was initially presented on the web site.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

Consolidated Income Statement

Unaudited

	Notes	Six months to 30 June 2021 £'000	Six months to 30 June 2020 £'000	Year to 31 December 2020 £'000
Revenue	2	**43,136**	32,002	87,854
Operating costs		**(41,415)**	(34,203)	(85,661)
Headline operating profit/(loss)[1]		**1,721**	(2,201)	2,193
Exceptional items	3			
– restructuring costs		**(378)**	(85)	(1,288)
– acquisition costs		**—**	—	(104)
– share issue costs		**—**	(55)	(55)
– Covid-19 costs		**—**	(67)	(176)
Operating profit/(loss)		**1,343**	(2,408)	570
Interest income		**2**	—	13
Finance costs	4	**(299)**	(384)	(740)
Profit on sale of fixed assets		**120**	—	—
Share of results of associated undertakings		**—**	(83)	(75)
Headline profit/(loss) before tax[1]		**1,544**	(2,668)	1,391
Exceptional items	3			
– restructuring costs		**(378)**	(85)	(1,288)
– acquisition costs		**—**	—	(104)
– share issue costs		**—**	(55)	(55)
– Covid-19 costs		**—**	(67)	(176)
Profit/(loss) before tax		**1,166**	(2,875)	(232)
Tax[2]	5	**(233)**	460	(503)
Profit/(loss) for the period attributable to equity holders		**933**	(2,415)	(735)
Earnings per share	7			
Basic		**6.79p**	(22.66p)	(6.02)p
Diluted		**6.77p**	(22.66p)	(6.02)p
Headline earnings per share[1]	7			
Basic		**9.12p**	(20.71p)	4.96p
Diluted		**9.09p**	(20.71p)	4.95p
Dividends proposed and paid per share	6	**0.00p**	0.00p	0.00p

All the above figures relate to continuing operations.

1 Headline operating profit or (loss) is statutory operating profit of £1,721,000 (H1 2020: £2,201,000 loss) before exceptional items of £378,000 (H1 2020: £207,000). Headline profit or (loss) before tax is statutory profit before tax of £1,544,000 (H1 2020: £2,668,000 loss), after adding back the exceptional items.

2 Tax on exceptional items in the current period has reduced the charge by £58,000 (H1 2020: £nil).

Consolidated Statement of Comprehensive Income

Unaudited

	Six months to 30 June 2021 £'000	Six months to 30 June 2020 £'000	Year to 31 December 2020 £'000
Profit/(loss) for the period	**933**	(2,415)	(735)
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of net defined benefit pension scheme asset/(liability)	**3,000**	(1,980)	(3,208)
Deferred tax relating to items that will not be reclassified subsequently to profit or loss	**(750)**	385	843
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	**(304)**	1,219	(525)
Deferred tax relating to items that may be reclassified subsequently to profit or loss	**—**	—	(26)
Other comprehensive income for the period	**1,946**	(376)	(2,916)
Total comprehensive income for the period attributable to equity holders	**2,879**	(2,791)	(3,651)

Consolidated Balance Sheet

Unaudited

	30 June 2021 £'000	30 June 2020 £'000	31 December 2020 £'000
Non-current assets			
Goodwill	**8,978**	8,978	8,978
Intangible assets	**6,769**	7,457	6,976
Property, plant and equipment	**13,212**	11,121	12,197
Right-of-use assets	**6,328**	5,612	6,910
Interests in associates	**—**	633	—
Pension scheme surplus	**1,152**	—	—
Deferred tax asset	**80**	691	119
Total non-current assets	**36,519**	34,492	35,180
Current assets			
Inventories	**29,259**	30,608	27,313
Trade and other receivables	**12,329**	11,252	15,269
Current income tax asset	**895**	733	579
Cash and cash equivalents	**9,043**	12,987	11,590
Total current assets	**51,526**	55,580	54,751
Total assets	**88,045**	90,072	89,931
Current liabilities			
Trade and other payables	**(12,032)**	(12,722)	(12,601)
Borrowings	**(2,979)**	(2,970)	(3,972)
Lease liabilities	**(1,595)**	(1,685)	(2,143)
Total current liabilities	**(16,606)**	(17,377)	(18,716)
Non-current liabilities			
Pension scheme deficit	**—**	(2,000)	(2,721)
Deferred tax liability	**(1,774)**	(1,065)	(738)
Borrowings	**(5,959)**	(8,938)	(6,951)
Lease liabilities	**(5,058)**	(4,200)	(5,096)
Total non-current liabilities	**(12,791)**	(16,203)	(15,506)
Total liabilities	**(29,397)**	(33,580)	(34,222)
Net assets	**58,648**	56,492	55,709
Equity			
Called up share capital	**710**	710	710
Share premium account	**18,344**	18,347	18,344
Investment in own shares	**(3,124)**	(3,146)	(3,140)
Share-based payment reserve	**212**	123	152
Translation reserve	**773**	2,847	1,077
Retained earnings	**41,733**	37,611	38,566
Total equity	**58,648**	56,492	55,709

Consolidated Statement of Changes in Equity

Unaudited

	Share capital £'000	Share premium account £'000	Investment in own shares £'000	Share-based payment reserve £'000	Translation reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2020	**555**	**7,310**	**(3,146)**	**87**	**1,628**	**41,664**	**48,098**
Loss for the period	—	—	—	—	—	(2,415)	(2,415)
Other comprehensive income for the period	—	—	—	—	1,219	(1,595)	(376)
Total comprehensive income for the period	**—**	**—**	**—**	**—**	**1,219**	**(4,010)**	**(2,791)**
Issue of own shares	155	11,037	—	—	—	—	11,192
Cost of issue of own shares	—	—	—	—	—	(43)	(43)
Increase in share-based payment reserve	—	—	—	36	—	—	36
At 30 June 2020	**710**	**18,347**	**(3,146)**	**123**	**2,847**	**37,611**	**56,492**
Profit for the period	—	—	—	—	—	1,680	1,680
Other comprehensive income for the period	—	—	—	—	(1,770)	(770)	(2,540)
Total comprehensive income for the period	**—**	**—**	**—**	**—**	**(1,770)**	**910**	**(860)**
Unclaimed dividends written back	—	—	—	—	—	4	4
Issue of own shares	—	37	—	—	—	—	37
Cost of issue of own shares	—	(40)	—	—	—	43	3
Increase in share-based payment reserve	—	—	—	50	—	(21)	29
Transfer on exercise or lapse of options	—	—	—	(21)	—	21	—
Shares issued under employee share schemes	—	—	6	—	—	(6)	—
Deferred tax on share-based payment	—	—	—	—	—	4	4
At 31 December 2020	**710**	**18,344**	**(3,140)**	**152**	**1,077**	**38,566**	**55,709**
Profit for the period	—	—	—	—	—	933	933
Other comprehensive income for the period	—	—	—	—	(304)	2,250	1,946
Total comprehensive income for the period	**—**	**—**	**—**	**—**	**(304)**	**3,183**	**2,879**
Increase in share-based payment reserve	—	—	—	60	—	—	60
Shares issued under employee share schemes	—	—	16	—	—	(16)	—
At 30 June 2021	**710**	**18,344**	**(3,124)**	**212**	**773**	**41,733**	**58,648**

Consolidated Statement of Cash Flows

Unaudited

	Six months to 30 June 2021 £'000	Six months to 30 June 2020 £'000	Year to 31 December 2020 £'000
Operating profit/(loss)	**1,343**	(2,408)	570
Adjustments for:			
Depreciation of property, plant and equipment	**773**	813	1,634
Depreciation of right-of-use assets	**914**	1,075	2,037
Amortisation of intangible assets	**403**	431	848
Charge for share-based payments	**60**	36	65
Exchange loss	**(157)**	(147)	(100)
Costs taken directly through reserves	**—**	(43)	—
Loss on sale of tangible fixed assets	**—**	—	12
Operating cash flows before movements in working capital	**3,336**	(243)	5,066
(Increase)/decrease in inventories	**(2,096)**	(3,272)	171
Decrease in receivables	**2,864**	8,328	4,398
Decrease in payables	**(465)**	(427)	(913)
Cash generated from operations	**3,639**	4,386	8,722
Contributions to defined benefit pension scheme	**(900)**	(400)	(900)
Interest paid	**(240)**	(303)	(497)
Income taxes paid	**(208)**	(29)	(125)
Net cash inflow from operating activities	**2,291**	3,654	7,200
Investing activities			
Interest received	**2**	—	12
Proceeds on disposal of property, plant and equipment	**775**	—	—
Purchase of property, plant and equipment	**(2,465)**	(542)	(2,556)
Purchase of intangible assets	**(228)**	(92)	(196)
Acquisition of subsidiary	**—**	—	(541)
Net cash outflow from investing activities	**(1,916)**	(634)	(3,281)
Financing activities			
Issue of own shares	**—**	11,192	11,229
Costs taken directly through reserves	**—**	—	(40)
New bank loans raised	**—**	2,000	5,000
Principal elements of lease payments	**(897)**	(801)	(2,084)
Repayments of borrowings	**(2,000)**	(3,581)	(7,581)
Net cash (outflow)/inflow from financing activities	**(2,897)**	8,810	6,524
Net (decrease)/increase in cash and cash equivalents	**(2,522)**	11,830	10,443
Cash and cash equivalents at beginning of period	**11,590**	1,151	1,151
Effect of foreign exchange rate changes	**(25)**	6	(4)
Cash and cash equivalents at end of period	**9,043**	12,987	11,590

Notes to the Interim Financial Information

1. Basis of preparation

The interim financial information has not been audited and does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006 but has been reviewed by the auditors in accordance with International Standard on Review Engagements (UK and Ireland) 2410 issued by the Auditing Practices Board. The Group's statutory accounts for the year ended 31 December 2020, prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, have been delivered to the Registrar of Companies; the report of the auditors on these accounts was unqualified and did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006.

The interim financial information has been prepared in accordance with IFRS on the historical cost basis, except that derivative financial instruments are stated at their fair value. The same accounting policies, presentation and methods of computation are followed in the interim financial information as were applied in the Group's last annual audited financial statements.

Going concern

The directors having made suitable enquiries and analysis of the accounts, consider that the Group has adequate resources to continue in business for the foreseeable future. In making this assessment, the Directors have considered the Group's revised trading conditions following the impact of the Covid-19 pandemic, cash flow forecasts, share issue and available banking facility with appropriate headroom in facilities and financial covenants.

Details of the Covid-19 pandemic impact on the Portmeirion Group and its going concern assessment are included in the Group's statutory financial statements for the year ended 31 December 2020. The Group continues to trade in line with the revised trading conditions and the Directors continue to carefully monitor the impact of the Covid-19 pandemic on the operations of the Group.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those detailed on page 74 of the Group's 2020 Financial Statements.

Government grants

The Group has received funding from various Governments in relation to Covid-19. Government income is recognised in profit or loss (as a deduction in the related expense) on a systematic basis over the periods in which the Group recognises expenses for the related costs for which the grants are intended to compensate (see note 10).

2. Segmental analysis

The following tables provide an analysis of the Group's revenue by operating segment and geographical market, irrespective of the origin of the products:

Operating segment	**Six months to 30 June 2021 £'000**	Six months to 30 June 2020 £'000	Year to 31 December 2020 £'000
Portmeirion UK	**21,879**	15,133	38,086
Portmeirion North America	**16,656**	10,492	34,936
Global home fragrance	**4,601**	6,377	14,832
	43,136	32,002	87,854

Geographical market	**Six months to 30 June 2021 £'000**	Six months to 30 June 2020 £'000	Year to 31 December 2020 £'000
United Kingdom	**13,264**	12,684	31,845
United States	**15,126**	10,506	33,493
South Korea	**9,724**	6,211	13,071
Rest of the World	**5,022**	2,601	9,445
	43,136	32,002	87,854

Notes to the Interim Financial Information continued

3. Exceptional items

	Six months to 30 June 2021 £'000	Six months to 30 June 2020 £'000	Year to 31 December 2020 £'000
Restructuring costs	**378**	85	1,288
Acquisition costs	**—**	—	104
Share issue costs	**—**	55	55
Covid-19 costs	**—**	67	176
	378	207	1,623

Restructuring costs relate to a redundancy exercise undertaken within the Group. All of these costs are exceptional in nature and non-recurring.

4. Finance costs

	Six months to 30 June 2021 £'000	Six months to 30 June 2020 £'000	Year to 31 December 2020 £'000
Interest paid	**190**	295	561
Interest on lease liabilities	**92**	83	179
Net interest expense on pension scheme	**17**	6	—
	299	384	740

5. Taxation

Tax for the interim period is charged at 20% (year to 31 December 2020: 19%) representing the best estimate of the weighted average annual corporation tax rate expected for the full year. Deferred tax has been calculated at a rate of 19%.

In the Finance Bill 2021, the Government announced that from 1 April 2023 the corporation tax rate would increase from 19% to 25%. The Finance Bill 2021 had its third reading on 24 May 2021 and is now considered substantively enacted. As a consequence, deferred tax assets/liabilities have been measured at the rate they are expected to reverse.

6. Dividend

During the period no dividend was paid in respect of the previous financial year. The Directors do not propose a dividend in respect of the interim period ended 30 June 2021.

7. Earnings per share

	Six months to 30 June 2021 £'000	Six months to 30 June 2020 £'000	Year to 31 December 2020 £'000
Earnings			
Earnings for the purpose of basic and diluted earnings per share, being profit/(loss) for the period attributable to equity holders	**933**	(2,415)	(735)

	Six months to 30 June 2021 £'000	Six months to 30 June 2020 £'000	Year to 31 December 2020 £'000
Number of shares			
Weighted average number of shares for the purpose of basic earnings per share	**13,743,924**	10,659,592	12,208,723
Weighted average dilutive effect of conditional share awards	**42,784**	—	—
Weighted average number of shares for the purpose of diluted earnings per share	**13,786,708**	10,659,592	12,208,723

7. Earnings per share continued

The calculation of basic and diluted headline earnings per share is based on the following data:

	Six months to 30 June 2021 £'000	Six months to 30 June 2020 £'000	Year to 31 December 2020 £'000
Profit/(loss) for the period attributable to equity holders	**933**	(2,415)	(735)
Add back:			
Exceptional items and associated tax benefits	**320**	207	1,340
Headline earnings	**1,253**	(2,208)	605

8. Reconciliation of earnings before interest, tax, depreciation and amortisation (EBITDA)

	Six months to 30 June 2021 £'000	Six months to 30 June 2020 £'000	Year to 31 December 2020 £'000
Operating profit/(loss)	**1,343**	(2,408)	570
Add back:			
Depreciation	**1,687**	1,888	3,671
Amortisation	**403**	431	848
Earnings/(loss) before interest, tax, depreciation and amortisation	**3,433**	(89)	5,089

9. Retirement benefit schemes

Defined benefit scheme

The defined benefit obligation as at 30 June 2021 is calculated on a year-to-date basis, using the latest actuarial valuation as at 30 June 2021.

There have been no significant market fluctuations and significant one-off events, such as plan amendments, curtailments and settlements that have resulted in an adjustment to the actuarially-determined pension cost since the end of the prior financial year. The defined benefit plan assets have been updated to reflect their market value at 30 June 2021.

There have been no significant falls in asset prices observed during Covid-19 due to the diversified market portfolio. However, significant market fluctuations have caused an increase in the discount rate applied to the defined benefit obligation resulting in an asset.

10. Government grants

Government grants were receivable as part of a Government initiative's to provide immediate financial support as a result of the effects of the Covid-19 shutdown. There are no future related costs in respect of these grants which are receivables solely as compensation for past expenses.

The Group received funding from the UK Government's 'Coronavirus Job Retention Scheme' and retail support grants, as well as the US Government's 'Paycheck Protection Programme' and the Canadian Government's 'Emergency Wage Subsidy'. In total this support amounted to £312,000 (2020: £2,843,000) and is included as a credit within operating costs.

11. Related party transactions

The Group's related parties are as disclosed in the Report and Accounts for the year ended 31 December 2020. There were no material differences in related parties or related party transactions in the six months ended 30 June 2021 except for transactions with key management personnel.

The most significant of these was on 25 March 2021, under the Portmeirion 2012 Approved and Unapproved Share Option Plan, when 50,000, 30,000, 30,000, 30,000, 30,000 and 12,500 share option awards were granted to M Raybould, M Knapper, D Sproston, J Gale, W Robedee and M MacDonald respectively at an option price of £6.33 per share when the market price was £6.33 per share.

12. Post balance sheet events

There were no post balance sheet events.

13. Availability of document

A copy of the interim results will shortly be available on the Company website at www.portmeiriongroup.com.

Company Information

Board of Directors

Non-executive Chairman
Dick Steele BCOM FCA CTA

Chief Executive
Mike Raybould BSc ACA

Group Finance Director
David Sproston BSc ACA

Chief Commercial Officer
Jacqui Gale MBA MBE

Operations Director
Mick Knapper

President of North America
Bill Robedee BA JD

Non-executive Director
Andrew Andrea BA MA ACA

Non-executive Director
Angela Luger BSc

Non-executive Director
Clare Askem BSc MBA

Company Secretary
Moira MacDonald FCIS

Registered office and number
London Road
Stoke-on-Trent
ST4 7QQ

Tel: +44 (0) 1782 744721

www.portmeiriongroup.com
Registered number: 124842

Auditors

Mazars LLP
The Pinnacle
160 Midsummer Boulevard
Milton Keynes
MK9 1FF

Nominated adviser and broker

Panmure Gordon (UK) Limited
One New Change
London
EC4M 9AF

Joint broker

N+1 Singer
1 Bartholomew Lane
London
EC2N 2AX

Registrars

Link Group
10th Floor
Central Square
29 Wellington Street
Leeds
LS1 4DL

Tel: 0371 664 0300* (UK)
+44 (0) 37 1664 0300 (outside UK)

Email: shareholderenquiries@linkgroup.co.uk
www.linkgroup.eu/locations/united-kingdom

* Calls are charged at the standard geographic rate and will vary by provider. Lines open between 9:00 am and 5:30 pm GMT, Monday – Friday excluding public holidays in England and Wales.

Solicitors

Pinsent Masons LLP
55 Colmore Row
Birmingham
B3 2FG

HGF Limited
4th Floor Merchant Exchange
17–19 Whitworth Street West
Manchester
M1 5WG

Knights PLC
The Brampton
Newcastle-under-Lyme
Staffordshire
ST5 0QW

Freeths LLP
Federation House
Station Road
Stoke-on-Trent
ST4 2SA

Financial PR advisers

Hudson Sandler LLP
25 Charterhouse Square
London
EC1M 6AE

Tel: +44 (0) 20 7796 4133

Email: hello@hudsonsandler.com

Financial Calendar

Annual report	**April**
Annual General Meeting	**May**

Dividends

Interim announced	September
Final announced	March

PORTMEIRION GROUP PLC
London Road
Stoke-on-Trent
Staffordshire ST4 7QQ
Telephone: +44 (0)1782 744721
www.portmeiriongroup.com