Timeless Design

PORTMEIRION GROUP PLC

Interim Statement 2020

Stock code: PMP

Overview

Financial Statements

Portmeirion Group PLC is a British company with its headquarters in Stoke-on-Trent. Our shares are traded on the Alternative Investment Market ("AIM") of the London Stock Exchange. We sell ceramic tableware, cookware, giftware, glassware, home fragrance products and associated homewares worldwide.

Our Brands page 1 >

Visit our website at
portmeiriongroup.com

Pictured on front cover (clockwise from top):
Royal Worcester Wrendale Designs, Sara Miller London Portmeirion Glassware and Sara Miller London Portmeirion Frosted Pines

Pictured above: Wax Lyrical Fired Earth Collection

Headlines

Financial Highlights

- We anticipate returning to profitability in the second half of 2020.
- Revenue of £32.0 million (2019: £34.9 million), down 8.3%. On a like-for-like basis, excluding sales from Nambé, revenue was down 20.4%. Headline loss before tax[1] was £2.7 million (2019: profit before tax £0.5 million).
- Continuing to see improvement in trading conditions in the second half of the year, leading up to the important Christmas trading period.
- Strong online sales growth which increased by more than 90% over 2019 in core UK and US markets.
- Strong balance sheet maintained with net cash balance of £1.1 million (30 June 2019: net debt of £5.8 million; 31 December 2019: net debt of £12.3 million) and significant headroom within current borrowing facilities.
- Expecting dividends to be resumed in FY21 assuming a sustained return to normalised trading.

Operational Highlights

- Completed equity raise in June 2020 providing net proceeds of £11.2 million to accelerate online channel sales growth, extend Wax Lyrical product lines, build a more significant presence in Canada and invest in UK manufacturing efficiencies.
- Acquired the additional 50% of share capital in Portmeirion Canada Inc. for £0.6 million in August 2020.
- Appointed two new Executive Directors and a new Non-executive Director to the Board post period end.
- Successful conversion of a Wax Lyrical manufacturing line to produce hand sanitisers with new hand and body care ranges to be launched in Q1 2021.

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

Our Brands

PORTMEIRION

Established in 1960

Beautiful designs and practicality for modern-day living.

Pictured: Sara Miller London Portmeirion

Spode

Established in 1770

Contemporary yet timeless great British design.

Pictured: Spode 1770 Italian

WAX LYRICAL ENGLAND

Established in 1980

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

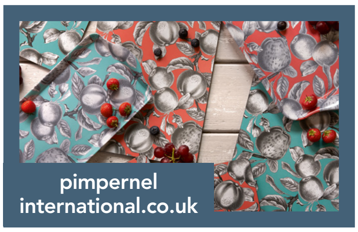
Pictured: RHS Wildscents

ROYAL WORCESTER ESTABLISHED 1751

Established in 1751

A rich and diverse design heritage.

Pictured: Royal Worcester Wrendale Designs



pimpernel

Established in 1945

The premier brand for placemats and coasters

Pictured: Pimpernel Pomona

nambe DESIGN YOUR LIFE

Established in 1951

Making museum-quality art a part of daily life.

Pictured: Nambé Classic

Interim Review

Encouraging performance and strategic progress despite headwinds

Set against the backdrop of retail closures around the world for over three months, we are pleased with our sales performance in the first half of the year and are encouraged by the improving trends we saw towards the end of the period. Our teams have responded admirably to the challenges of Covid-19 and our priority remains the health and safety of our staff, customers and suppliers.

The global Covid-19 pandemic significantly impacted the Group's sales during the first half of 2020, notably in the UK and USA where retailers were closed for the majority of the second quarter. The closure of retail stores around the world from mid-March resulted in most major customer orders being either cancelled or delayed. This impact was partially negated by significant growth in online sales and by converting some of our production capabilities at our Wax Lyrical home fragrance factory in Cumbria to making hand sanitiser. As our key markets began to re-open, we continued to see improving positive sales trends, and like-for-like sales in June were only 9.0% down on the same period last year.

Despite the disruption to the business caused by Covid-19, we have achieved considerable improvements in our capabilities with significant investment in our brands and people. This strategic progress and investment will stand the business in good stead for the future.

Financial highlights

Revenue was £32.0 million for the first six months of the year, a decrease of 8.3% over the previous year (2019: £34.9 million). On a like-for-like sales basis, excluding the sales from our Nambé division acquired in July 2019, sales were down 20.4%.

Headline loss before tax[1] was £2.7 million (2019 H1 profit before tax: £0.5 million; 2019 full year profit before tax: £7.4 million).

Headline basic loss per share[1] was 20.71p per share (2019: basic earnings per share 3.96p).

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

Operational overview

The Covid-19 outbreak led to disruption in a number of areas. We prioritised the health and safety of our workforce and customers and closed our main ceramic site in Stoke-on-Trent in order to implement safe social distancing measures, as well as closing our retail stores in line with government guidance. Our main ceramic site reopened in May and is currently operating safely under appropriate guidelines at close to pre-Covid capacity.

We also implemented social distancing measures in our home fragrance site in the Lake District, which was repurposed to produce much needed hand sanitiser for the NHS and more recently retail use.

We also prioritised cash preservation and were able to reduce cash burn in the second quarter to minimal levels. Following the equity raise completed in June 2020, we are well positioned to return to growth and invest in new strategic projects.

Geographical performance

The Group's largest market in 2019 was the UK which accounted for 35% of total Group revenue. For the first six months of 2020 revenue from the UK declined by 6.2%. This decline was largely within the Portmeirion UK ceramic business, where retailers closed worldwide due to the Covid-19 pandemic. This impact was partially offset by an increase in sales through both our own websites as well as third party platforms, and the benefit of selling hand sanitiser produced in our home fragrance factory in the Lake District.

Our second largest market, the United States, saw sales increase by 24.1% over 2019. In the first half of 2020 this market benefitted from sales from the Nambé division acquired in July 2019; excluding this benefit sales were down 25.6% on a like-for-like basis.

In our export markets, sales declined in both South Korea and rest of the world. South Korea was one of the first countries to enter national lockdown, and sales in H1 were duly impacted and declined by 46.9%. In our rest of world markets, sales were down 25.1% as most markets were impacted by the global pandemic.

Our own ecommerce sales in our core UK and US markets increased 96% in the first half of 2020 and over 100% in Q2 against the prior year. Growth in ecommerce sales has played a core role in our strategy in recent years and we expect to see continued strong growth in the second half of 2020.

Segmental performance

Portmeirion UK, the main trading entity of the Group, saw a sales decrease of 25.4% to £15.1 million (2019: £20.3 million). This reduction was due to the Covid-19 pandemic impact on both UK and export markets.

Sales from Portmeirion USA increased by 25.6% to £10.5 million (2019: £8.4 million) due to the benefit of additional sales made in the Nambé division which was acquired in July 2019. Excluding this benefit, like-for-like sales decreased by 24.8%.

Sales from our global home fragrance division increased by 1.8% over the prior year to £6.4 million (2019: £6.3 million). The division was impacted in the UK by retail closures, but was able to mitigate this by repurposing its main manufacturing plant to produce hand sanitiser and shipped more than 1 million units during the second quarter of the year.

Profit

In the first half of 2020 the Group made a headline loss before tax[1] of £2.7 million; this compared to a headline profit before tax of £0.5 million in 2019. This loss was in line with management expectations and, assuming the positive trends seen in June continue, we expect to return to profitability in the second half of the year.

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

Dividend

The Board understands that dividend income is important to our shareholders and is committed to resuming sustainable dividend payments as soon as it is appropriate to do so. There has been an improving trend in sales since the half year due to the easing of lockdowns, the reopening of retail around the world and our ongoing strong online sales. Consequently, the Board expects that the Group will return to profitability in the second half of 2020. The Christmas trading period is traditionally an important and profitable part of the trading year and clearly there remains uncertainty due to the ongoing pandemic.

Whilst we continue to retain strong headroom and cash facilities, we believe it is appropriate to review our key Christmas trading period before resuming dividend payments. However, on the basis the trading environment demonstrates a sustained return to normality, the Board anticipates recommencing dividend payments for FY21.

Balance sheet

Following the equity raise completed in June 2020, the Group received net proceeds of £11.2 million in the first half of the year. Including these funds, the business had net cash of £1.1 million at 30 June 2020, which compares with net debt of £5.8 million at 30 June 2019 and net debt of £12.3 million at 31 December 2019. In addition, the Group has unutilised committed bank facilities of £15.0 million.

Our stock balance is £30.6 million compared to £24.2 million at 30 June 2019 and £26.6 million at 31 December 2019. The business has continued 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. The increase over the prior half year is largely due to the acquisition of Nambé in July 2019. The Group continues to focus on streamlining our inventory balance.

We carry significant goodwill and intangible asset values on our balance sheet of some £16.4 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.

Strategic areas of focus

The Group's forward strategy was developed and agreed by the Board in November 2019.

Our long term strategy is focused on driving sustainable top line growth whilst increasing our operating margins and therefore profitability.

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

Products and brands

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

Our six major brands have more than 700 years of history collectively, and we continue to invest and grow these brands via both line extensions to existing ranges and new collections. In 2020 our Spode brand is celebrating its 250th anniversary. We have launched a number of new collections to mark this occasion and have seen strong sales growth in the UK within the Spode range. We continue to expand our teams and capabilities to support our investment in online channels, and we have recently made a number of senior manager appointments in this area. We have a strong new product pipeline that we believe will drive our sales across our key brands over the next few years.

In order to build upon the extensive experience gained from the hand sanitiser project in the second quarter of the year, the Group has approved a major capital expenditure project to build a permanent new hand and body line extension at the Wax Lyrical manufacturing site in Cumbria. This will allow the Group to continue to make hand sanitiser, as well as move into new hand and body care ranges. This project is expected to be complete by Q1 2021 ready for new ranges to be launched.

A list of our current ranges can be found at www.portmeirion.co.uk, www.spode.co.uk, www.wax-lyrical.co.uk, 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.

Accelerate our online transformation

The Group has made strong progress to date in its online channels. The impact of Covid-19 has accelerated the trend to shopping online and our own website sales nearly doubled in the first half of 2020 from the same period in 2019. We continue to invest in our websites and have recently relaunched our US websites on a consistent platform to drive efficiency and growth. We have also recruited a team of digital/ecommerce specialists, approved investment in a new digital asset management system and expanded our digital and product photography resource to support this growth.

Interim Review continued

Strategic areas of focus continued

Stabilise and diversify within our South Korean market

Our South Korean market remains a key area of focus following the challenges experienced in 2019. We have completed the majority of new product development for this market which continues to sell well, and our factory efficiency has returned to a more controlled and stable nature. We are expanding our range of brands offered within this marketplace and have seen strong growth in Spode sales in the first half of 2020. In addition, we have introduced better internal controls and strengthened our disciplined approach to export markets in order to reduce re-shipping of product into South Korea. Pleasingly we have seen the stock overhang from excess grey shipping subside and our distributor's sales out have improved in recent months as retail stores have reopened.

Rest of the world expansion

The Group sells into more than 70 countries around the world, although more than 80% of these sales are made into our three key markets of the UK, USA and South Korea. We continue to diversify and expand our presence in other major markets and are targeting growth in a more focused manner.

Operating capabilities and efficiency

Our operating capabilities are constantly reviewed in order to position the Group to meet the changing requirements of our customers, including our ongoing strategy of growth in online and direct to consumer fulfilment.

We have recently approved two major capital expenditure projects in excess of more than £1 million to purchase a new lithograph application machine in our Stoke-on-Trent ceramic factory and to upgrade our cranes and software in our main UK distribution centre. Both of these projects should be implemented by the first quarter of 2021 and will provide additional throughput and efficiency.

Strategic acquisitions

The Group remains committed to acquiring businesses where there is a strategic fit and the combination would be earnings enhancing. We are pleased with the progress we have made on integrating the Nambé business in the US, and look forward to further growth as we sell Nambé's product range throughout our worldwide networks.

In August 2020, we announced the acquisition of the additional 50% of share capital in Portmeirion Canada Inc. for CAD 1 million. The Group now owns 100% of the issued share capital of Portmeirion Canada and has full control over the selling and distribution into the Canadian market, as well as the rights to key licence distribution agreements. The Group sees this as an opportunity to revitalise and grow the important Canadian market, particularly through further penetration of online channels.

Corporate governance and Board

We are enthusiastic members of the Quoted Companies Alliance ("QCA") and have continued to apply the QCA Corporate Governance Code, complying with its principles throughout 2020. To see how the Group addresses the key governance principles defined in the QCA Code please refer to our website at https://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.

In August 2020, Phil Atherton, our Group Sales and Marketing Director, informed the Board of his decision to leave the business and stepped down from the Board. Simultaneously, the Group was delighted to announce that Jacqui Gale and Bill Robedee joined the Board. Both Jacqui and Bill are currently key members of the Group's senior commercial leadership team. Jacqui Gale, currently Managing Director of Wax Lyrical, the Group's home fragrance division, was appointed Chief Commercial Officer and will drive the Group's brand strategies and growth plans for the UK and ROW markets. Bill Robedee, who has done an excellent job in the past 12 months integrating our two US businesses, joins the Board as President of North America.

Also in August 2020, having served the Group for over 20 years, Lawrence Bryan, Non-executive Director and previously Chief Executive Officer until September 2019, retired from the Group. At the same time Clare Askem was appointed as a Non-executive Director. Clare brings a wealth of experience in business change and digital transformation, which is a key part of the Group's strategy. Clare has previously held executive roles at J Sainsbury plc (including being the Managing Director of Habitat), Home Retail Group and Dixons PLC.

Outlook

We have reacted quickly to the substantial challenges posed by Covid-19 and the subsequent retail shutdowns around the world. We have seen significant growth from our online channels and shown exceptional agility in keeping our operations working in a safe environment.

We are encouraged by the improving sales trend we saw in June and are pleased to see this continue since the period end, and therefore expect to return to profitability during the second half of the year. However, we remain mindful of the limited visibility in the Covid-19 environment and wider macroeconomic backdrop as we head into the important and profitable part of the trading year around Christmas.

The Group benefits from global brands and products with timeless design. We have strong market positions around the world and over 700 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.

Dick Steele
Non-executive Chairman
23 September 2020

Mike Raybould
Chief Executive

Independent Review Report

to Portmeirion Group PLC

Introduction

We have been engaged by Portmeirion Group PLC to review the interim financial information for the six months ended 30 June 2020, 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) 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 it 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 interim 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 require 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) 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 2020 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.

Emphasis of matter – Impact of the outbreak of COVID-19 on the financial statements

In forming our opinion on the company's financial statements, which is not modified, we draw your attention to the directors' view on the impact of the COVID-19 as disclosed on page 2, and the consideration in the going concern basis of preparation on page 11. At the half year date the global pandemic of COVID-19 is still ongoing. The full impact of this virus is still unknown. It is therefore not currently possible to evaluate all the potential implications to the company's trade, customers, suppliers and the wider economy.

Mazars LLP
Chartered Accountants
The Pinnacle
160 Midsummer Boulevard
Milton Keynes
MK9 1FF
23 September 2020

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 statement 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 2020 £'000**	Six months to 30 June 2019 £'000	Year to 31 December 2019 £'000
Revenue	2	**32,002**	34,895	92,816
Operating costs		**(34,203)**	(34,221)	(84,988)
Headline operating (loss)/profit[1]		**(2,201)**	674	7,828
Exceptional items	3			
– restructuring costs		**(85)**	—	(688)
– acquisition costs		**—**	(395)	(574)
– gain on disposal of associate		**—**	—	947
– share issue costs		**(55)**	—	—
– Covid-19 costs		**(67)**	—	—
Operating (loss)/profit		**(2,408)**	279	7,513
Interest income		**—**	7	44
Finance costs	4	**(384)**	(191)	(632)
Share of results of associated undertakings		**(83)**	35	175
Headline (loss)/profit before tax[1]		**(2,668)**	525	7,415
Exceptional items	3			
– restructuring costs		**(85)**	—	(688)
– acquisition costs		**—**	(395)	(574)
– gain on disposal of associate		**—**	—	947
– share issue costs		**(55)**	—	—
– Covid-19 costs		**(67)**	—	—
(Loss)/profit before tax		**(2,875)**	130	7,100
Tax[2]	5	**460**	(104)	(1,286)
(Loss)/profit for the period attributable to equity holders		**(2,415)**	26	5,814
Earnings per share	7			
Basic		**(22.66p)**	0.25p	54.66p
Diluted		**(22.66p)**	0.25p	54.58p
Headline earnings per share[1]	7			
Basic		**(20.71p)**	3.96p	56.32p
Diluted		**(20.71p)**	3.96p	56.24p
Dividends proposed and paid per share	6	**—**	8.00p	8.00p

All the above figures relate to continuing operations.

1 Headline operating (loss) or profit is statutory operating (loss) of £2,201,000 (H1 2019: £674,000 profit) before exceptional items of £207,000 (H1 2019: £395,000). Headline (loss) or profit before tax is statutory (loss) before tax of £2,668,000 (H1 2019: £525,000 profit), after adding back the exceptional items.

2 Taxation on exceptional items in the current period has reduced the charge by £nil (H1 2019: £nil).

Consolidated Statement of Comprehensive Income

Unaudited

	Six months to 30 June 2020 £'000	Six months to 30 June 2019 £'000	Year to 31 December 2019 £'000
(Loss)/profit for the period	**(2,415)**	26	5,814
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of net defined benefit pension scheme liability	**(1,980)**	—	(1,624)
Deferred tax relating to items that will not be reclassified subsequently to profit or loss	**385**	—	276
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	**1,219**	(195)	(1,141)
Deferred tax relating to items that may be reclassified subsequently to profit or loss	**—**	—	46
Other comprehensive income for the period	**(376)**	(195)	(2,443)
Total comprehensive income for the period attributable to equity holders	**(2,791)**	(169)	3,371

Consolidated Balance Sheet

Unaudited

	30 June 2020 £'000	30 June 2019 £'000	31 December 2019 £'000
Non-current assets			
Goodwill	**8,978**	7,229	8,978
Intangible assets	**7,457**	5,502	7,647
Property, plant and equipment	**11,121**	9,794	11,261
Right-of-use assets	**5,612**	4,791	6,146
Interests in associates	**633**	3,000	713
Deferred tax asset	**691**	—	306
Long-term employee benefit plan surplus	**—**	600	—
Total non-current assets	**34,492**	30,916	35,051
Current assets			
Inventories	**30,608**	24,218	26,619
Trade and other receivables	**11,252**	12,900	19,274
Current income tax asset	**733**	—	247
Cash and cash equivalents	**12,987**	2,193	1,151
Total current assets	**55,580**	39,311	47,291
Total assets	**90,072**	70,227	82,342
Current liabilities			
Trade and other payables	**(12,722)**	(10,697)	(12,915)
Current income tax liabilities	**—**	(220)	—
Borrowings	**(2,970)**	(5,981)	(4,543)
Lease liabilities	**(1,685)**	(1,397)	(1,273)
Total current liabilities	**(17,377)**	(18,295)	(18,731)
Non-current liabilities			
Pension scheme deficit	**(2,000)**	—	(414)
Deferred tax liability	**(1,065)**	(991)	(1,086)
Borrowings	**(8,938)**	(1,984)	(8,930)
Lease liabilities	**(4,200)**	(3,428)	(5,083)
Total non-current liabilities	**(16,203)**	(6,403)	(15,513)
Total liabilities	**(33,580)**	(24,698)	(34,244)
Net assets	**56,492**	45,529	48,098
Equity			
Called up share capital	**710**	555	555
Share premium account	**18,347**	7,310	7,310
Investment in own shares	**(3,146)**	(3,154)	(3,146)
Share-based payment reserve	**123**	365	87
Translation reserve	**2,847**	2,528	1,628
Retained earnings	**37,611**	37,925	41,664
Total equity	**56,492**	45,529	48,098

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 equity £'000
At 1 January 2019	555	7,310	(3,257)	282	2,723	41,037	48,650
Profit for the period	—	—	—	—	—	26	26
Other comprehensive income for the period	—	—	—	—	(195)	—	(195)
Total comprehensive income for the period	**—**	**—**	**—**	**—**	**(195)**	**26**	**(169)**
Dividends paid	—	—	—	—	—	(3,138)	(3,138)
Increase in share-based payment reserve	—	—	—	83	—	—	83
Shares issued under employee share schemes	—	—	103	—	—	—	103
At 30 June 2019	**555**	**7,310**	**(3,154)**	**365**	**2,528**	**37,925**	**45,529**
Profit for the period	—	—	—	—	—	5,788	5,788
Other comprehensive income for the period	—	—	—	—	(900)	(1,348)	(2,248)
Total comprehensive income for the period	**—**	**—**	**—**	**—**	**(900)**	**4,440**	**3,540**
Dividends paid	—	—	—	—	—	(852)	(852)
Decrease in share-based payment reserve	—	—	—	(122)	—	—	(122)
Transfer on exercise or lapse of options	—	—	—	(156)	—	156	—
Shares issued under employee share schemes	—	—	8	—	—	(8)	—
Deferred tax on share-based payment	—	—	—	—	—	3	3
At 31 December 2019	**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**

Consolidated Statement of Cash Flows

Unaudited

	Six months to 30 June 2020 £'000	Six months to 30 June 2019 £'000	Year to 31 December 2019 £'000
Operating (loss)/profit	**(2,408)**	279	7,513
Adjustments for:			
Depreciation of property, plant and equipment	**813**	665	1,479
Depreciation of right-of-use assets	**1,075**	700	1,770
Amortisation of intangible assets	**431**	313	677
Charge/(credit) for share-based payments	**36**	83	(39)
Exchange loss	**(147)**	(23)	(14)
Costs taken directly through reserves	**(43)**	—	—
Profit on sale of associated undertakings	**—**	—	(947)
Loss on sale of tangible fixed assets	**—**	—	4
Operating cash flows before movements in working capital	**(243)**	2,017	10,443
Increase in inventories	**(3,272)**	(5,357)	(3,882)
Decrease/(increase) in receivables	**8,328**	2,822	(2,390)
Decrease in payables	**(427)**	(1,301)	(1,518)
Cash generated from/(used by) operations	**4,386**	(1,819)	2,653
Contributions to defined benefit pension scheme	**(400)**	(600)	(1,200)
Interest paid	**(303)**	(107)	(566)
Income taxes paid	**(29)**	(430)	(1,478)
Net cash inflow/(outflow) from operating activities	**3,654**	(2,956)	(591)
Investing activities			
Interest received	**—**	7	11
Dividend received from associate	**—**	—	120
Proceeds on disposal of investments	**—**	—	3,263
Purchase of investments	**—**	(363)	(363)
Purchase of property, plant and equipment	**(542)**	(793)	(1,548)
Purchase of intangible assets	**(92)**	(135)	(450)
Acquisition of subsidiary	**—**	—	(9,434)
Net cash outflow from investing activities	**(634)**	(1,284)	(8,401)
Financing activities			
Equity dividends paid	**—**	(3,138)	(3,990)
Shares issued under employee share schemes	**—**	103	103
Issue of own shares	**11,192**	—	—
New bank loans raised	**2,000**	4,000	17,491
Principal elements of lease payments	**(801)**	(747)	(1,635)
Repayments of borrowings	**(3,581)**	(1,000)	(9,000)
Net cash inflow/(outflow) from financing activities	**8,810**	(782)	2,969
Net increase/(decrease) in cash and cash equivalents	**11,830**	(5,022)	(6,023)
Cash and cash equivalents at beginning of period	**1,151**	7,214	7,214
Effect of foreign exchange rate changes	**6**	1	(40)
Cash and cash equivalents at end of period	**12,987**	2,193	1,151

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 2019, 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 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 some 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 2019. 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 70 of the Group's 2019 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. Where it is not yet considered highly probable that Government funding will not have to be repaid, this element is deferred on the balance sheet within other creditors.

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 2020 £'000**	Six months to 30 June 2019 £'000	Year to 31 December 2019 £'000
Portmeirion UK	**15,133**	20,277	45,634
Portmeirion USA	**10,492**	8,356	32,377
Global home fragrance	**6,377**	6,262	14,805
	32,002	34,895	92,816

Geographical market	**Six months to 30 June 2020 £'000**	Six months to 30 June 2019 £'000	Year to 31 December 2019 £'000
United Kingdom	**12,684**	13,525	32,579
United States	**10,506**	8,468	32,477
South Korea	**2,074**	3,905	11,412
Rest of the World	**6,738**	8,997	16,348
	32,002	34,895	92,816

Notes to the Interim Financial Information continued

3. Exceptional items

	Six months to 30 June 2020 £'000	Six months to 30 June 2019 £'000	Year to 31 December 2019 £'000
Restructuring costs	**85**	—	688
Acquisition costs	**—**	395	574
Gain on disposal of associate	**—**	—	(947)
Share issue costs	**55**	—	—
Covid-19 costs	**67**	—	—
	207	395	315

4. Finance costs

	Six months to 30 June 2020 £'000	Six months to 30 June 2019 £'000	Year to 31 December 2019 £'000
Interest paid	**295**	112	487
Interest on lease liabilities	**83**	87	138
Realised losses on financial derivatives	**—**	—	7
Net interest expense/(credit) on pension scheme deficit	**6**	(8)	—
	384	191	632

5. Taxation

Tax for the interim period is charged at 21.5% (year to 31 December 2019: 18.1%) representing the best estimate of the weighted average annual corporation tax rate expected for the full year.

In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. 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 2020.

7. Earnings per share

	Six months to 30 June 2020 £'000	Six months to 30 June 2019 £'000	Year to 31 December 2019 £'000
Earnings			
Earnings for the purpose of basic and diluted earnings per share, being (loss)/profit for the period attributable to equity holders	**(2,415)**	26	5,814

	Six months to 30 June 2020 £'000	Six months to 30 June 2019 £'000	Year to 31 December 2019 £'000
Number of shares			
Weighted average number of shares for the purpose of basic earnings per share	**10,659,592**	10,632,336	10,637,059
Weighted average dilutive effect of conditional share awards	**—**	19,432	15,935
Weighted average number of shares for the purpose of diluted earnings per share	**10,659,592**	10,651,768	10,652,994

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 2020 £'000	Six months to 30 June 2019 £'000	Year to 31 December 2019 £'000
(Loss)/profit for the period attributable to equity holders	**(2,415)**	26	5,814
Add back:			
Exceptional items and associated tax benefits	**207**	395	177
Headline earnings	**(2,208)**	421	5,991

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

	Six months to 30 June 2020 £'000	Six months to 30 June 2019 £'000	Year to 31 December 2019 £'000
Operating (loss)/profit	**(2,408)**	279	7,513
Add back:			
Depreciation	**1,888**	1,365	3,249
Amortisation	**431**	313	677
(Loss)/earnings before interest, tax, depreciation and amortisation	**(89)**	1,957	11,439

9. Retirement benefit schemes

Defined benefit scheme

The defined benefit obligation as at 30 June 2020 is calculated on a year-to-date basis, using the latest actuarial valuation as at 30 June 2020.

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 2020.

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 a change in the discount rate applied to the defined benefit obligation resulting in an increased liability.

10. Government grants

Government grants were receivable as part of Government initiatives 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'.

11. Related party transactions

The Group's related parties are as disclosed in the Report and Accounts for the year ended 31 December 2019. There were no material differences in related parties or related party transactions in the six months ended 30 June 2020 except for transactions with key management personnel.

The most significant of these was on 4 May 2020, under the Portmeirion 2012 Approved and Unapproved Share Option Plan, when 21,000, 40,000, 21,000, 29,000 and 7,500 share option awards were granted to P Atherton, M Raybould, M Knapper, D Sproston and M Macdonald respectively at an option price of £4.46 per share when the market price was £4.22 per share.

12. Post balance sheet events

The company operated a 50% owned associated company for its distribution operation in the Canadian sales market, Portmeirion Canada Inc. Subsequent to the period end, the Company acquired the other 50% of Portmeirion Canada Inc. share capital on 12 August 2020 for a consideration of CAD 1 million.

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

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

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* 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.

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Financial Calendar

Annual Report	**April**
Annual General Meeting	**May**

Dividends

Interim announced	August
Final announced	March