portmeirion
group plc
interim statement 2009

growing great british brands worldwide

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PORTMEIRION

ROYAL WORCESTER
ESTABLISHED 1751

Spode

Contents

Highlights

Financial – An excellent performance in a difficult trading environment

- Unchanged interim dividend of 3.55 pence per share
- Revenues of £17.0 million up by 10.9% on comparative period of 2008 (£15.3 million)
- Operating profit before exceptionals of £940,000 up by 85.0% (2008 – £508,000)
- Profit before tax of £532,000 up by 31.0% (2008 – £406,000)
- Earnings per share of 3.50p up by 35.1% (2008 – 2.59p)
- Stock reduced by over 10%

Operational

- Acquisition of Spode and Royal Worcester brands provides great opportunity for growth
- UK revenue grows by 12.9%
- Korean revenue improves by 31.2%
- Acquisition of Spode and Royal Worcester brands enables some ceramic manufacture to return to the UK

Interim Review

Acquisition of Spode and Royal Worcester

On 23 April 2009, we acquired the Spode and Royal Worcester brands for a total sum of £3.2 million. (Full figures are set out in note 9.) This acquisition is the most significant event at Portmeirion for many years. We now have the wherewithal to grow Portmeirion to be a significantly larger company.

We announced at the time of the deal that the sales from these brands would amount to £7 million in 2009 and £12 million in 2010 and we remain confident of these projections. The Christmas Tree pattern is Spode's highest volume pattern and due to this it is estimated that some 90% of the additional sales for 2009 will be made in the second half. The Spode Blue Italian and Woodland patterns are already in production at our factory in Stoke-on-Trent. The other Spode and Royal Worcester patterns of importance – Christmas Tree, Evesham, Stafford Flowers, Baking Days and Classic White – have been sourced, and shipments commenced, from our high quality supplier base in the Far East.

Dividend

The Board is recommending an unchanged dividend of 3.55 pence per share. One of the side effects of the Spode and Royal Worcester acquisition is that the results of Portmeirion Group will become even more heavily weighted towards the second half year due mainly to the huge potential sales of the Christmas Tree design. It is, therefore, appropriate for us to consider dividends again when we have traded through the important second half year.

The interim dividend will be paid on 1 October 2009. The ex dividend date will be 2 September 2009 with a record date of 4 September 2009.

Results

Our operating profit before exceptional items increased by 85% to £940,000 (2008 – £508,000). Profit before exceptionals and tax was £727,000, an increase of 48% (2008 – £490,000).

Revenues, at £17.0 million, are an 11% increase over the same period in 2008. Within this figure the UK and Korean markets showed growth of 13% and 31% respectively. The US market change was minus 6% in US dollar terms, however, given the fluctuations in exchange rates compared to 2008 the sales increase for sterling reported US sales was plus 23%. Trading continues to be challenging in the US, however, our expectations for the year remain unchanged.

Earnings before exceptional items, interest, tax, depreciation and amortisation were £1.38 million, a 26% increase on 2008. Interest charges are now becoming a feature in our results as we have had to establish credit lines to cover the working capital flex inherent in our enlarged business. At the half year interest costs were £44,000 (shown in note 4), this will increase significantly in the second half year.

Balance Sheet

Despite our strong balance sheet we had to ensure we had appropriate working capital facilities to trade the Spode and Royal Worcester brands. This was a challenge given the difficult state of the capital markets in Spring this year.

As planned, our stock is coming more into balance. There is now a significant intangible asset in the balance sheet representing the brand names acquired.

Interim Review
Continued

Net cash at 30 June 2009 was £0.575 million compared to £0.794 million at 30 June 2008. Our second half year sees a large working capital swing as we stock up to meet the higher second half demand. The acquisition of Spode and Royal Worcester has accentuated this swing.

Our Sterling/US Dollar exposure remains largely self balancing after the Spode and Royal Worcester deal.

Products

We have continued to maintain the freshness and vitality of Botanic Garden with new product introductions and we are well underway with our planning to celebrate the fiftieth anniversary of Portmeirion in 2010 with a number of collector items. We have introduced another contemporary Portmeirion range – Liquid – and initial orders are encouraging.

A great deal of work has been required to manufacture and source the Spode and Royal Worcester patterns. It is a testament to the strength of our technical abilities that so much has been accomplished with these patterns in such a short time. Portmeirion as a back stamp is a guarantee of quality, we will ensure that our high quality standards apply equally to the Spode and Royal Worcester back stamps.

Outlook

Our order books are extremely healthy, driven in part by the demand for the Spode and Royal Worcester ranges as well as the continuing popularity of the Sophie Conran for Portmeirion range. With the extra Spode production our Stoke-on-Trent factory is now running at closer to optimal levels.

We are committed to good design and high quality.

These results are in line with our expectations. We look forward with confidence.

Richard Steele
Non-executive Chairman
7 August 2009

Lawrence Bryan
Chief Executive

Independent Review Report

to the Members of Portmeirion Group PLC

Introduction

We have been engaged by Portmeirion Group PLC to review the condensed financial information for the six months ended 30 June 2009, which comprises the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of cash flows, the reconciliation of movements in shareholders' equity and related notes 1 to 9. We have read the other information contained in the interim statement and considered whether it contains any apparent misstatements or material inconsistencies with the condensed 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. 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 auditors

The interim statement, including the condensed 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 condensed consolidated 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 Ireland) 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 condensed consolidated financial information in the interim statement for the six months ended 30 June 2009 is not prepared, in all material respects, in accordance with the AIM Rules issued by the London Stock Exchange.

Mazars LLP
Chartered Accountants
Lancaster House
67 Newhall Street
Birmingham
B3 1NG
7 August 2009

Notes:

(a) The maintenance and integrity of the Portmeirion Group PLC website 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 website.

(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 2009 £'000**	Six months to 30 June 2008 £'000	Year to 31 December 2008 £'000
Revenue	2	**17,005**	15,336	31,838
Operating costs		**(16,065)**	(14,828)	(30,311)
Operating profit before exceptional items		**940**	508	1,527
Operating exceptional items	3	**(195)**	(84)	(178)
Operating profit after operating exceptional items		**745**	424	1,349
Investment revenue		**6**	31	53
Finance costs	4	**(177)**	(74)	(176)
Share of results of associated undertakings		**(42)**	25	4
Non-operating exceptional item	3	**–**	–	(140)
Profit before tax		**532**	406	1,090
Tax	5	**(185)**	(150)	(515)
Profit for the period attributable to equity holders of the parent		**347**	256	575
Earnings per share	7	**3.50p**	2.59p	5.81p
Diluted earnings per share	7	**3.50p**	2.51p	5.80p
Dividends paid and proposed per share	6	**3.55p**	3.55p	14.70p

All the above figures relate to continuing operations.

Consolidated Statement of Comprehensive Income
Unaudited

	Six months to 30 June 2009 £'000	Six months to 30 June 2008 £'000	Year to 31 December 2008 £'000
Profit for the period	**347**	256	575
Exchange differences on translation of foreign operations	**(892)**	(11)	1,860
Actuarial loss on defined benefit pension scheme	**–**	–	(1,913)
Deferred tax on pension deficit	**–**	–	536
Other comprehensive income for the period	**(892)**	(11)	483
Total comprehensive income for the period attributable to equity holders of the parent	**(545)**	245	1,058

Consolidated Balance Sheet
Unaudited

	As at 30 June 2009 £'000	As at 30 June 2008 £'000	As at 31 December 2008 £'000
Non-current assets			
Intangible assets	**2,570**	595	515
Property, plant and equipment	**5,622**	6,324	5,762
Interests in associates	**1,221**	1,401	1,297
Deferred tax asset	**467**	396	467
Total non-current assets	**9,880**	8,716	8,041
Current assets			
Inventories	**9,001**	10,116	10,266
Trade and other receivables	**6,370**	6,660	6,195
Cash and cash equivalents	**1,705**	794	3,938
Current income tax asset	**–**	–	252
Derivative financial instruments	**–**	6	–
Total current assets	**17,076**	17,576	20,651
Total assets	**26,956**	26,292	28,692
Current liabilities			
Trade and other payables	**(2,861)**	(3,908)	(4,316)
Current income tax liabilities	**(311)**	(395)	–
Borrowings	**(270)**	–	–
Derivative financial instruments	**–**	–	(2)
Total current liabilities	**(3,442)**	(4,303)	(4,318)
Non-current liabilities			
Pension scheme deficit	**(4,182)**	(2,404)	(4,222)
Borrowings	**(860)**	–	–
Grant received	**(91)**	–	(104)
Total non-current liabilities	**(5,133)**	(2,404)	(4,326)
Total liabilities	**(8,575)**	(6,707)	(8,644)
Net assets	**18,381**	19,585	20,048
Equity			
Called up share capital	**528**	528	528
Share premium account	**4,820**	4,820	4,820
Treasury shares	**(1,202)**	(1,232)	(1,202)
Hedging and translation reserves	**511**	(468)	1,403
Retained earnings	**13,724**	15,937	14,499
Total equity	**18,381**	19,585	20,048

Consolidated Statement of Cash Flows
Unaudited

	Six months to 30 June 2009 £'000	Six months to 30 June 2008 £'000	Year to 31 December 2008 £'000
Operating profit after operating exceptional items	**745**	424	1,349
Adjustments for:			
Depreciation	**325**	489	843
Amortisation of intangible fixed assets	**115**	97	179
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	**1,185**	1,010	2,371
Contributions to defined benefit pension scheme	**(174)**	(174)	(348)
Charge for share based payments	**(16)**	28	55
Exchange (loss)/gain	**(146)**	–	422
(Profit)/loss on sale of tangible fixed assets	**(4)**	1	(93)
Grant received	**–**	–	104
Operating cash flows before movements in working capital	**845**	865	2,511
Decrease/(increase) in inventories	**846**	(535)	77
(Increase)/decrease in receivables	**(461)**	7	1,073
Decrease in payables	**(1,267)**	(579)	(507)
Cash (absorbed by)/generated from operations	**(37)**	(242)	3,154
Interest paid	**(44)**	–	(15)
Income taxes received/(paid)	**377**	67	(472)
Net cash from operating activities	**296**	(175)	2,667
Investing activities			
Interest received	**21**	51	58
Proceeds on disposal of property, plant and equipment	**4**	15	775
Purchase of property, plant and equipment	**(240)**	(476)	(707)
Purchase of intangible fixed assets	**(2,170)**	(61)	(63)
Purchase of equity interest	**–**	(194)	(194)
Net cash outflow from investing activities	**(2,385)**	(665)	(131)
Financing activities			
Equity dividends paid	**(1,106)**	(1,104)	(1,456)
New bank loans raised	**1,178**	–	–
Repayments of bank loans	**(48)**	–	–
Shares issued under employee share schemes	**–**	30	57
Net cash inflow/(outflow) from financing activities	**24**	(1,074)	(1,399)
Net (decrease)/increase in cash and cash equivalents	**(2,065)**	(1,914)	1,137
Cash and cash equivalents at beginning of period	**3,938**	2,708	2,708
Effect of foreign exchange rate changes	**(168)**	–	93
Cash and cash equivalents at end of period	**1,705**	794	3,938

Reconciliation of Movements in Shareholders' Equity
Unaudited

	Six months to 30 June 2009 £'000	Six months to 30 June 2008 £'000	Year to 31 December 2008 £'000
Opening balance	**20,048**	20,580	20,580
Total comprehensive income for the period	**(545)**	245	1,058
Dividends paid	**(1,106)**	(1,104)	(1,456)
Shares issued under employee share schemes	**–**	30	57
(Decrease)/increase in share based payment reserve	**(16)**	28	55
Deferred tax on share based payment	**–**	–	(52)
Purchase of equity interests	**–**	(194)	(194)
Closing balance	**18,381**	19,585	20,048

Notes to the Condensed 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 2410 issued by the Auditing Practices Board. The Group's statutory accounts for the year ended 31 December 2008, prepared in accordance with accounting standards adopted for use in the European Union (International Financial Reporting Standards (IFRS)), 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 237 (2) or (3) of the Companies Act 1985.

These interim financial statements have been prepared in accordance with IFRS on the historic 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 statements as applied in the Group's latest annual audited financial statements, other than certain minor presentational changes made in order to comply with International Accounting Standard 1 (revised) — "Presentation of Financial Statements".

2. Geographical segments

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

	Six months to 30 June 2009 £'000	Six months to 30 June 2008 £'000	Year to 31 December 2008 £'000
United Kingdom	**5,318**	4,710	10,259
United States	**5,912**	4,792	10,858
South Korea	**3,707**	2,825	5,400
Rest of the World	**2,068**	3,009	5,321
	17,005	15,336	31,838

3. Exceptional items

The directors define re-organisation costs as exceptional. Specifically included under such exceptional costs are profit or loss on the sale of land and buildings, additional costs incurred due to the relocation of acquired inventory, additional labour costs incurred in moving to and setting up the new warehouse and redundancy. Non-operating exceptional items are impairments of investments in associated undertakings. The analysis of exceptional items is as follows:

Operating exceptional items	**Six months to 30 June 2009 £'000**	Six months to 30 June 2008 £'000	Year to 31 December 2008 £'000
Profit on sale of freehold land & buildings	**–**	–	92
Costs associated with relocation of inventory	**(132)**	–	–
Redundancy costs	**(63)**	(84)	(197)
Costs associated with implementation of new warehouse	**–**	–	(73)
	(195)	(84)	(178)
Non-operating exceptional items			
Impairment of investment in associated undertaking	**–**	–	(140)
Total exceptional items	**(195)**	(84)	(318)

Notes to the Condensed Financial Information
Continued

4. Finance costs

	Six months to 30 June 2009 £'000	Six months to 30 June 2008 £'000	Year to 31 December 2008 £'000
Interest paid	**44**	–	15
(Gains)/losses on financial derivatives	**(2)**	(6)	2
Defined benefit pension costs – other finance costs	**135**	80	159
	177	74	176

5. Taxation

Tax for the interim period is charged at 34.8% (year to 31 December 2008 – 47.2%) 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 28%.

6. Dividend

A dividend of 3.55p (2008 – 3.55p) per ordinary share will be paid on 1 October 2009 to shareholders on the register on 4 September 2009.

7. Earnings per share

The earnings per share are calculated on profit after tax of £347,000 (2008 – £256,000) and the weighted average number of ordinary shares of 9,919,956 (2008 – 9,893,488) in issue during the period. The share options in existence during the six months ended 30 June 2009 have a dilutive effect. The diluted earnings per share are calculated on earnings of £347,000 (2008 – £256,000) and the weighted average number of ordinary shares in issue adjusted to assume conversion of all dilutive potential ordinary shares which is 9,921,793 (2008 – 10,180,068).

8. Reconciliation of earnings before exceptional items, interest, tax, depreciation and amortisation

	Six months to 30 June 2009 £'000	Six months to 30 June 2008 £'000	Year to 31 December 2008 £'000
Operating profit before exceptional items	**940**	508	1,527
Add back:			
Depreciation	**325**	489	843
Amortisation	**115**	97	179
Earnings before exceptional items, interest, tax, depreciation and amortisation	**1,380**	1,094	2,549

9. Acquisition of certain assets of Spode and Royal Worcester

On 23 April 2009 the Group acquired the intellectual property (excluding any rights relating to Jamie Oliver products or licences) and the trade names of Spode and Royal Worcester from The Porcelain and Fine China Companies Limited (in Administration). In addition, it acquired the US inventory previously belonging to the US subsidiary of Royal Worcester and Spode Limited.

The total consideration of £3.2 million for the intellectual property and the inventory was allocated based on the relative fair values of those assets, being £2.2 million and £1.0 million respectively.

Shareholder Notes

Company Information

Board of Directors

Richard J. Steele BCOM FCA CTA	Non-executive Chairman
Lawrence F. Bryan BA	Chief Executive
Michael Haynes MCIM	Group Sales & Marketing Director
Brett W.J. Phillips BSc ACA	Group Finance Director
Barbara Thomas Judge BA JD	Non-executive Director
Janis Kong BSc OBE	Non-executive Director

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