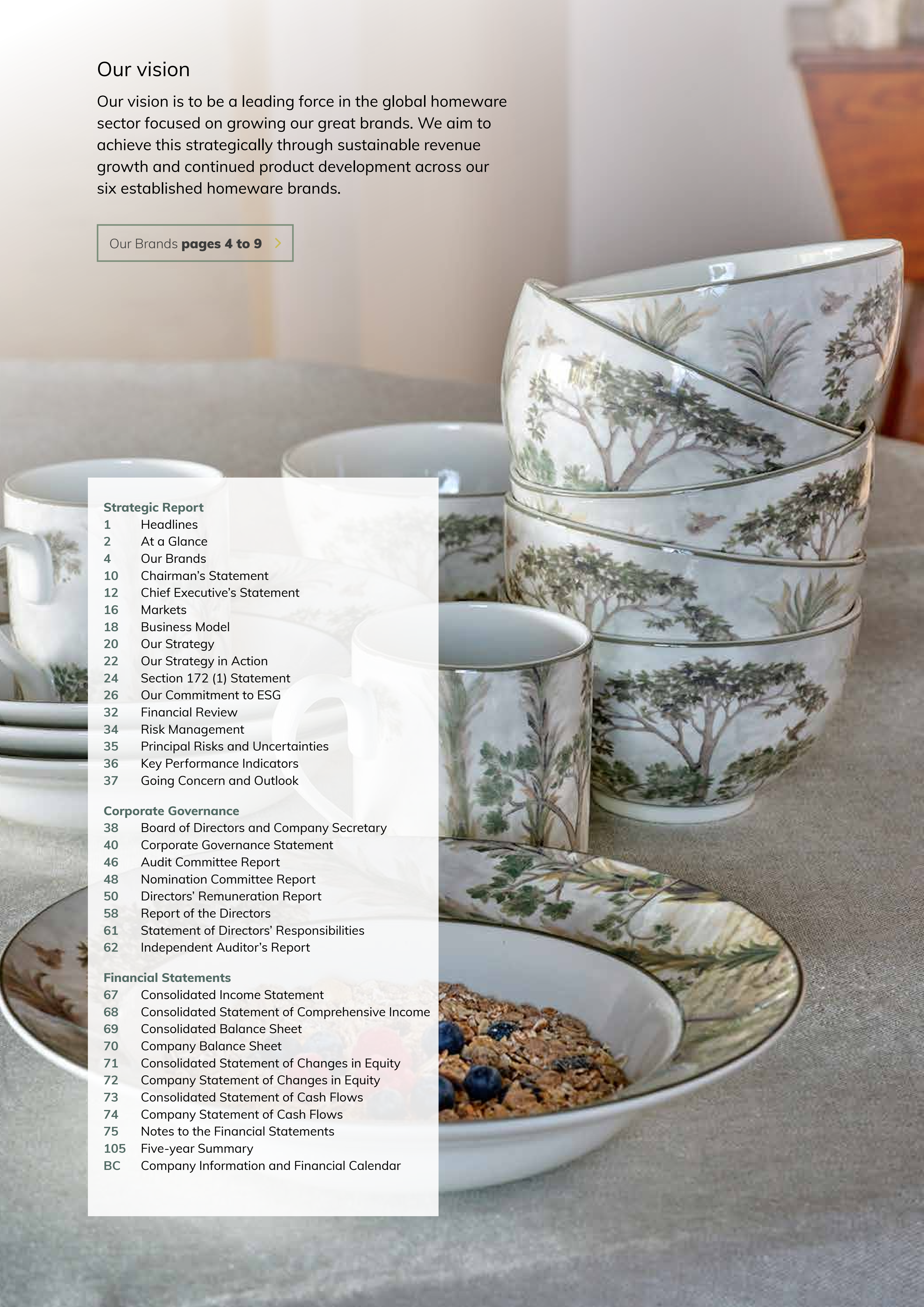
PORTMEIRION GROUP PLC

Report and Accounts

for the year ended 31 December 2022

Stock code: PMP

Timeless Design



Our vision

Our vision is to be a leading force in the global homeware sector focused on growing our great brands. We aim to achieve this strategically through sustainable revenue growth and continued product development across our six established homeware brands.

Our Brands **pages 4 to 9**

Headlines

Financial

- Record Group revenue of £110.8 million in the year to 31 December 2022, an increase of 5% over the prior year (2021: £106.0 million) and 19% over pre Covid-19 level (2019: £92.8 million).
- Headline operating margin[1] increased from 7.2% to 7.8% and we reiterate our long-term ambition to improve the operating margin to 12.5%.
- Excellent Christmas and Thanksgiving trading period with strong demand across our portfolio of consumer goods brands.
- Sales from online platforms continue to grow despite physical retail stores reopening, and now represent 51% of total sales in our core UK and US markets in the year to 31 December 2022 (2021: 50%, 2019: 30%).
- Headline profit before tax[1] of £8.0 million now ahead of pre-Covid levels (2021: £7.2 million, 2019: £7.4 million).
- Total dividends paid and proposed of 15.50p per share, a 19% increase over the prior year (2021: 13.00p, 2019: 8.00p), reflecting improved trading performance during the year. Final dividend proposed of 12.00p per share.
- Inventory levels remain elevated at year end to avoid supply chain disruption and this is expected to normalise in 2023.
- Strong balance sheet and significant headroom within current borrowing facilities.

(1) Headline profit before tax, headline operating margin and headline basic earnings per share exclude exceptional items – see notes 6 and 13.

Operational Headlines

- Improved productivity in Stoke-on-Trent ceramic factory as we start to obtain the benefits from automation capex.
- Encouraging growth from South Korea, Canada and China, following strategic focus on international markets.
- AromaWorks London brand and intellectual property acquisition in August 2022 adding scale and synergies to home fragrance operations.
- Collaboration between Spode and Kit Kemp Design Studio for an initial period of five years, with launch date set for April 2023.
- New product launches continue to represent more than 10% of Group sales, including new collections to celebrate the 50th anniversary of Portmeirion Botanic Garden.

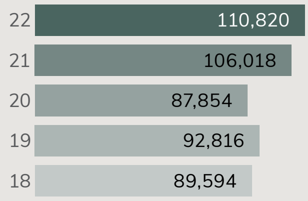
Current Trading & Outlook

- Trading in the first few months of 2023 is in line with our expectations and our forward order books remain healthy.
- Seeing an encouraging customer outlook although remain cautious due to the ongoing macroeconomic uncertainty.
- Remain focused on long-term growth and margin improvement opportunity and confident in continued progress against our strategy.

Visit our website at
portmeiriongroup.com

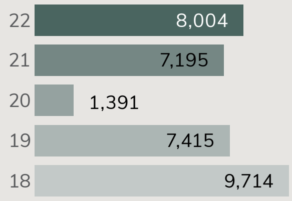
Revenue (£'000)

£110,820



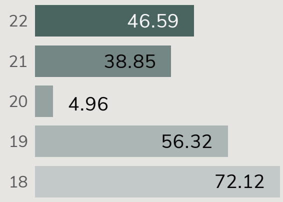
Headline profit before tax (£'000)

£8,004



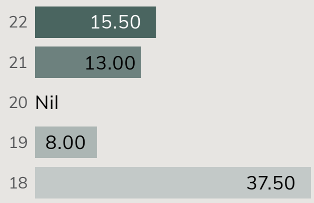
Headline basic EPS (p)

46.59p



Dividends paid and proposed per share (p)

15.50p



Pictured front cover: Portmeirion Botanic Garden
Pictured contents page: Spode Kit Kemp Tall Trees

Driving profitable sales growth in our global brands

Who we are

Our vision is to be a leading force in the global homeware sector focused on growing our great brands. To achieve this, we aim for consistent sales growth by developing new channels including online, new geographies and through new product launches. In conjunction with sales growth, we are focused on continuous improvement of our operating efficiency and capabilities across the Group.

We have 868 valued employees and sell around the world where our brands and products are enjoyed by millions of consumers. Our diversified channels and offering bring considerable opportunity for growth and development for the future.

Our Brands

Portmeirion, Spode, Wax Lyrical England, Royal Worcester, Pimpernel, nambe

Business Model **pages 18 and 19** >

Our Commitment to ESG **pages 26 to 31** >

What we do

Established sales channels

The Group sells into over 80 countries worldwide and has sales offices in the UK, US, Canada, Europe, The Middle East and the Far East.

We sell our product increasingly via online channels including our own UK and US websites and through a network of distributors, agents and own-retail stores.

The increase in consumer demand for online has been further impacted by our focus to grow this channel, and 51% of total sales in our core UK and US markets are made via an online platform, whether our own ecommerce store, pureplay web stores or omnichannel retailer websites.

We serve our customers from our warehouses in the UK, the US and Canada. We also direct ship from sourced suppliers to maximise efficiency and lead times where appropriate to do so.

Product design and development

The Group's key economic driver is its six global brands and the designs which underpin them. Collectively these brands have over 750 years of history, and some of our major homeware ranges are also brand names in their own right. Portmeirion Botanic Garden, which was first launched in 1972 and celebrated its 50th anniversary during the year, still sells in significant volume around the world today and Spode Christmas Tree, first introduced in 1938, continues to sell strongly particularly in our key US market.

Design and quality is key to our business model. We continue to develop, extend, refresh and refine our existing collections, as well as launching new ranges and products in order to retain and improve our customer appeal. Our design studios are the creative hub for new product development.

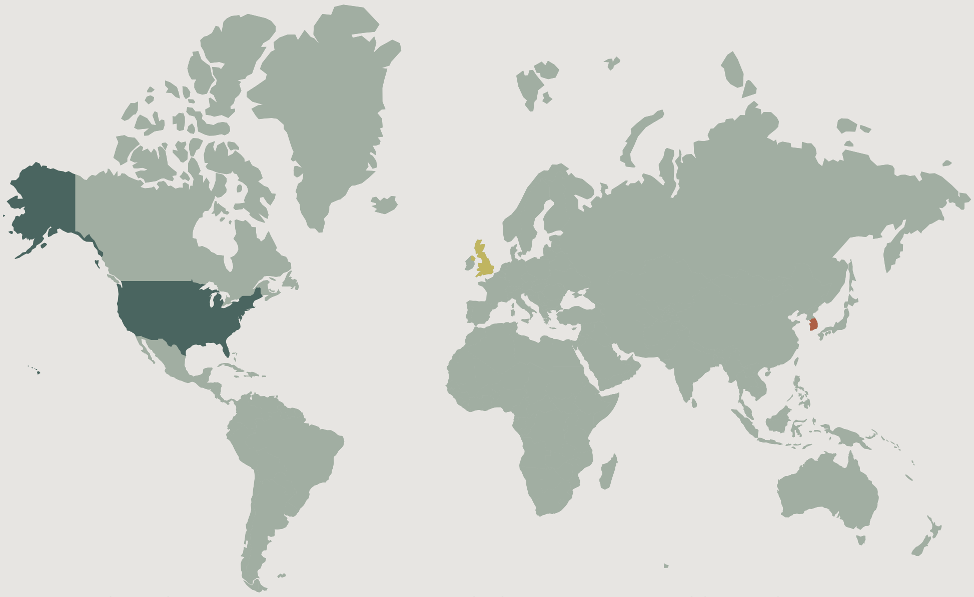
Production and sourcing

We manufacture earthenware from our factory in Stoke-on-Trent and home fragrance at our factory in the Lake District. We also source a range of product from around the world to the same exacting quality standards; this includes bone china and porcelain tableware, wood, glass and metal alloy giftware and other associated homeware products. In 2022, our mix of sales was 38% manufactured product and 62% sourced product. With this diversified supply model, we are less exposed to the current supply chain issues faced by many of our competitors.

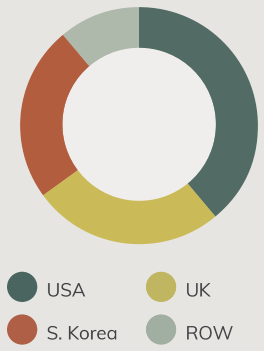
The Group continues to invest in our manufacturing sites and have completed a number of capital expenditure projects during 2022 in order to improve our cost efficiency and output capacity. This included the latest stage of automation investment in our Stoke-on-Trent factory.

Our Strategy in Action **pages 22 and 23** >

Where we operate



Geographical revenue split



UNITED STATES

£43.8m

of sales, 40% of Group revenue

UNITED KINGDOM

£28.3m

of sales, 25% of Group revenue

SOUTH KOREA

£26.7m

of sales, 24% of Group revenue

REST OF THE WORLD

£12.1m

of sales, 11% of Group revenue

Investment case

1

Global brands loved around the world

The Group owns six major brands which are sold into over 80 countries around the world and have a combined history of more than 750 years.

We are committed to developing and expanding the reach of our brands, with particular focus on growing our digital marketing strengths.

Portmeirion Botanic Garden celebrated its 50th year in 2022 and Spode Christmas Tree, first launched in 1938, remains a perennial US market favourite.

2

Online sales and capability to grow this channel

Our online channels have continued to experience significant growth. Reflecting the change in consumer behaviour to digital, we continue to invest in our online platforms, fulfilment and capabilities.

We place strong focus on the growth of our own ecommerce, D2C for retail customers and building partnerships with distributors/retailers who have a like-minded approach to digital growth.

3

Strong operational capabilities

The Group maintains two factories in the UK, these factories made up 38% of the revenue generated in 2022, with the remaining 62% coming from sourced product sales. Product from our six global brands is shipped mainly via our distribution centres in the UK, US and Canada.

We continue to build capabilities and capacity in our operations including the finalisation of our mezzanine floor project at our main UK distribution centre to enhance D2C order fulfilment.

We have further investment planned for our D2C capabilities at our UK, US and Canada distribution centres.

4

Robust balance sheet and facility headroom to support growth

The Group maintains a robust strong balance sheet in light of external inflationary pressures and at 31 December 2022 had £17.4 million of headroom via cash and bank facilities available.

Inflation and disruption in supply chains meant there has been a working capital increase in the year, predominantly in inventories. We expect this to unwind in 2023 as supply chains normalise and inventory comes back into balance.

Our Strategy in Action
pages 22 and 23 ›

Our Brands

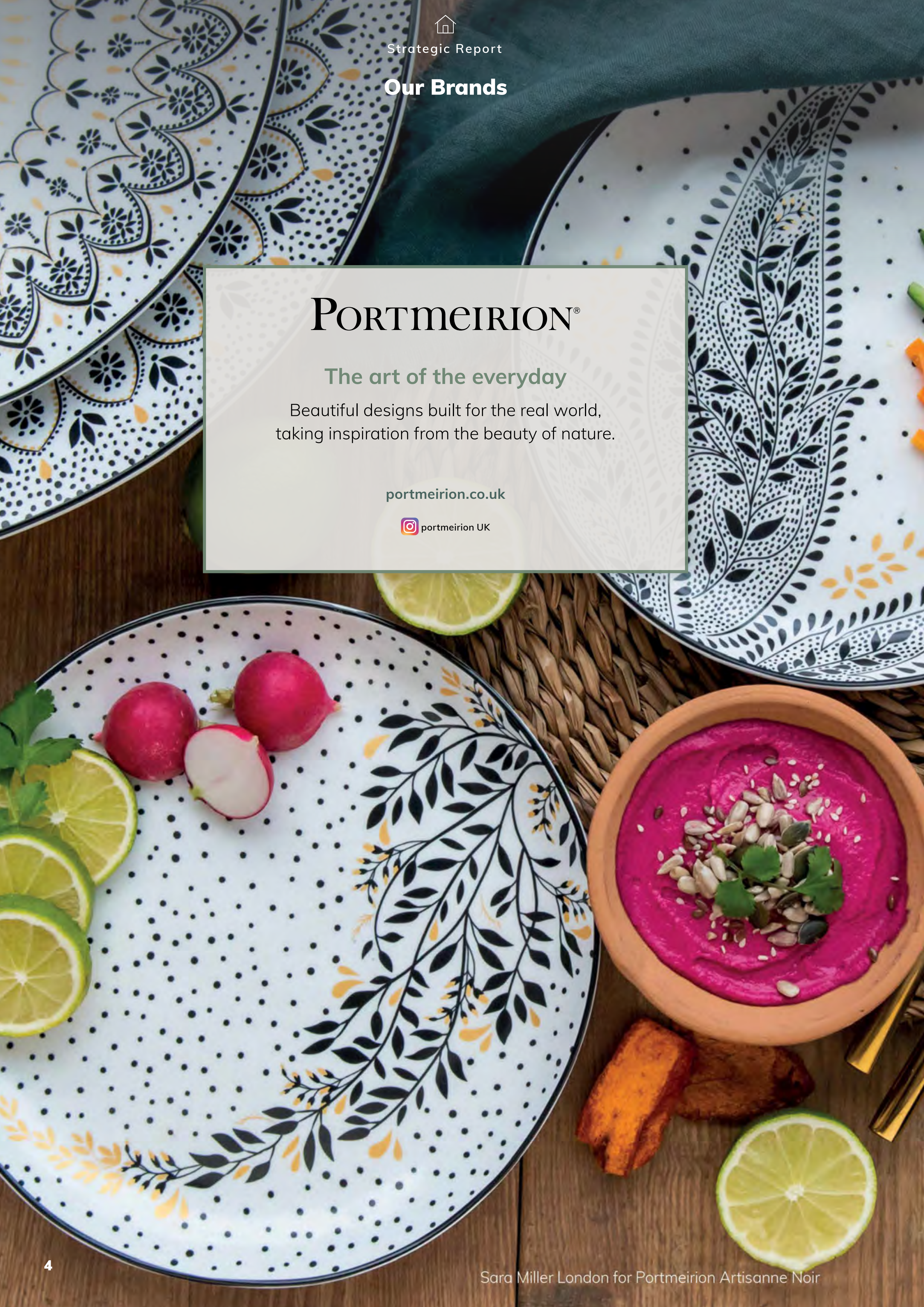
PORTMEIRION®

The art of the everyday

Beautiful designs built for the real world, taking inspiration from the beauty of nature.

portmeirion.co.uk

portmeirion UK



Sara Miller London for Portmeirion Artisanne Noir

Spode®

Unmistakably Spode design

Unmistakable homeware design,
standing the test of time for over 250 years.

spode.co.uk

by_spode

Spode Creatures of Curiosity

Our Brands continued

ROYAL WORCESTER®
ESTABLISHED 1751

Timelessly Designed

Bringing refined design and heritage to your table.

royalworcester.co.uk

Royal Worcester Wrendale Designs

WAX LYRICAL
ENGLAND

Be at one with nature

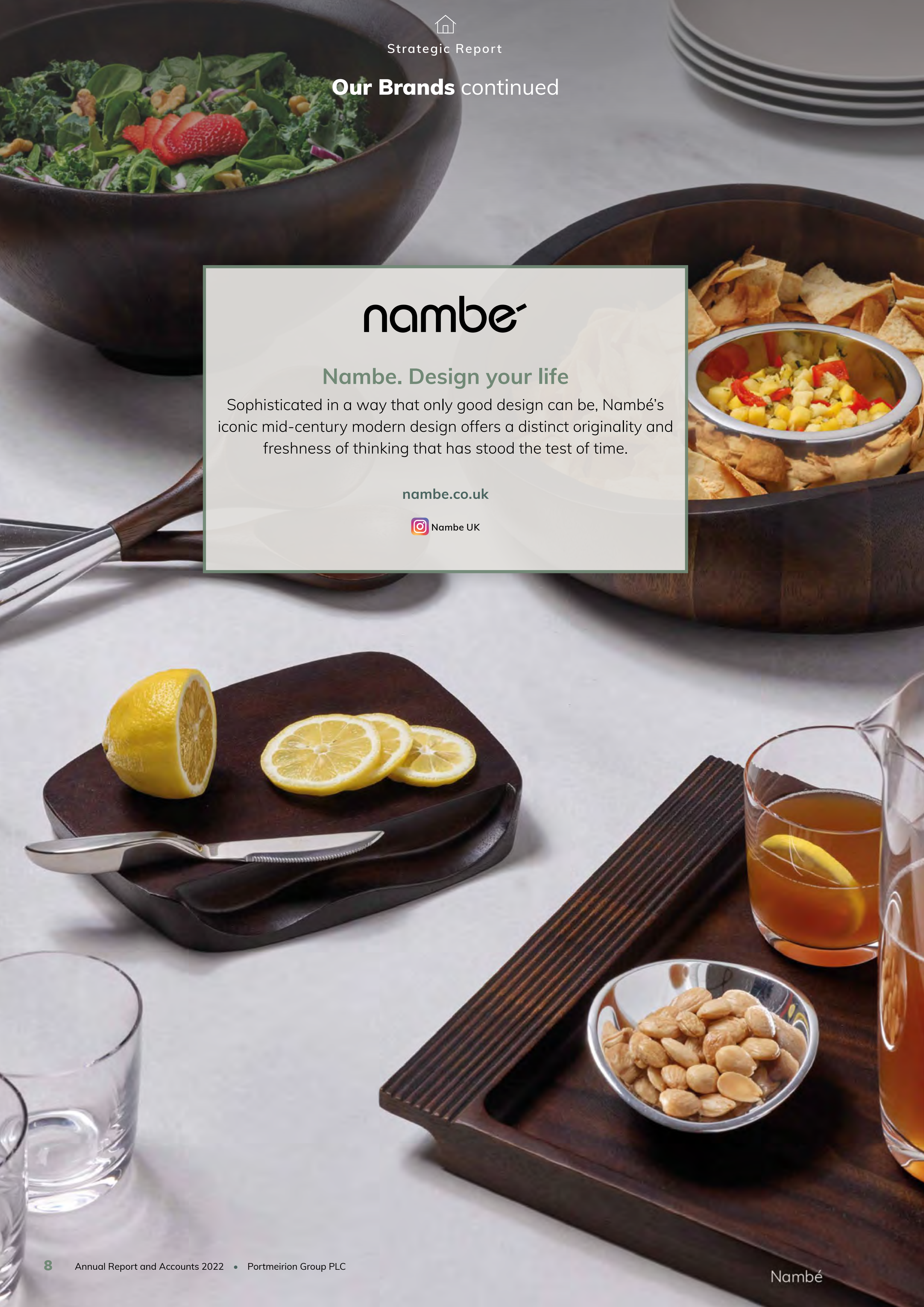
Consciously created, ethically sourced, and sustainably produced home fragrance and body care - inspired by our home in the English Lake District.

waxlyrical.com

waxlyricaluk

Wax Lyrical Home Grown

Our Brands continued



nambe

Nambe. Design your life

Sophisticated in a way that only good design can be, Nambé's iconic mid-century modern design offers a distinct originality and freshness of thinking that has stood the test of time.

nambe.co.uk

Nambe UK

Nambé

pimpernel®

Accessories for every home

The premier brand for placemats and coasters, carefully curated to make your home your own.

pimpernelinternational.co.uk

Primpernel Mono Stripe

Chairman's Statement

Robust trading performance and ongoing progress

"The continued success of the Group depends on constantly improving."

Dick Steele
Non-executive Chairman

Summary

- Another record sales performance of £110.8 million which represented 5% growth over 2021 and now 19% ahead of 2019.
- Profit before tax now ahead of pre-pandemic levels.
- Further capital investment including acquisition of AromaWorks London brand and intellectual property.
- Improved trading translates to dividend payments.
- Ongoing initiatives in ESG result in 10% reduction in CO_2 emissions/saleable tonne product.

Introduction

The continued success of the Group depends on constantly improving our brands, products, markets, people and processes over the years, decades and centuries. The year under review has been another year of improvement.

In 2022 we report another record level of sales, 5% ahead of the prior year and now 19% above pre Covid-19 levels. This improved revenue performance translated to improved profit and operating profit margins. This demonstrates the benefit of our increasingly diversified geography and success in developing online sales channels, and our agility in managing significant inflationary costs.

Again I would like to thank all of our employees and Executive Directors who have worked tirelessly to advance our business and steer the Group through increasingly difficult trading conditions.

Our business and strategy

We design, manufacture, source and sell consumer products worldwide. Our business is built around six international homeware brands: Portmeirion, Spode, Wax Lyrical, Royal Worcester, Pimpernel and Nambé, which collectively have more than 750 years of heritage. As such we have a huge amount of expertise in design and manufacturing within our categories and we are fortunate to own brands and product ranges that have timeless appeal and that are much loved in homes around the world.

We will continue to develop our brands, reaching an ever wider customer base across the world. Intellectual property and design are at the heart of our business, manifesting in the sustainable nature of our revenue.

We trade in over 80 countries worldwide and have manufacturing and warehousing facilities in the UK and warehouses in the US and Canada. Our Group headquarters are in Stoke-on-Trent in the UK, with additional offices in the Lake District, Canada and the US. Our revenue is increasingly being earned from digital channels, through our own web sites and those of third parties, some of which we fulfil directly to the consumer. We continue to sell through third party retailers, wholesalers, agents and distributors. We have 13 of our own retail outlets in the UK and the US.

The Group's strategy is set out in more detail on pages 20 and 21.

The Principal Risks and Uncertainties which face the Group are set out on page 35. It is an integral part of our management approach that we continually identify, evaluate and mitigate risks where appropriate and reasonable.

The Group has rebounded strongly from the Covid-19 pandemic, but continues to monitor ongoing risks to supply chains and inflationary impact on consumer spending. Whilst we cannot fully remove all external risk factors, we remain a diversified and well-funded business.

Governance

The Group is a committed member of the Quoted Companies Alliance ("QCA") and has chosen to apply the QCA Corporate Governance Code as the most appropriate for our size and structure. We have complied with the principles of the QCA code throughout 2022 and continue to do so. Further details of our approach to governance can be found on our website and on pages 40 to 45 of this report. The Board consider our governance procedures to be appropriate for a company of our size, however we are always open to improvement and welcome feedback and engagement from shareholders. Shareholders are encouraged to contact us via the email address shareholderenquiries@portmeiriongroup.com.

The Board

On 22 March 2023, in the interest of our continued commitment to good practice, the Board appointed Angela Luger as the Senior Non-executive Director. Angela has been a Non-executive Director since 2019. During 2022, we strengthened our Global commercial leadership with the appointment of Bill Robedee as Global Sales Director in addition to his role as President of Portmeirion North America.

The Board keeps its composition and performance under constant review so as to ensure that we have the appropriate skills, experience and resources to deliver on our four main board requirements of: setting strategy, reviewing progress against strategy, monitoring the resources required to deliver the strategy and complying with relevant regulatory or governance requirements be they legal or otherwise. We undertake a formal board effectiveness review each year.

Our people, culture and environmental impact

We promote an open culture in the business which is achieved from effective employee engagement, people development and diligent resource management. We are a caring employer with an excellent health and safety record, fair and balanced equality policies, a wide diversity in our workforce and management structures and a consultative approach with our people.

We continue to advance our ESG agenda, and our intention is to publish our new sustainable business strategy and roadmap in the first half of 2023. This remains a key focus of the Board going forward.

Further details can be found in the Our commitment to ESG section on pages 26 to 31 and the Corporate Governance Statement on pages 40 to 45 of this report.

Dividend

The Board remains committed to a sustainable dividend policy with an appropriate level of cover. Our policy will ensure that we retain and invest sufficient capital in our business to drive long-term growth in our brands. We currently consider that a level of cover at or close to three times the dividends paid and proposed for the year is the appropriate rate for the medium-term to allow increased investment whilst providing a return for shareholders.

Due to the improved trading performance in the year, the Board is recommending a final dividend of 12.00p (2021: 13.00p). Total dividends paid and proposed for the year would therefore be 15.50p per share, an increase of 19% over the prior year (2021: 13.00p).

Dick Steele
Chairman

22 March 2023

Chief Executive's Statement

Another record sales year shows resilience of our brands and strategic progress

"Our recent focus on developing online channels and diversified geographic sales markets continue to yield benefit."

Mike Raybould
Chief Executive

Summary

- Another record sales year for the Group against a backdrop of much tougher consumer markets demonstrates the strength and resilience of our consumer homeware brands.
- Benefit of recent work done to diversify geographic sales markets and build online channels mitigated softer consumer spending.
- Accelerated investments in factory automation and productivity gains have helped offset input cost inflation.
- Opportunity to both grow sales and improve operating margins back to historic levels over next 3-5 years.
- Carbon/ tonne saleable product reduced by a further 10% due to ongoing investment in energy usage reduction.

Trading

2022 was another record sales year for the Group as our strategy of developing geographic sales markets and increasing online sales penetration continues to yield benefits.

Sales grew by 5% over 2021 and are now 19% above 2019 pre-Covid levels as our portfolio of brands showed their resilience and continued to resonate globally with consumers.

We experienced another strong seasonal Christmas and Thanksgiving trading period - particularly in the US, now our largest sales market and representing 40% of the Group's turnover. Our Spode Christmas Tree range, first launched in 1938, remains a US market favourite and continues to grow driven by new product launches and increased online exposure through retailer websites and our own ecommerce channels. It is noticeable that whilst being seasonally weighted, the festive period is also our most reliable in terms of forecasting sales with a large number of repeat customers returning each year to place orders to add to their collections.

Our South Korean sales market grew strongly and is now back to historical levels of trading as we continue to innovate and introduce new product ranges and increase online exposure.

In our core UK and US markets we have continued to see the benefits of growth in online channel exposure despite physical retail reopening in 2022 – with 51% of all sales going through online channels (2021: 50%, 2019: 30%).

Our ability to pass on price rises and achieve factory productivity gains from capital investments, together with the strength and depth of our supply chain experience in managing high input cost inflation, has allowed us to grow headline profits by 11% over 2021 and increase operating margins by 8%.

Full year headline profit before tax[(1)] was £8.0 million (2021: £7.2 million).

We are confident that we can continue to grow our sales footprint over the next 3-5 years driven by new geographic markets, further online channel penetration and product innovation within our core markets. Simultaneously, we are focused on our long-term objective of growing our operating margins back to historical highs of around 12.5% (2022: 7.8%, 2021: 7.2%).

Financial Headlines

Revenue for the year ended 31 December 2022 was up by 5% from 2021 and 19% from pre Covid-19 levels at £110.8 million, in line with market consensus. This has been achieved by a strong Christmas trading period, as well as continued growth of our online sales platforms, especially in our core UK and US markets (51% of total sales in 2022). Our long term ambition is to improve operating margins to 12.5% and this has moved in the right direction with headline operating margins[(1)] increasing to 7.8% (2021: 7.2%). Additionally, headline basic earnings per share[(1)] was 46.59p per share (2021: 38.85p, 2019: 56.32p).

(1) Headline profit before tax, headline operating margin and headline basic earnings per share exclude exceptional items – see notes 6 and 13.

Environmental, Social and Governance (ESG)

We are focused on being an ethical and sustainable business and recognise our responsibility to our shareholders, employees, customers, communities and the people that bring our products into their homes. We believe that operating in a sustainable way across the environment, all people and communities is critical to the long-term health of our business and the world we operate in. Following analysis work over the last two years, we are now at a pivotal stage in developing and delivering a sustainability plan for our global business. In Q2 2023, we will be announcing our Crafting a Better Future sustainable business strategy and roadmap.

The Group has a long history of innovation and a strong track record of continual improvements in ESG. Focusing on our operation with the highest energy usage, being the Stoke-on-Trent tableware manufacturing facility, we were pleased to see a further reduction in carbon emission per tonne of saleable product by 10% in 2022 over 2021. We are dedicated to delivering further significant improvements in energy consumption and carbon emissions in the coming years.

Our commitment to our people, ethics and governance is unfaltering, supported by our policies and processes. Further details about our corporate culture and its integration within the Group can be found on our website, www.portmeiriongroup.com, and in our Section 172(1) statement - Engaging with key stakeholders to deliver long term success on pages 24 and 25, in the Our commitment to ESG section on pages 26 to 31 and the Corporate Governance Statement on pages 40 to 45.

The commitment of our employees to making beautiful products ethically is valued by the Board we thank them for their efforts in delivering record results. Our culture and staff well-being initiatives support our ethos to be an employer of choice. This is demonstrated by both our UK businesses being Investor in People Platinum level accredited.

Operational Overview

Revenue for the Group increased by 5% to £110.8 million (2021: £106.0 million).

The US is our largest geographical market representing 40% of Group sales. In translated figures, sales in the US increased by 3% to £43.8 million (2021: £42.5 million) with the continued benefit of online channel penetration and new product launches. Sales of our ever popular Spode Christmas Tree range, loved for generations as part of the ritual of family seasonal celebrations, grew strongly as we reached ever more customers through online sales channels and new SKU extensions to the range.

Our UK market is our second largest market and in 2022 accounted for 25% of Group sales at £28.3 million (2021: £32.9 million), a decrease of 14% over the prior year as UK consumers reacted to cost of living pressures.

Sales into South Korea increased to £26.7 million (2021: £18.7 million) and have recovered back to historical levels following the steps we took in 2019/20 to stabilise and maintain sales at a sustainable level in this important market. Sales benefited from our strategy of increasing online channel exposure and the sale of new and different ranges outside of our core Portmeirion Botanic Garden tableware ranges including home fragrance and more contemporary ranges. Portmeirion Botanic Garden remains a hugely popular range in South Korea and ranks as one of the very top 'online search terms' in the tableware category.

Products and brands

Our brands and product ranges are a major economic asset for the Group. Our six major brands – Portmeirion, Spode, Wax Lyrical, Nambé, Royal Worcester and Pimpernel together have over 750 years of combined history. Their designs are well recognised and loved by consumers around the world.

We have a number of product ranges that have huge longevity and long running customer repeat purchase. Portmeirion Botanic Garden was launched 50 years ago and continues to sell well around the world today. Spode Christmas Tree launched in 1938 is a top US Christmas tableware range. We continue to design new extensions to ensure these ranges remain relevant for consumers and to extend their appeal around the world. Together the two ranges account for approximately 40% of sales and are two of the most successful global tableware ranges, providing the Group with a very reliable base of sales each year.

Additionally, we have a growing portfolio of contemporary product ranges, including Sophie Conran for Portmeirion, and an exciting roadmap of new product planned for launch over the next 18 months.

We are focused on growing both our heritage range sales footprint and increasing our contemporary market share through new product development, increasing online sale channel penetration and developing new geographical markets.

Our Spode brand, which is 252 years old, grew by 4% in 2022 and is now 39% up on 2019 pre Covid levels. We expect Spode to continue to grow in the next 3-5 years.

Our Nambé brand, acquired during 2019, grew by 13% as we continue to execute on sales synergies and is now 17% above its pre-acquisition sales base at constant currency.

Sales from our home fragrance division, Wax Lyrical, fell by 7% as its UK customer base continued to be impacted by Covid and the impact of the cost of living crisis hit consumer spending in the home fragrances category. In the second half of 2022, we acquired the brand of AromaWorks London, which operates in the adjacent health and wellbeing category with customers including Waitrose, Holland and Barrett and Champneys. The acquisition is expected to drive sales and operational synergies from 2023. Further commentary on our plans to improve the performance of our home fragrance division is set out below.

A list of our current ranges can be found at www.portmeirion.co.uk and www.spode.co.uk. Customers in the United States should go to www.portmeirion.com and www.nambe.com. Customers in Canada should go to www.haustopia.com.

Group Strategy

We believe we have a significant opportunity to grow the sales footprint of our business over the next 3-5 years. We will do that by continuing to develop our key heritage ranges through product extensions and developing new sales channels to reach more customers.

Secondly, we are focused on increasing our market share in contemporary and giftware homewares through developing and launching beautifully designed new products and leveraging these new ranges across our existing global sales infrastructure.

Chief Executive's Statement

Wax Lyrical Yvonne Ellen

Further detail on executing our growth strategy

1. **Geography - building and growing sales markets outside of our three core markets of US, UK and South Korea**
Rest of World sales markets (excluding Russia and Eastern Europe) grew by 6% in 2022 and are 81% up on 2019. Our products are sold in more than 80 countries around the world. Our three core markets of UK, US and South Korea account for 89% of Group sales.

   We see a significant opportunity to grow the contribution from 'rest of world' sales markets over the next 3-5 years. In the last two years, we have appointed new distributor partners in China and Malaysia and are excited about the prospects of reaching more customers in these regions.

   Sales in our Canadian market grew by 23% in 2022 as we continue to benefit from the acquisition in 2020 of a long-standing joint venture, with the ability to leverage synergies from our North American team.

2. **Online – further developing online sales channels in our core markets reaching more potential customers on more occasions**
In our core UK and US markets, sales through online channels now represent 51% (2021: 50%, 2019: 30%). In South Korea we have increased online channel presence in 2022 driving sales growth in this market.

   We continue to build long term direct to consumer relationships through our own ecommerce sites in the UK and US. In the UK we launched new websites in 2022 that will improve customer journey, conversion and our ability to retarget customers for future purchases. In 2022, our own ecommerce sales represented 14.2% of total sales in the UK and US (2021: 14.5%, 2019: 9.7%), which was an 8% reduction on 2021 sales as physical retail reopened, but still up a very healthy 63% on 2019 pre-Covid levels.

   Our key Christmas ranges are now more widely available on retailer websites - a key component of our excellent sell through across the recent 2022 seasonal holidays. This in turn provides strong momentum and encouragement for increased retailer buys for 2023.

3. **Designing and launching new product - widening the appeal with our existing customer base and taking market share**
Sales from new product launches and extensions to existing ranges account for over 10% of the Group's sales and we have a strong roadmap of new launches for the next 18 months.

   Product launch extensions to our core heritage ranges (Portmeirion Botanic Garden and Spode Christmas Tree) sold well during 2022 and both ranges benefit from significant repeat purchasing as consumers seek to add to their collection. We have already finalised further new product extensions for launch during 2023.

   We have an exciting portfolio of contemporary tableware, giftware and home fragrance to launch over the next 12-18 months that we believe will help us take market share in core markets. This includes our Spode Kit Kemp collaboration which launches in April 2023, new stoneware tableware ranges for Portmeirion and new lines for each of our well established Sophie Conran for Portmeirion, Royal Worcester Wrendale Designs and Sara Miller London for Portmeirion ranges.

   We were excited to launch home fragrance and hand and body products under our Portmeirion Botanic Garden brand in 2022 and expect these to grow in 2023, particularly in our South Korean market.

4. **Leveraging our brands**
We are working on establishing our Nambé brand outside of its core US market, growing our key Spode Christmas Tree range outside of the US market, leveraging our high organic brand awareness in South Korea over new ranges and on cross sell opportunities to grow basket size for our own ecommerce platforms.

   Our Nambé brand grew, again, by 13% on 2021 and is now 17% above 2019 pre-acquisition sales levels at constant currency despite disruption to sales markets from Covid. We continue to expand product ranges and sales distribution channels.

Further detail on returning our operating margins to 12.5% in the long term

There is a significant opportunity for us to improve operating margins back to historical highs of 12.5% over the long term (2022: 7.8%) with a medium-term target of reaching 10%. We will do this by:

1. **Improving productivity in our UK factories through investment in automation to reduce manual handling**
   We have accelerated capital investment in our Stoke-on-Trent tableware factory over the past 2 years, investing in automation and projects that reduce manual handling and increase our pieces output per labour hour with a roadmap of further projects for the next 2 years. Average project pay back is 3 years or less and together with our ability to leverage our factory's capacity as we grow sales this will drive up operating margins for the Group.

   Productivity in our Stoke-on-Trent factory increased by 2% in 2022 and by 13% versus pre-Covid levels.

2. **Leveraging our fixed cost base as we grow top line sales**
   We see a significant opportunity to further grow our sales footprint over the next 3-5 years which will enable us to leverage spare capacity in our factories and our existing sales and distribution infrastructure around the world.

3. **Improving the profitability of our home fragrance division back to pre-Covid levels**
   Wax Lyrical, our home fragrance division, that manufactures fragranced candles, diffusers and hand and body products in our factory in Cumbria was significantly impacted by the closure of much of its customer base due to Covid. Concentrated in physical retail, the nature of the product meant there was a much lower transition to online sales channels than with our core tableware business. Sales decreased by 7% in 2022 and are still 23% below pre-Covid levels. Due to cost reduction initiatives, profit contribution was £0.5 million better than in 2021, albeit a small loss before tax was incurred and some way short of pre-Covid levels of profitability.

   In order to improve factory utilisation we purchased the brand and certain assets of AromaWorks London out of administration in August 2022. By the end of 2022, we had successfully closed the AromaWorks factory and migrated its product lines to be made and absorbed within existing capacity at our Wax Lyrical factory. We expect this will drive better recovery of fixed overheads and, together with commercial product initiatives underway, will return Wax Lyrical to profitability in 2023. We are excited by our new Portmeirion Botanic Garden home fragrance and hand and body ranges that launched during 2022 and expect these new ranges to make a more significant contribution over the coming years.

   We expect the home fragrance category to recover over the next few years as the cost of living pressures ease which together with the initiatives above will have a positive impact on the Group's operating margins.

Mike Raybould
Chief Executive

22 March 2023

Markets

Expanding international markets

Portmeirion Group sells into over 80 countries around the world.

Pictured: Royal Worcester Wrendale Designs

SALES

£28.3 million

The UK was the second largest market for the Group in 2022, with sales of £28.3 million (2021: £32.9 million) or 25% of the Group's total revenue.

Market implications

The UK market was negatively impacted by the cost of living crisis, with significant inflation including energy costs which materially impacted consumer demand.

Following the Covid-19 pandemic there has been a notable shift to omnichannel retail with the importance of servicing customers both in physical retail stores and online.

Response

We continue to react to market trends in our brands and online capabilities. We have invested significantly in our websites, teams and fulfilment capacity to ensure we can satisfy the increased direct to consumer demand.

In addition to our own websites, we increasingly service D2C via orders placed on retailer websites to provide the same service levels.

Link to strategy

1 2 4 5

Pictured: Spode Christmas Tree

SALES

£43.8 million

The United States was the largest market for the Group at £43.8 million of sales (2021: £42.5 million) representing 40% of total Group revenue.

Market implications

The United States market experienced similar conditions to the UK, with a significant rise in inflation driven by labour shortages and energy costs. This put pressure on consumer demand due to a decrease in discretionary spending.

Response

We continue to leverage our brand heritage in order to provide further growth in this important market. Spode Christmas Tree, first introduced in 1938, remains a US market favourite and our Nambé brand (acquired in 2019) has added additional scale to our operations.

We continue to invest in our teams and operational capabilities, particularly around our own ecommerce sites and dropship fulfilment capacity.

Link to strategy

1 2 4 5

Link to strategy		
	1 Developing online sales channels	4 Developing and launching successful new product
	2 Leveraging our brands	5 Operating and procurement efficiency and capabilities
	3 Building new markets/geography	

Pictured: Portmeirion Botanic Garden

SALES

£26.7 million

Sales into South Korea were £26.7 million (2021: £18.7 million) or 24% of total Group sales in the year.

Market implications

The South Korean market has rebounded well after the Covid-19 pandemic, with strong consumer demand.

The Group continues to take a disciplined approach to this market in order to avoid overstocking and provide a stable base for future growth.

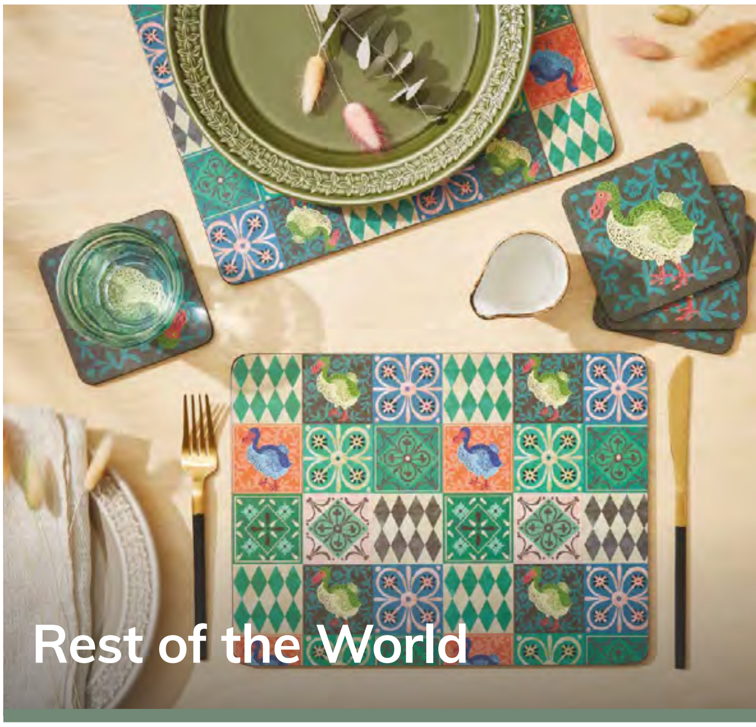
Response

We continue to launch new products and broaden our range of brands and distribution routes into South Korea in order to diversify and drive further growth.

The steps taken to stabilise this market have proved successful and we expect further growth from a stable base in the coming years.

Link to strategy

1 2 4 5



Pictured: Pimpernel Zanzibar

COUNTRIES

80

The Group sells into more than 80 countries around the world which accounts for 11% of the Group's revenue. Sales increased to £12.1 million during the year (2021: £12.0 million).

Market implications

Global retail markets remain challenging, with most of our sales markets impacted to some extent by wage and energy inflation which is suppressing consumer spending.

Sales into Europe in particular have been negatively impacted by the Ukraine war and subsequent rise in energy costs.

Response

We continue to invest in our international design and sales teams, and develop market specific products to meet local demands.

We have seen strong performance during the year in Canada, China and Malaysia, and we are aiming to build three key new sales markets in the medium term.

Link to strategy

1 2 3 4 5

Business Model

Diversified routes to market and product offering

Our enablers

Brands portfolio
- Strong, separate identities.
- Revenue generation and growth across all six brands.
- Numerous opportunities to leverage brands for enhancement of earnings.
- Combined over 750 years of collective history.

Exceptional people
- Experienced leadership team in place.
- Strong focus on investing in and developing our 868 employees.
- Teams based in various locations to ensure strategy is in line with localised requirements/trends. These locations include the UK, US, Republic of Ireland, Germany, Canada, Dubai, South Korea and China.

Innovation and design
- Customer centric approach to strategy.
- Innovation and design is the heart of our business model.

Operational excellence
- Factories in the UK (2 sites).
- Distribution centres in the UK, US and Canada. We also direct ship from suppliers where appropriate to reduce shipping costs and lead times.
- Significant ongoing investment in operational efficiency and capability projects.

Finance
- Low operational gearing.
- Strong focus on operating profit margin.
- Commitment to sustainable dividend policy.

Value creation

1

Customer centric – diversified product offering

- Diversified customer base.
- Omni-channel and Geographical.
- Tableware, Serve-ware and Gifting.
- Home Fragrance.

2

Diversified inward supply chain

- Operational excellence, focus on sustainability.
- In 2022, 38% of products sold were manufactured in our own UK factories. The remaining 62% sold were sourced from various locations around the world.

3

Innovative products

- Opportunities for growth in new and existing markets.
- Innovative products launched reflect current consumer requirements. Price point is in line with competing brands.

4

Routes to market

- Brand identities are separate and strong routes to market are led by customer requirements. A growth in digital has been long predicted and internal investment, alongside market trend, has resulted in significant growth.

Stakeholders

For Shareholders

Value is delivered by dividend payments and capital appreciation.

FOR THE YEAR ENDED 31 DECEMBER 2022:

15.50p dividends paid and proposed per share.

For Customers

Excellent customer insight and fulfilment capabilities have enabled us to effectively grow.

DURING 2022:

51% of sales in our core UK and US markets were made via online channels.

Our Strategy in Action **pages 22 and 23** >

For people and our local communities

The successful execution of our business model and strategy provides additional employment opportunities within our local communities and long-term career development for our existing employees.

868 employees across the world.

For the environment

We strive for operational excellence whilst reducing environmental impact.

Over half of Wax lyrical energy was generated by wind turbine.

Our Commitment to ESG **pages 26 to 31** >

Our Strategy

Driving sustainable growth

Our strategy is built around reaching ever more potential customers for our brands whilst focusing on further efficiency in everything we do. We expect this to deliver sustainable sales growth and improve operating margins, thereby driving increased profitability.

1 Developing online sales channels

Progress

- Maintained strong online sales growth achieved during pandemic enforced store lockdowns.
- Total online channel sales now account for 51% of UK/US markets (2021: 50%, 2019: 30%).
- Re-platformed all UK websites to provide enhanced customer service and improved functionality.

Future outlook

- Ongoing investment in our own websites and digital/online presence across all platforms.
- Further utilisation of exclusive new product for online customers.
- Continue focus on deepening relationship with the end consumer and building lifetime value of customer.

The Board's governance role

- The Board approves the long-term objectives and strategy, monitors performance and where necessary, ensures corrective action is taken.

Link to KPIs

1 2 3 4 5 6

Link to Risks

1 2 3 5

2 Leveraging our brands

Progress

- Strong performance in key heritage ranges Portmeirion Botanic Garden and Spode Christmas Tree.
- Resilient performance across all brands despite macro-economic headwinds.
- Improved digital assets have helped to drive better online sales performance.

Future outlook

- Comprehensive roadmaps completed for all brands to provide detailed plan for new product launches.
- Development of heritage product ranges and new collections which are brand focused and target both our traditional customer base and new consumers.
- Key digital assets planned for our new product launches to improve sales execution.

The Board's governance role

- The Board oversees the Group's operations to ensure competent and prudent management by the Executive Directors and the senior management team.

Link to KPIs

1 2 3 4 5 6

Link to Risks

1 3 4 5

3 Building new markets/geography

Progress

- Rest of world sales maintained at 11% of total despite widespread disruption in sales markets.
- Strong progress in growth markets of Canada, China and Malaysia.
- Road map of new product development to enhance customer offering in international markets.

Future outlook

- Long term aim to double rest of world sales against 2020 base.
- Target to build three new sizeable markets.
- Leverage our brands further with international growth in home fragrance and Nambé.

The Board's governance role

- The Board reviews all financial performance of the Group in major markets.

Link to KPIs

1 2 4 5 6

Link to Risks

1 2 3 5

4 Developing and launching successful new product

Progress

- Strong new product performance including new items to support Portmeirion Botanic Garden 50th anniversary and Spode Christmas Tree seasonal trading.
- New product launches continue to contribute over 10% to total Group sales per annum.
- Robust pipeline of new product developed for future launch.

Future outlook

- Strong pipeline of new product for launch in 2023 including new Spode Kit Kemp collection.
- Ongoing product extensions in heritage ranges including highly successful Spode Christmas Tree range for 2023.
- New items to support AromaWorks London brand purchased in August 2022.

The Board's governance role

- The Board regularly reviews commercial sales information to ensure the Group has a sustainable growth model.

Link to KPIs

1 2 3 4 5 6

Link to Risks

1 3 4 5

5 Operating and procurement efficiency and capabilities

Progress

- UK factories continue to improve efficiency with ongoing investment.
- Automation schemes in Stoke-on-Trent factory implemented Q4 2021/ Q1 2022 enhanced capacity and efficiency.
- Successful uplift of AromaWorks manufacturing to provide additional throughput in home fragrance factory.
- Continue to manage supply chains despite ongoing disruption and inflation.

Future outlook

- Ongoing investment in factory efficiency projects will add output and improve efficiency.
- Further procurement savings available as we globalise our teams and obtain economies of scale.
- Ensure capacity in manufacturing and distribution to drive further sales and operating margin growth.

The Board's governance role

- The Board approves the annual expenditure budgets and any material changes to them. Capital and operational expenditure over £250,000 must also be approved by the Board.

Link to KPIs

1 2 3 4 5 6

Link to Risks

3 4 5

Key to KPIs

1 Revenue
2 Headline operating profit margin
3 Own ecommerce sales
4 Headline basic EPS
5 Operating cash generation
6 Dividend cover

Key to Risks

1 Economic environment
2 Competitors
3 People
4 Suppliers
5 Financial risk

KPIs **page 36** >

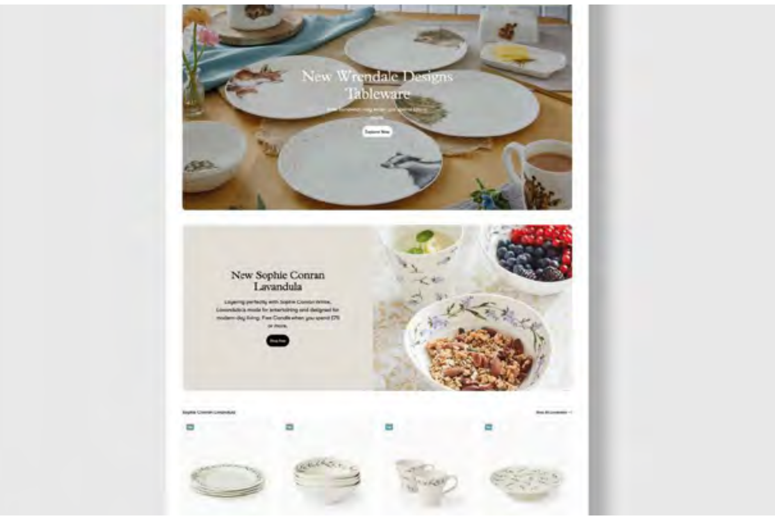
Risk Management **page 34** >

Corporate Governance Statement **pages 40 to 45** >

Our Strategy in Action

Executing our strategy to enable growth

In 2022, the Group continued to invest in a number of key strategic initiatives in order to achieve our target of sustainable sales growth.



Digital and Online

Online sales represent a significant and fast growing part of the Group's sales in major markets. These sales are made up of own websites, pureplay e-tailers and omnichannel retailers, which now represent 51% of sales in our core UK and US markets, increasing from 50% in 2021 and 30% in 2019.

As physical retail stores have reopened for the duration of 2022 our own website sales have fallen 8% over the prior year, but remain over 63% ahead of pre-Covid levels. The Group continues to invest in our people, systems and processes in this key area, as retailers in the UK and US all operate omnichannel distribution which requires more sophisticated systems.

We completed the replatform of all UK websites to provide an improved customer experience and improved functionality.

In 2023, we will continue to invest in our teams and websites to build on the work completed in 2022.

Pictured: Re-launched home page on www.portmeirion.co.uk

Leveraging our Brands

The Group has an enviable portfolio of six homeware brands which collectively have more than 750 years of history. These brands have stood the test of time thanks to their rich histories, iconic designs and craftsmanship. The Group has redefined each of these brands to ensure they remain relevant to the current consumer market, allowing a consumer-led pipeline of new collections which will be targeted using brand communication and digitalisation.

In 2022, all of our brands proved very resilient in difficult trading markets around the world, with consumers significantly impacted by inflation and cost of living pressures. In particular, Spode Christmas Tree continued to perform well and is still growing in the key US marketplace.

Pictured: Spode Creatures of Curiosity

Successful new product launches

In 2022, the Group continued to introduce a number of new collections, with an aim to achieve at least 10% of sales coming from new product launches. This commitment includes ongoing investment in retaining the freshness in our long standing heritage ranges such as Portmeirion Botanic Garden, which celebrated its 50th anniversary in 2022 which was marked with the launch of a number of commemorative pieces.

For 2023, we have a number of new ranges in the pipeline including our exciting new Spode collection with British designer Kit Kemp.

Pictured: Spode Kit Kemp Alphabet mugs

Building new markets

In 2022, the Group increased sales in the key international markets of the US and South Korea, whilst also growing sales in rest of world markets.

We saw strong growth across Canada, China and Malaysia which compensated for weaker trading in Europe due to the war in Ukraine.

The medium term aim of the Group is to grow three sizeable new international markets to support the three primary markets.

For 2023, we expect to see further growth in international markets as we leverage our brand portfolio across established distribution channels.

Pictured: Portmeirion Botanic Garden

Factory and Operational Efficiencies

The Group is committed to building our manufacturing and operational efficiency and capability as part of our aim to drive operating margins back to historical levels.

In 2022, we continued to invest at an accelerated rate into our UK and US operations in order to improve productivity and efficiency, which will translate into better gross margins on product sold. We completed the first stage of automation projects in our Stoke-on-Trent ceramic factory with the installation of a new heat release machine, and the second stage commences with the finalisation in 2023 of a new automated dipping line.

We also completed a number of energy saving investments including catalytic heating for our glaze spraying, with further energy saving projects planned for the coming year.

Pictured: Whilst many of our products are hand crafted we look to use technology to improve yields and efficiency

People

Our teams continue to demonstrate their diligence, commitment and ability in the face of ongoing disruption caused by macro-economic events.

The Group has recovered strongly from the impact of the Covid-19 pandemic and for 2022 profit was ahead of 2019 levels.

During the year we have moved to more globalised teams across the Group in order to improve efficiency and flexibility in our commercial and operational processes.

The Group continues to invest in our people and will recruit new skills where necessary in order to advance our strategy.

Pictured: One of our talented lithographers in our Stoke-on-Trent manufacturing site

Section 172 (1) Statement

Engaging with our stakeholders

The Board is committed to delivering sustainable value to shareholders and other stakeholders. To do so it is imperative we engage meaningfully to deliver better outcomes for our business and all people who come into contact with it. The Board recognises the importance of considering all stakeholders in its decision making.

The below sets out our Companies Act 2006 Section 172 (1) Statement which provides details of the Board's engagement with our key stakeholders during the year and how stakeholder considerations have helped shape Board decisions and outcomes. This statement focuses on matters material to shareholders. The Group's key resources and relationships are detailed in the Business Model on pages 18 and 19.

The Board's understanding of the interests of the Group's stakeholders is informed by the Board's programme of stakeholder engagement. The Board appreciates that in some circumstances conflicts between different stakeholders may arise and therefore will endeavour to understand and evaluate the requirements and priorities of each group when making its decisions and resolutions will be sought in a manner that benefits the long-term success of the business.

Our Strategy **pages 20 and 21** >

Our Strategy in Action **pages 22 and 23** >

Our Commitment to ESG **pages 26 to 31** >

Shareholders

Link to strategy

1 2 3 4 5

Overview

Our shareholders are vital to the future success of our business, business growth and the generation of sustainable returns.

It is important to our shareholders that they are kept up to date with strategy and business performance; that we deliver shareholder value and that they receive timely and relevant communication on all aspects of the business including that of remuneration policy and management incentivisation.

How we engage

- Regular reporting content, delivered through the annual report and accounts and half year report;
- direct Q&A sessions at results presentations with analysts, investors and potential investors. Feedback shared with the Board;
- Chief Executive and Group Finance Director present to retail shareholders through the Investor Meet Company forum;
- Chairman writes to institutional and large holding shareholders annually; and
- questions from shareholders encouraged prior to and at the AGM.

Considerations and outcomes

- The Group takes advice and guidance from its advisers on what is important to shareholders in planning all communications to ensure it addresses any emerging key topics;
- providing reassurance that the Group continues to be in a strong position and remains a good investment opportunity; and
- a capital markets day was held at our head office and factory in February 2022 allowing institutional shareholders and potential investors to see our business in action.

Customers

Link to strategy

1 2 3 4 5

Overview

Listening to our customers helps us to better understand their needs and provide suitable products.

Our customers expect excellent quality, innovative products that meet their requirements whilst being able to order easily at a competitive price with exceptional service and delivery. Brands that they recognise and love are important to them.

How we engage

- Customers' needs are considered at every level of the business, from the Board to the service desk;
- commercial teams engage regularly with strategic and national customers to build trust and collaborative working relationships. Key accounts are overseen by Board or function heads;
- support statistics analysis to identify ways to improve customer experience; and
- direct to consumer engagement via customer services, emails and social media.

Considerations and outcomes

- New product development is driven by customer demand and feedback;
- during 2022, we continued to invest in our factories, warehouse and digital infrastructure to drive customer delivery and satisfaction, specifically by the re-launch of two ecommerce brand websites and the completion of extended operational packing areas in our Stoke-on-Trent warehouse; and
- the acquisition of the AromaWorks London home fragrance brand during 2022 further increased our offering to customers.

Link to strategy

1 Developing online sales channels
2 Leveraging our brands
3 Building new markets/geography
4 Developing and launching successful new product
5 Operating and procurement efficiency and capabilities

Suppliers

Link to strategy

2 4 5

Overview

Treating our suppliers fairly and having positive, proactive interaction with them allows us to drive higher standards and reduce risk in our supply chain whilst seeking cost efficiencies and positive environmental outcomes.

It is important to our suppliers to have visibility of future projects and workload; to share financial risks and rewards appropriately with us; to drive operational efficiency; and for them to receive timely payment and support to allow them to conduct their business ethically and sustainably.

How we engage

- Our collaborative approach ensures all parties have a shared long-term objective of working together, reducing risk, maintaining high standards of business conduct and delivering to time and cost;
- we operate a programme of continuous engagement which is both formal but also informal from day to day dialogue between our teams; and
- our sourced product suppliers are required to complete SEDEX audits to help us proactively assess, manage and mitigate business and supply chain risks. We work proactively and positively with our suppliers to address any action points arising out of audits.

Considerations and outcomes

- Our highly experienced teams continue to manage costs and successfully navigate the challenges of global supply chain disruption and the ongoing effects of the war in Ukraine on utility and raw material costs;
- in 2022, we engaged a new sourced product supplier in Europe to broaden our base of geographical supply;
- we have been working with our suppliers to remove or reduce single use plastics within the supply chain. Where elimination is not possible our suppliers are working towards using at least 30% recycled materials; and
- we share knowledge on the opportunities for using more green energy at suppliers factories by active two way engagement as part of our commitment to sustainability.

Employees

Link to strategy

1 2 3 4 5

Overview

Engaging with our people enables us to create an inclusive Group culture and a positive working environment.

Our colleagues need a safe place to work; engagement with the business and its overall purpose, wellbeing and work-life balance; to feel valued, trusted and empowered; and to be fairly rewarded and incentivised.

How we engage

- Briefings, newsletters, team meetings, opinion surveys and opportunity to engage with Chief Executive directly;
- Innovation Scheme rewarding ideas leading to operational efficiencies;
- focus groups e.g. health and safety meetings, green team, UK energy team;
- providing training and community involvement;
- our UK businesses are Investors in People Platinum accredited in recognition of our commitment to leading, supporting and improving our workforce; and
- in 2022, the full Board visited the Group's UK manufacturing sites to meet with employees and speak to them about the challenges and opportunities in their parts of the business.

Considerations and outcomes

During 2022, we implemented changes to benefit our employees by:

- appointing a Global HR Director to enhance our one team ethos across the world;
- continuing to train Mental Health First Aiders to support our teams, particularly recognising the impact Covid-19 may have had on our teams wellbeing at work and at home;
- embarked on a project to define the Group's purpose with input from working groups of colleagues globally; and
- fed back the outcomes of employee consultations on our sustainability journey into the development of sustainability strategy.

Communities and the environment

Link to strategy

2 4 5

Overview

Contributing positively to wider society enables us to create stronger communities locally and have a more positive environmental impact.

It is important that we understand the likely consequences of our decisions in the long term on the environment and our communities. We want to reduce the negative impact of climate change whilst continuing to provide our high quality, durable products.

How we engage

Within our local communities we:

- explore opportunities to make a difference through our charitable programmes;
- our employees proactively engage in volunteering activities;
- are developing a programme to engage with strategic partners to build employability skills; and
- as a business and through our staff we continually consider ways to reduce our environmental impact. See Our Commitment to ESG section on pages 26 to 31.

Considerations and outcomes

- Towards the end of 2022, the Group completed its ESG baselining exercise to understand the Group's impact on the environment. This exercise has informed the development of sustainability strategy which is explained in Our Commitment to ESG section on pages 26 to 31;
- during 2022, we appointed a new Sustainability Officer to support our sustainability aims; and
- the Group supports charities in the local vicinity of its sites and encourages all employee fundraising.

Our Commitment to ESG

Crafting a better future for our environment, people and communities

Portmeirion Group is a purpose-driven business with heritage and community at our core. We have a responsibility to our employees, customers, communities and the people that bring our products into their homes, and we work hard to reflect this in everything that we do.

Our ESG achievements in 2022:

- Played an active role in the "British Ceramics – towards Net Zero" initiative and collected two awards for Employee Engagement and Decarbonisation in Action at the inaugural 'Delivering New Zero BCC Conference'.
- Changed our UK company car policy so that all new cars are fully electric.
- Altered the heating system in our Stoke-on-Trent factory glazing area to reduce gas consumption by 28%.
- Introduced a UK multi-departmental Energy Team to assess energy saving opportunities within our operations.
- Enhanced methodology of the materiality assessment in order to improve the accuracy and encapsulation of calculated emissions data.
- Trained all of our UK operational management teams on equality, diversity and inclusion and rolled out Institution of Occupational Safety and Health (IOSH) safety training courses.
- Positive unplanned Health and Safety Executive (HSE) audit during year reflecting commitment to health and safety of our employees.
- At least 93% "in favour" proxy votes from shareholders on each resolution at the 2022 AGM.
- Successfully achieved ISO 22716:2007 (Good Manufacturing Practice) accreditation in February 2022 for our cosmetic products.
- Our Home Fragrance manufacturing site also became certified in ISO 9001:2015 in June 2022 which is a reflection of the Quality Management System currently in place.

Our business and brands have a global reach and strong history. They are grounded in family values, craft, and a commitment to making beautiful products that bring people together and are passed from generation to generation. We must build our global business in a way that evolves this heritage to safeguard the next generation; combining the best of the past with today's innovations and designs to make our business as good as it possibly can be and create a positive legacy for the future, for our employees, communities, customers and the environment.

We believe that operating in a sustainable way across environment, people and communities is not only the right thing to do, but is critical to the long-term health of our business and the world we operate in. Following the baselining work completed in 2021, we are now at a pivotal stage in developing and delivering a sustainability plan for our global business.

It is our intention to publish our new sustainable business strategy and roadmap in the first half of 2023, which will set out a clear and transparent set of commitments and goals and create the framework for our plans moving forward. Our sustainable business strategy will be aligned to our commercial strategy and will be embedded into operations and decision making over the coming months to ensure that sustainability sits at the core of our business model.

Underpinning our strategy is a clear governance structure lead by myself and supported by the Board who are all accountable for the sustainability commitments of the Group.

Our global purpose and sustainability strategy gives us a basis on which to move forward at pace to address the environmental and social challenges we and others face. We will provide regular updates on our progress and will evolve our commitments as needed to deliver on our ambition to Craft a Better Future.

All our strategic ambitions, commitments and delivery roadmap are underpinned by robust Governance structures, KPIs and operational procedures. This involves our Group Board, Executive teams and our colleagues across our global business. During 2023, we will be introducing a Sustainable Board Committee which will be chaired by myself and as Chief Executive, I will continue to be responsible for the sustainability commitments of the Group.

Throughout 2022, we have evolved our ESG monitoring to better understand the materiality of our impacts across four global areas of focus, which encompasses the operational activity of the group, logistics, supply chain emissions (tier one) and employee demographics, in order to make well-informed choices in focusing our resources and efforts to deliver tangible strides towards a more sustainable world.

Since our recording began in 2019, we are showing a reduction in our per tonne of carbon dioxide equivalent. We will be launching our new sustainable business strategy and roadmap in the first half of 2023 throughout the Group and will continue to monitor our environmental impacts as part of our business as usual processes.

Mike Raybould
Chief Executive

22 March 2023

Environment

The Group is committed to building our business in a way that evolves its heritage to safeguard the next generation; combining the best of the past with today's innovations and designs to make our business as good as it possibly can be and create a positive legacy for the future. For our shareholders, employees, communities, customers and the planet.

Our focus remains to continually review our operations to ensure maximum efficiency within our processes with a particular focus on energy reduction opportunities. At our Stoke-on-Trent manufacturing site we have used heat recycling techniques to reduce our energy costs, invested in new, energy efficient automation and installed catalytic heaters to heat some of our production areas. We are also reviewing opportunities to introduce smart lighting technologies and self-generated energy through solar panels.

Half of the energy used at Wax Lyrical's production site continues to be generated by wind turbine; reducing the carbon emissions of our operation in Cumbria.

We recognise that the ceramics industry, of which the majority of the Group's operations are a part of, is an energy intensive business and we remain committed to working collaboratively across our industry to support our sector's environmental challenges.

Reducing CO_2

During 2022, we continued with our external review of our current ESG baseline to inform future strategy for improvements.

↓ -9.9%*

UK Ceramics – tonnes of CO_2e per tonne of saleable product

↑ +8.7%*

UK Home Fragrance – tonnes of CO_2e per tonne of saleable product. This increase is largely due to a shift in production mix to a lighter weighted product resulting in a higher intensity metric per tonne of saleable product

↓ -7%*

UK Operations (exc. Retail) – tonnes of CO_2e per tonne of saleable product

55%

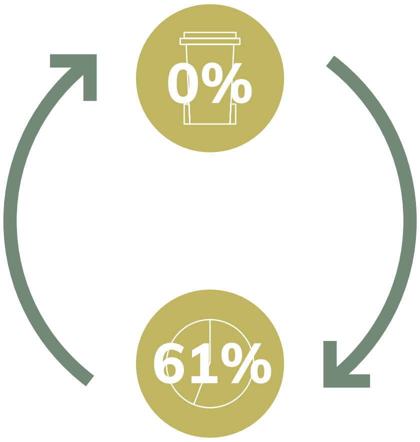
of energy used at Wax Lyrical operation in 2022 was provided by wind turbine

*2022 compared to 2021.

There is

0% waste

going to landfill from the Stoke-on-Trent operation



61%

of the 1,047 tonnes of waste generated is recycled and usually repurposed into a secondary use with the rest being incinerated (waste to energy).

INVESTORS IN PEOPLE

All UK operations are accredited at Investor in People Platinum status; a level only held by the top 4% of accredited organisations.

Pictured: Wind turbine at our UK home fragrance manufacturing site.

Our Commitment to ESG continued

Environment continued

Stoke-on-Trent (ceramics) GHG Emissions and Energy Use Data

	Year ended 31 December 2022	Year ended 31 December 2021
Energy consumption used to calculate emissions	**kWh**	kWh
Electricity	**6,408,768**	6,404,372
Natural gas	**37,798,740**	38,081,766
Transport	**354,780**	179,108
Total energy consumption (kWh)	**44,562,288**	44,665,246

	Year ended 31 December 2022	Year ended 31 December 2021
Emissions	**tonnes CO_2e**	tonnes CO_2e
Scope 1 emissions		
Natural gas	**7,084.1**	7,729.5
Company owned/leased vehicles	**88.1**	47.3
Scope 2 emissions		
Electricity	**1,274.2**	1,390.4
Scope 3 emissions		
Employee owned car travel (grey fleet)	**7.7**	3.7
Total SECR emissions (tonnes CO_2e)		
Intensity metric: tonnes of CO_2e per tonne of saleable product	**3.37**	3.74

Lake District (home fragrance and personal care) GHG Emissions and Energy Use Data

	Year ended 31 December 2022	Year ended 31 December 2021
Energy consumption used to calculate emissions	**kWh**	kWh
Electricity	**421,759**	648,167
Natural gas	**1,272,532**	903,883
Transport	**7,538**	7,664
Total energy consumption (kWh)	**1,701,829**	1,559,714

	Year ended 31 December 2022	Year ended 31 December 2021
Emissions	**tonnes CO_2e**	tonnes CO_2e
Scope 1 emissions		
Natural gas	**237.2**	183.5
Company owned/leased vehicles	**1.8**	2.0
Scope 2 emissions		
Electricity	**83.4**	137.6
Scope 3 emissions		
Employee owned car travel (grey fleet)	**21.1**	10.9
Total SECR emissions (tonnes CO_2e)		
Intensity metric: tonnes of CO_2e per tonne of saleable product	**0.25**	0.23

Streamlined Energy and Carbon Reporting (SECR)

From a regulatory perspective the Group continues to report on its annual UK energy use, associated greenhouse gas (GHG) emissions and information relating to our energy efficiency action, in accordance with the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. In the interests of transparency, we have split out our reporting for our two manufacturing sites – our ceramics factory site in Stoke-on-Trent and home fragrance site in the Lake District.

We are pleased to report a reduction in tonnes of CO_2e per tonne (of saleable product) for our Stoke-on-Trent (ceramics) site.

SECR Methodology Statement

The methodology to calculate energy and GHG emissions data is in accordance with the GHG Reporting Protocol – Corporate Standard and SECR guidelines.

The following data sources have been used for the report:

- Electricity – metered kWh consumption taken from supplier invoices;
- Transport Scope 1 – emissions have been calculated based on mileage expense claim records and relevant UK Government GHG conversion factors depending on fuel type and assumption of medium sized car; and
- Transport Scope 3 – emissions have been calculated based on mileage expense claim records, average UK Government GHG Conversion factors and assumption of medium sized car and UK Government Advisory fuel rates.

Social

Of equal importance to our environmental commitments is our focus on our social impact – our people, our communities and beyond. They are fundamental to the success of our organisation and, as a Group, we appreciate the interconnectedness of the Social and Environmental responsibilities that we have as an organisation.

The Portmeirion Group directly employs 868 employees worldwide. We are invested in our people, they are our core asset. The Group considers itself as a good and caring employer, affirmed by high employee engagement scores and with a workforce that represents the communities within which we operate. From out latest engagement survey 84% of respondents confirmed that they were happy working for the Group.

Our health and safety record is excellent and during 2022 we received one unplanned audit from the UK Health & Safety Executive from which we were provided with extremely positive feedback with no remedial action being identified.

Going beyond in 2022

- During 2022, almost 1,500 training courses were completed covering safety and wellbeing agendas such as mindfulness and mental health awareness.
- We have rolled out IOSH safety training in our UK businesses, including Leading Safety for our Directors.
- Operational management teams in the UK have undergone a six month training programme to upgrade their skills in topics such unconscious bias, ethics, diversity, inclusion, anti-harassment and bullying and appraisal and objective setting.
- Our Wax Lyrical business was awarded the ISO 09001.2015 accreditation demonstrating our commitment to maintaining and continuously improving an effective quality management system that complies with all applicable regulatory requirements, quality standards and enables us to manage risks successfully.
- Our UK businesses undertook an ethical trading audit through SMETA, the independent Supplier Ethical Data Exchange (SEDEX) affiliate audit company, receiving no major non-conformities.

Pictured: We were proud winners of the 2022 Delivering Net Zero for British Ceramics Decarbonisation in Action and Employee Engagement Awards.

Our UK Stoke-on-Trent business continued to be accredited with the NHS Workplace Wellbeing Charter; a certification that demonstrates our commitment to the health and wellbeing of our colleagues.

The health and wellbeing of our teams throughout the Group remains our absolute priority. During 2023, we will be implementing our new sustainable business strategy and roadmap which will include commitments to improve the social mobility within our communities by working collaboratively with partners to raise talent and skills development. We will also commence work to identify ways to further improve supply chain transparency and support our suppliers in applying our practices and principles across our value chain.

Portmeirion Group prides itself as being a company with an open culture, putting its people at the forefront of everything it does, with high employee engagement and a consultative approach.

This is demonstrated by the high levels of innovation that take place across the organisation. In 2021, we achieved platinum status in our Investors in People reaccreditation for both trading entities in our UK division and during 2022 we continued to further improve our people practices. We are exceptionally proud of our Platinum status as this demonstrates our commitment to our people practices and continued development.

Striving for continual improvement is a priority for the Group's leadership team. This recognises the importance of our Social responsibility – to our people, our communities, our customers, our suppliers, our shareholders and other third parties. We appreciate we do not exist in isolation and that our success depends on building successful relationships with all our stakeholders; based on respect, trust and mutual benefit.

Pictured: Our employee Innovation Scheme rewards ideas leading to operational efficiency.

Our Commitment to ESG continued

Social continued

Diversity

As a Group we recognise and value all forms of diversity in our employees and endeavour to promote a culture of inclusiveness in our workplace to enhance the success of our business. To this effect we have a Diversity Policy complementing our Equal Opportunities Policy. However, we also appreciate that to truly be an inclusive employer we need to properly understand our colleagues – current and future – and the communities in which they live.

It is important to us that we monitor that diversity within our workforce is at least reflective of our local communities and that without exception our recruitment procedures and employment practices are supportive of ethnic minority groups. We will be working in 2023 to explore local partnerships to help create a more inclusive workforce from grassroots.

Gender split

Portmeirion Group strives to eliminate any gender bias in our pay and employment policies and practices; at 31 December 2022, 54% of senior positions held throughout the Group were occupied by female colleagues.

Our site with the highest level of employees, Portmeirion UK in Stoke-on-Trent, published its gender pay gap statistics in 2022 which noted a mean pay gap of -4.9%; a positive gap in favour of female employees during that reporting period.

During 2022, for instance, we promoted 48 colleagues within the Group recognising the amazing talent that we have within our business. Of these 60%+ were female colleagues.

The Group will continue with arrangements that improve the work-life balance for its employees regardless of social status and gender.

Training, development, and working environment

Developing talent and supporting diversity across our business helps to ensure that we have the best teams who are motivated to deliver our goals. The Group provides a number of learning and development opportunities across all areas of the business to ensure that our employees have all the necessary skills to competently perform their roles. Where possible, e-learning is utilised to provide training in a more interactive and time convenient manner. Development opportunities include National Vocational Qualifications, professional development, first aid training and other specific job- related training courses. Management development is offered through accredited qualifications in leadership and management.

Senior positions within Portmeirion Group have a:

54/46

gender balance (female/male)

Management positions in Wax Lyrical are:

67%

female

The production, factory and warehouse environments on the other hand tend to be more male orientated:

54%

of warehouse staff at Wax Lyrical are male

79%

of warehouse staff in Portmeirion US are male

57%

of factory staff in Portmeirion UK are male

During 2022, colleagues took part in various apprenticeship qualifications at levels 2 (GCSE level equivalent) through to level 7 (Masters Degree level); these included Business to Business sales, Lean Manufacturing and Supply Chain Management degree level apprenticeships.

We also enrolled senior management on NEBOSH health and safety qualifications in order to provide an awareness and understanding to meet the changing demands within health and safety and to allow them to mentor and develop the wider management teams. We continued with all mandatory training in areas such as anti-bribery and corruption, modern slavery prevention and unconscious bias alongside health and safety training.

We continue to support our 8 training apprentices to complete their qualifications and support their career development with the Group.

Recognition and engagement

Key to the retention of our employees is recognising and rewarding their hard work. Our reward strategy aims to provide a package that offers competitive pay and distinctive benefits. We are committed to paying the National Living Wage and within our manufacturing sites we have implemented high performance working incentives to recognise and reward the performance within the teams.

Within the UK, all employees are offered membership to our Group personal pension plans, which provide employer contributions for all members, and are included in generous life cover and healthcare policies. In the US, all employees are offered benefits under a 401K employer sponsored defined contribution pension plan and in Canada through a Canada Pension Plan to which the company contributes. Our UK Division operates employee recognition schemes including discretionary incentive schemes, VIP "family and friends" shopping promotions, retirement afternoon teas and long service awards. The North America division operates annual sales incentive schemes for sales executives and discretionary bonuses for all employees. Our employee appraisal process involves performance measures against a series of core objectives which are aligned to each operating unit's strategic aims. Our UK Division operates Employee of the Month and Employee of the Year awards to recognise and celebrate employee successes.

Pictured: In the US we held engagement events including one to celebrate Thanksgiving.

Pictured: Recipients of our Long Service Awards in 2022 along with some of our Board members.

Recognition and engagement continued

One of the ways the Group measures employee engagement is by opinion surveys. These surveys have consistently shown that our colleagues are happy to be working for us. We were happy to welcome over 139 new employees to the Group in 2022 of which 17 joined via our Refer a Friend programme.

Further details on employee engagement are in the Section 172 (1) Statement on pages 24 and 25.

Community support

As a Group we are excited by the opportunities to take a more proactive role in our communities and will be exploring the way in which our social and environmental commitments may reinforce each other.

In 2023, we will work to identify and establish strategic partnerships with relevant charity or community organisations in key business locations, with a focus on supporting skills and talent development.

Pictured: Our Global HR Director with representatives of Belgrave Academy, Stoke-on-Trent, in its garden and outdoor learning area.

Of course whilst looking at the bigger picture we will also continue with our programme that allows every employee to have the opportunity to make a difference within our local communities through our charitable programmes. Most of our financial contributions to charities come from the efforts and personal involvement of our colleagues, with active support from the Board.

As an example of community support, in 2022 we supported a local school in Stoke-on-Trent, including by donating some Portmeirion Botanic Garden ceramics to assist in funding the development of its garden and outdoor learning area for children, which also serves as a communal plot. We celebrated the 50th anniversary of our iconic Portmeirion Botanic Garden range in 2022, which is inspired by nature and the outdoors, so it really resonated with the outcomes of this project.

Governance

As a Group we are committed to our broader stakeholders and considering them in Board decision making and ensuring we have risk assessments, regulatory compliance programmes and policies in place to meet and exceed our responsibilities. Delivering good governance is important to us. All our strategic ambitions and commitments are underpinned by robust Governance structures, KPIs and operational procedures. This involves our Group Board, our Executive teams and our colleagues across our global business.

Our Corporate Governance Statement can be found on pages 40 to 45, our Section 172(1) Statement on pages 24 and 25, our Risk Management on page 34 and our Principal Risks and Uncertainties on page 35. We understand that our Governance needs to reflect and react to the environment in which we operate.

Pictured: At Wax Lyrical, some of our dedicated team of walkers participated in the notoriously challenging Coniston to Barrow walk; a grueling 21-mile trek across the beautiful scenery of the Lake District to raise funds for St Mary's Hospice, Mind in Furness, and Animal Welfare Furness.

Financial Review

Resilient trading performance against backdrop of macro-economic challenges in our sales markets

"The Group continued to make progress, with sales and operating margin growth despite experiencing significant cost inflation."

David Sproston
Group Finance Director

Summary

- Further progress following record sales performance in 2021.
- Capital investment behind growth strategy including further factory automation and new UK websites.
- Retain significant headroom within available borrowing facilities

In 2022, the Group continued to progress against our strategic targets, demonstrating a resilient performance against significant macro-economic challenges following the Covid-19 pandemic and the cost of living crisis. Unsurprisingly, all of our major sales markets were impacted to some extent by large increases in energy costs and other inflationary pressures.

Set against this, we continued to invest in our strategy in order to deliver both sales growth and operating margin improvement.

Revenue

Revenue for the year ended 31 December 2022 totalled £110.8 million, an increase of 5% over the prior year (2021: £106.0 million) and 19% above pre-pandemic levels (2019: £92.8 million).

The Group benefited from a small amount of sales from the acquisition of the AromaWorks London brand and intellectual property in August 2022 and the impact of weaker sterling compared to the US dollar, which increased our revenue but not profitability.

Geographical sales performance reflected the benefit of our diversified sales markets, with growth in South Korea and Rest of World markets more than offsetting weaker performance in the UK.

The US, our largest sales market, grew again by 3% to £43.8 million (2021: £42.5 million) which is another record sales performance, albeit benefitting from a favourable retranslation in sterling from US dollars.

UK sales declined by 14% against a challenging retail environment as inflation soared and consumers battled against the rising cost of living.

In South Korea, sales increased by 43% to £26.7 million (2021: £18.7 million) as we expanded our number of ranges and opened new online distribution routes. We continue to monitor sales out data from our distributors and remain confident of further progress going forward in this important market.

Rest of World markets increased to £12.1 million (2021: £12.0 million). Following the outbreak of war in Ukraine, our sales in Eastern Europe were negatively impacted; excluding these markets rest of world sales increased by 6%. Against this, we again performed strongly in Canada and saw growth in China and Malaysia as we began to work with new distribution partners.

Profit

Headline profit before taxation(1) was £8.0 million, an 11% improvement over the 2021 level of £7.2 million and now ahead of the pre-pandemic level in 2019 of £7.4 million. Statutory profit before taxation was £7.0 million (2021: £6.0 million, 2019: £7.1 million).

This improved profit performance was driven by sales growth and operating margin improvement. The major markets in which the Group operates were all impacted by macro-economic factors, with supply chain costs at an all-time high combined with significant labour, material and energy cost inflation. The Group was able to drive efficiency and cost savings in order to balance these challenges, which led to an operating margin improvement from 7.2% to 7.8%.

(1) Headline profit before taxation excludes exceptional items – see note 6.

Interest and financing costs

Finance costs for the Group increased by £0.4 million to £1.0 million (2021: £0.6 million) as borrowings increased and interest rates rose significantly, which both increased the cost of borrowing and the interest on lease liabilities.

With UK interest rates continuing to rise we expect a higher charge in 2023 before falling back to historical levels going forward as long term loans mature.

Taxation

The charge for taxation for the year was £1.4 million (2021: £2.7 million), an effective tax rate of 20% (2021: 46%). The reduced tax charge is mainly due to the one-off impact of the change in UK corporation tax rate from 19% to 25% in the prior year which caused an additional deferred tax charge of £1.1 million.

Dividends

The Board proposes a final dividend of 12.00p per share (2021: 13.00p) giving a total dividend for the year of 15.50p per share (2021: 13.00p). The final dividend is expected to be paid on 30 May 2023 to shareholders on the register on 21 April 2023 with an ex-dividend date of 20 April 2023.

We continue to consider that a dividend at a cover of three times is appropriate in order to balance our ongoing investment behind our growth strategy with providing a positive return to shareholders.

Cash generation and net debt

At 31 December 2022, the Group had net debt of £10.1 million (comprising cash and cash equivalents of £1.7 million less borrowings of £11.8 million). This compares to a net cash balance of £0.7 million at the prior year end.

Operating cash flow was negatively impacted by working capital during the year; operating cash generated was £1.6 million (2021: £8.7 million), the reduction primarily due to a net increase of £9.9 million in inventory over the year (to match our sales demand amongst other factors as explained below).

We continued to invest in our strategic goals and spent a net £6.0 million on capital expenditure as well as acquiring the brand and intellectual property of AromaWorks London in order to drive more scale through our home fragrance factory. The capital expenditure included the installation of automation equipment in our Stoke-on-Trent factory and the development costs of our new UK websites.

Bank facilities

The Group has agreed debt facilities with Lloyds Bank which totaled £27.5 million at the balance sheet date, having extended our facilities during the year in order to provide additional headroom given inflationary supply chain pressures. These facilities consist of a £10.0 million revolving credit facility available until February 2025, a £6.25 million overdraft and a £6.25 million trade finance facility on an annual renewal cycle, and a £10 million term loan repayable by January 2025 of which £5.0 million was outstanding at the year end. The revolving credit facility remained undrawn at 31 December 2022.

Our business remains seasonal due to the second half weighting of our sales. Consistent with previous years, we experienced a working capital swing of around £10.0 million during the year as we built inventory to match our sales demand. At the year end we had available cash and borrowing headroom of £17.4 million. We believe our committed funding lines more than adequately addresses this seasonal dynamic and are prudent.

Assets and liabilities

We had a net working capital outflow of £10.3 million driven by increased inventory over the prior year. About two thirds of this increase was caused by foreign currency retranslation and supply chain cost increases, mainly container freight rates and material increases.

The remainder was early purchasing for additional stock depth of key lines, which meant we exited the year with a higher stock balance. With improving supply chains, we expect stock balances to reduce during 2023 and end the year broadly in line with 2021 volumes.

We continue to make contributions to our closed defined benefit pension scheme and paid £0.9 million during the year.

There has been a significant level of volatility in the pension scheme during 2022, particularly as a result of the UK 'mini-budget' in September which brought particular disruption to bond yields.

At the year end we had an accounting surplus of £0.3 million, which was a reduction from the surplus of £0.9 million reported in 2021. At a gross level, both assets and liabilities fell materially as equities reduced in value and the discount rate used to calculate scheme liabilities, which is based on corporate bond yields, increased significantly. We continue to evaluate ways to de-risk the volatility in the scheme, with a medium-term aim to reach low-dependency.

At the year end we held treasury shares with a book value of £0.4 million in order to satisfy employee share option schemes, which had been bought at an average price of £1.87 per share, equating to 210,282 shares, having used 8,363 during the year. In addition, we also hold 234,523 shares in The Portmeirion Employees' Share Trust. These shares have a book value of £2.7 million, having been bought at an average cost of £11.58 each. The balance of these shares did not move during the year.

Goodwill and intangible assets on our balance sheet largely represent the value of the acquired brands of Spode, Royal Worcester, Wax Lyrical and Nambé, as well as computer software investment including our online webstore and associated infrastructure. The balance of intangible assets increased during the year as we continued to invest in our UK and US websites and systems and acquired the brand and intellectual property of AromaWorks London.

Treasury and risk management

The impact of transactional currency flows on the Group's profit is not material due to the natural matching of revenue and costs across our global businesses. In the year sterling weakened against both the US dollar and euro, which increases our sterling revenue upon retranslation but this had no material impact on Group profit.

When any anticipated exposure arises, our policy is to use appropriate hedging instruments to mitigate that risk. We have a robust approach to managing risk to deliver our strategy as explained on page 34.

David Sproston
Group Finance Director
22 March 2023

Risk Management

Managing risk in order to deliver our strategy

The Group is exposed to a number of risks in the markets it operates across. The Board considers the risks to the business and the adequacy of internal controls with regard to the risks identified at every Board meeting. It formally reviews and documents the principal risks to the business at least annually.

Risk management structure and process

1. Identify risk

The Board has overall responsibility for monitoring the Group's systems of internal control, for identification of risks and for taking appropriate action to prevent, mitigate or manage those risks. The Board will continually assess and review the business and operating environment to identify any new risks for consideration.

2. Assess risk

A detailed schedule of risks is considered at each Board meeting under the following categories: macro-economic and political, continuity and disruption, trading and product, operational and supplier, accounting and internal controls, legal and regulatory and external investment and performance. These risks are graded against a criteria of likelihood and potential impact in order to identify the key risks impacting the Group (see heat map below).

3. Mitigate risk

The Board seeks to ensure that the Group's activities do not expose it to significant risk. The Group's aim is to diversify sufficiently to ensure it is not exposed to risk of concentration in product, market or channel.

4. Update risk register

The risk register is updated at each Board meeting. The Board meets formally at least five times each year.

5. Review and evaluate risks

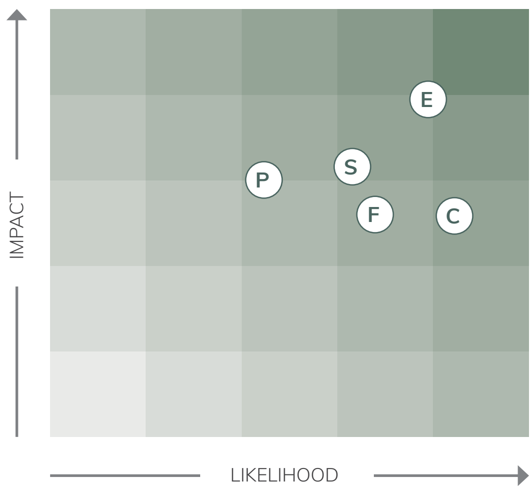
The Board and senior managers are all responsible for reviewing and evaluating risk. The Executive Directors meet at least monthly to review ongoing trading performance, discuss budgets and forecasts and consider new risks associated with ongoing trading.

Feedback from these meetings regarding changes to existing risks or the emergence of new risks is then provided to the Board.

Risk heat map

A graphical representation of the principal risks and uncertainties of the Group.

- E Economic environment
- C Competitors
- P People
- S Suppliers
- F Financial risk



Link to strategy

1. Developing online sales channels
2. Leveraging our brands
3. Building new markets/geography
4. Developing and launching successful new product
5. Operating and procurement efficiency and capabilities

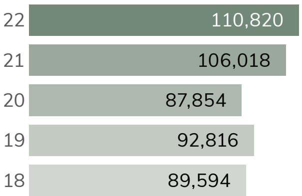
Principal Risks and Uncertainties

Risk	Mitigation	Outlook
Economic environment		
The impact of war in Ukraine has increased global inflationary pressures and reduced discretionary consumer spending. This, combined with inflation and shortages in labour markets, has created a difficult trading environment in our major sales markets.	The Group sells into more than 80 countries around the world, although the majority of sales are concentrated into three key markets. We continue to monitor the impact of global events in these markets and any material impact on our business. The Group maintains close relationships with our key customers and suppliers to identify any signs of financial difficulties in order to prevent or limit any potential losses. Customer orders and sales trends in major markets are constantly reviewed to enable early action to be taken in the event of declining sales. The Group continues to invest in our online and digital capabilities and capacity in order to provide an increasingly direct to consumer element for product fulfilment.	The Group will continue to monitor sales trends in our major markets around the world and ensure we respond accordingly to any threats or opportunities. **Link to strategy** 1 2 3 4
Competitors		
The Group faces strong competition in most of the major market in which we operate. This presents a risk of losing market share, revenue and profit.	The risk is managed by ensuring that high quality and innovative products are brought to market, maintaining strong relationships with key customers and ensuring the Group is aware of local market conditions, trends and industry-specific issues and initiatives. This enables the Group to identify and address any specific matters within the overall business strategy. We are increasingly working with partners in our key UK and US markets on direct to consumer fulfilment, and ensuring we have the capabilities to meet required service levels.	The Group continues to invest in both its strong brands and new product development to provide a point of difference, whilst working closely with key customers to provide a reliable and timely service. **Link to strategy** 1 3
People		
Skilled senior managers and personnel are essential in order to achieve the strategic objectives of the Group. Failure to recruit and retain key staff would present significant operational difficulties for the Group.	Management seeks to ensure that employees are appropriately remunerated and good performance is recognised and rewarded. Staff are also provided with relevant training for their roles and career progression to improve motivation. The Group has a clearly defined recruitment policy which ensures that new employees meet the required standard and experience for each position.	The Group remains committed to hiring and retaining key personnel in order for the business to achieve our strategic objectives. **Link to strategy** 1 2 3 4 5
Suppliers		
The Group's purchasing activities could expose it to overreliance in certain key suppliers or markets. The lingering impact of Covid-19 to supply chains has created significant inflationary cost increases and disruption through additional lead times. Suppliers may not reflect the Group's high ethical standards.	The Group both manufactures and sources product from a range of suppliers which reduces the impact of inflation or disruption in one market or supplier. For the manufacturing processes in the UK, the Group ensures that key raw materials are available from more than one source to ensure continuity and competitive pricing. For the sourcing process, suppliers are carefully selected to ensure a sufficient breadth in supply base. The Group also ensures that all intellectual property rights are retained and easily transferable should an alternative supplier be required. All major suppliers are subject to ethics due diligence.	The Group continues to closely monitor global supply chains to ensure our flow of products around the world is not disrupted. **Link to strategy** 2 4 5
Financial risk		
Financial risk is wide-ranging and covers capital management, credit risk, currency risk and liquidity risk. The risks presented in these areas include the failure to achieve business goals, potential financial loss caused by default, reduction in profit due to currency fluctuations, insufficient funds to continue trading and going concern threat. Cyber threats are a key financial risk the Group faces across our global business.	The Group's approach to risk management and mitigating systems are covered in the financial risk management objectives in note 32 on pages 99 to 101. The Group remains profitable and has sufficient headroom within current borrowings facilities. The Board have a detailed and robust budget review process and assess performance, including cash flow and liquidity, as part of regular management information reviews. Regular currency forecasts are reviewed in order to ensure the Group is not detrimentally impacted by any major exchange rate fluctuations. We remain vigilant to cyber risks and have a robust framework in place including external audit to ensure our systems are well protected.	The Group has significant headroom within ongoing borrowing facilities. The Group also has a strong natural currency hedge and continues to monitor currency fluctuations. **Link to strategy** 1 2 3 4 5

Key Performance Indicators

Revenue (£'000)

£110,820



Group revenue increased by 5% in the year and is now 19% ahead of pre-pandemic levels due to strong sales demand in international markets.

Why we measure it

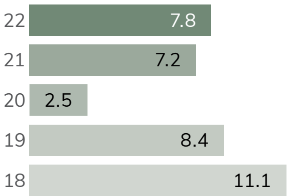
Revenue growth is the key driver of business performance and profit growth.

Link to strategy

1 2 3 4 5

Headline operating profit margin (%)

7.8%



The Group's operating margin improved to 7.8% as part of the Group's strategic goal of returning to historical levels. This was despite ongoing cost inflation and supply chain disruption.

Why we measure it

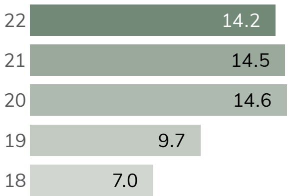
Operating margin compares all operating costs incurred against total revenue, which allows the Group to assess how effective it has been at converting costs into revenue.

Link to strategy

1 2 3 4 5

Own ecommerce sales as a percentage of UK/US sales (%)

14.2%



Closure of physical retail during the Covid-19 pandemic accelerated the shift to online sales; as retail stores reopened for the duration of 2022 the Group maintained the proportion of sales via online channels.

Why we measure it

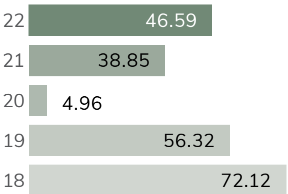
Part of the Group's strategic aim is to grow our own ecommerce platform sales as a percentage of total sales, which translates into both improved gross and operating margins.

Link to strategy

1 2 4 5

Headline basic EPS (p)

46.59p



The Group's headline profit before tax improved again in 2022 and is now above pre-pandemic levels, with a resulting rise in EPS.

Why we measure it

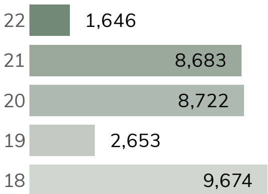
Headline earnings per share is a shorthand measure of profitability, as it divides the post-tax profit in the year by the number of active shares in issue. As a listed business, this allows comparability between the Group and other listed companies.

Link to strategy

1 2 3 4 5

Operating cash generation (£'000)

£1,646



Operating cash generation was negatively impacted by adverse working capital movements during the year, driven by inflation, foreign exchange and extended supply chains. This position is forecast to largely reverse in 2023.

Why we measure it

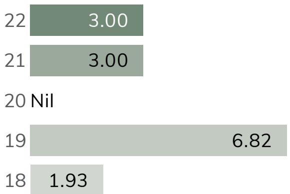
Operating cash generation demonstrates the Group's ability to ensure operating profit is translated into operating cash, and that working capital is appropriately controlled in order to ensure sufficient cash is available to provide a return to shareholders.

Link to strategy

1 2 3 4 5

Dividend cover (x)

3.00



The Group continues to believe that a dividend cover of three times is appropriate to balance return to shareholder with investment for future growth.

Dividend cover is defined as headline profit after tax divided by dividends paid and proposed for the current financial year.

Why we measure it

Dividend cover shows the extent to which profits exceed dividends paid. The Board remains committed to ensuring there is an appropriate level of dividend cover to provide a sustainable return to shareholders.

Link to strategy

1 2 3 4 5

Link to strategy

1. Developing online sales channels
2. Leveraging our brands
3. Building new markets/geography
4. Developing and launching successful new product
5. Operating and procurement efficiency and capabilities

Going Concern and Outlook

Going concern
The business activities of the Group, its current operations and factors likely to affect its future development, performance and position are set out in the Chief Executive's Statement on pages 12 to 15 and in the Financial Review on pages 32 and 33. In addition, note 32 on pages 99 to 101 includes an analysis of the Group's financial risk management objectives, details of its financial instruments and hedging activities and its exposures to credit and liquidity risk.

The Group has a formalised process of monthly budgeting, reporting and review, and information is provided to the Board of Directors in order to allow sufficient review to be performed to enable the Board to ensure the adequacy of resources available for the Group to achieve its business objectives.

At the year end the Group had net debt of £10.1 million (comprising cash and cash equivalents of £1.7 million less borrowings of £11.8 million) and, as disclosed in note 24 on page 92, had unutilised bank facilities with available funding of £15.7 million.

Operating cash generation was impacted during the year by an adverse working capital movement and was therefore £1.6 million (2021: £8.7 million), although we expect this movement to largely reverse in 2023.

The Group sells into over 80 countries worldwide and has a spread of customers and sales channels within its major UK and US markets with adequate credit insurance cover in export markets where required. The Group manufactures approximately 38% of its products and sources the remainder from a range of third-party suppliers.

There remains ongoing challenges in our sales markets around the world caused by the negative impact of the cost of living crisis, but the Group's performance continues to remain resilient and we are well diversified with significant funding headroom available.

The Group has also produced a sensitivity analysis to its cash flow forecast based upon possible downside scenarios. We have modelled a 10% sales reduction to assess the potential impact of a significant downturn in trading performance similar to the reduction experienced in 2020 during the Covid-19 pandemic and is therefore considered a very prudent case. This demonstrated the Group still has sufficient headroom within borrowing facilities and loan covenants.

We have also considered a reverse stress-tested scenario to try and assess the amount of sales reduction required before the Group begins to approach maximum facility and covenant headroom. This demonstrated sales could reduce by more than 20% before we breached facility limits or any covenants.

After making enquiries and reviewing budgets and forecasts for the Group, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Accounts.

Current Trading & Outlook
We remain cautious against the backdrop of ongoing economic uncertainty and the impact of world events on consumer spending. However, we have been encouraged by our customer outlook at trade shows around the world in recent weeks including their feedback on our new product pipeline. In addition there are signs that global supply chain disruption and general overstocking in retailers are subsiding. Similarly global shipping costs are trending back to historical levels.

Our sales in the first few months of 2023 are in line with our expectations and forward order books remain healthy.

We are pleased with the strategic progress we have made and remain confident in our long term strategy.

Dick Steele
Non-executive Chairman

Mike Raybould
Chief Executive

22 March 2023

Board of Directors and Company Secretary

Dick Steele
Non-executive Chairman

Responsible for leading the Board and promoting communication with shareholders. He is a Fellow of the Institute of Chartered Accountants in England and Wales and also a member of the Institute of Taxation.

Other appointments
None.

Key skills

Angela Luger
Senior Non-executive Director

Contributes general management experience with retail, digital and customer focus.

Other appointments
Angela is Chair of The Paint Shed Holdings Limited and Non-executive Director of ScS Group plc, New Look Retail Holdings Limited and Trustee at The Pennies Foundation. Formerly, she held positions as Non-executive Director of Distribuidora Internacional de Alimentacion, S.A. (DIA Group) and Manchester Airport Group. Her previous executive positions included Chief Executive of N Brown plc, CEO of The Original Factory Shop Limited and senior executive positions at Debenhams PLC, ASDA Group Limited and Mars Corporation.

Key skills

Andrew Andrea
Non-executive Director

A qualified Chartered Accountant. He has a wealth of experience gained in financial and commercial roles across diverse businesses including hospitality and retailing.

Other appointments
Andrew is currently the Chief Executive Officer for Marston's PLC, having previously been Chief Financial and Corporate Development Officer.

Prior to joining Marston's he worked in various roles with Guinness Brewing Worldwide, Bass Brewers Limited and Dollond & Aitchison.

Key skills

Mick Knapper
Group Operations Director

Responsible for Group sourcing, production, information systems and logistics functions. Mick joined the Group in 1998 and has been a member of the board of the Company's main operating subsidiary, Portmeirion Group UK Limited, since 2011.

Other appointments
None.

Key skills

Bill Robedee
Global Sales Director and President, North America

Bill is responsible for growing all of the Group's key sales markets and heads up the Portmeirion North America Division. Before joining Nambé as Chief Executive Officer in 2014, Bill was Chief Legal Officer at Lenox Holdings Inc. and General Counsel at Waterford Wedgwood Royal Doulton.

Other appointments
None.

Key skills

David Sproston
Group Finance Director

Responsible for all aspects of financial control and sits on all subsidiary boards. David is a qualified Chartered Accountant and joined the Group from Deloitte in 2008. He was previously Group Financial Controller and Finance Director of Portmeirion Group UK Limited, the Group's main trading subsidiary.

Other appointments
None.

Key skills

Clare Askem
Non-executive Director

Contributes a wealth of experience in business change and digital transformation.

Other appointments
Clare is Non-executive Director of The Law Debenture Corporation p.l.c. and IG Design Group PLC. She has previously held executive roles at Sainsbury's (including being the Managing Director of Habitat), Home Retail Group plc and Dixons PLC.

Key skills

Mike Raybould
Chief Executive

Oversees the Group's business and is responsible for formulating the Group's objectives and strategy. Mike is a qualified Chartered Accountant and was previously the Group Finance Director. Before joining the Group in 2017, he was the Chief Financial Officer of the Europe, Middle East and Africa (EMEA) Floorcare Division of Techtronic Industries Company Limited, a public company listed on The Stock Exchange of Hong Kong Limited.

Other appointments
None.

Key skills

Moira MacDonald
Group Company Secretary

A Fellow of The Chartered Governance Institute. Prior to joining the Group as Deputy Group Secretary in 2007, Moira was Assistant Company Secretary at Legal & General Group plc and at BPB plc.

Other appointments
None.

Key skills

Essential skills and experience our Board delivers:

- Strategy and leadership
- Brand and product development
- Operational expertise
- E-commerce, sales and marketing
- Technology development
- Risk management
- Financial
- Governance and legal
- Mergers and acquisitions

Committee key

- R Remuneration Committee
- A Audit Committee
- N Nomination Committee
- Denotes Committee Chairman

Corporate Governance Statement

"We continue to build on our strategy, always maintaining good governance."

Dick Steele
Non-executive Chairman

Summary

- Complied with all principles of the QCA Code throughout 2022.
- No significant challenges or changes to our governance arrangements.
- Good governance remains at the heart of our business including in realigning our teams to a more Global focus.
- 2022 results demonstrate resilience in a challenging market and progress on strategic objectives.
- For 2023, we have appointed a Senior Non-executive Director, Angela Luger.

Chairman's introduction

Dear shareholder,

On behalf of the Board, I am pleased to present Portmeirion Group PLC's Corporate Governance Statement for the year ended 31 December 2022. The Board is committed to ensuring high standards of governance for the Company and considers that the Quoted Companies Alliance Corporate Governance Code 2018 (the "QCA Code") provides the most appropriate framework of governance arrangements for a public company of our size and complexity. We have complied with all principles of the QCA Code throughout the year.

After Covid-19, none of us could have foreseen the tough economic environment that emerged in 2022 and that leads us into 2023. Despite these challenges, we continue to build on our strategy, always maintaining good governance. The continued success of the Group depends on constantly improving our brands, products, markets, people and processes over the years, decades and centuries. 2022 was another year of improvement.

The Board remains committed to effective corporate governance as the basis for promoting the long-term growth and sustainability of the business for the benefit of our shareholders and wider stakeholders. As Chairman of the Board, I am responsible for ensuring that the Company has corporate governance arrangements in place which are appropriate for the size and complexity of the Company and that these arrangements are followed in practice. We are committed to delivering growth in the long term, building trust through open dialogue and maintaining a dynamic management framework.

We have sought to ensure that we have a dynamic governance environment which allows the business the opportunity to thrive in the long term, where the Group works towards its agreed strategy mindful of its impact on others and the threats and opportunities faced but is confident in its robust system of risk management and internal control. An environment where open dialogue is encouraged to build trust and ensure the legitimate motivations and expectations of both shareholders and stakeholders are recognised and met and where a diverse, skilled Board sets the culture of the Company by supporting the Group's vision and values.

Shareholder engagement throughout the year

Q1	Jan	Trading update
Q1	Feb	Governance letter to institutional and larger shareholders
Q1	Mar	Full-year results announcement and investor presentation available on website; Investor Meet Company engagement for retail investors
Q2	Apr	Annual report and accounts delivered to shareholders and available on website
Q2	May	Trading update; Annual General Meeting
Q2	Jun	
Q3	Jul	Trading update
Q3	Aug	
Q3	Sep	Interim Results Announcement and investor presentation available on website; Interim report delivered to shareholders and available on website
Q4	Oct	
Q4	Nov	
Q4	Dec	

Throughout the year

Updates to corporate website at www.portmeiriongroup.com

Whilst we have chosen to apply the QCA Code, we also continue to have regard to the UK Corporate Governance Code 2018 (the "UK Corporate Governance Code") as best practice guidance and seek to comply with the UK Corporate Governance Code wherever this is appropriate for the Company.

As a Board, we are committed to providing the robust leadership and oversight of the business required in setting and monitoring the Company's culture to ensure that behaviours align with our purpose, values and strategy. The Board is very aware that the tone and culture set by the Board will greatly impact all aspects of the Group as a whole and the way that employees behave. We have a number of policies and procedures in place to ensure the culture the Board wants to foster is embedded throughout the business. Where we acquire a new business or brand, such as AromaWorks London in August 2022, we are clear to communicate our expectations to all who work for or in our business. Further information can be found within the Our Commitment to ESG section on pages 26 to 31.

A healthy corporate culture is promoted within the business in various ways including by linking employees' appraisal objectives and reward and recognition schemes to our vision and values. The Board assesses the culture of the Group through engagement with employees and other stakeholders (further details can be found in the Section 172 (1) Statement on page 24 and 25), the monitoring of the development of risks to the business and the external awards and accreditations we receive from organisations such as Investors in People; of which both our UK businesses are Platinum accredited.

The Board is satisfied that a culture of openness, honesty and integrity exists within the business and is one that is consistent with our vision to be a leading force in the global homewares sector. Our business model and mitigation of our principal risks rely on positive relationships with key stakeholders which can only occur if a culture of openness and integrity exists. We promote knowledge of our whistle-blowing policies with employees and suppliers to ensure such openness is always available.

Our governance framework is kept under review. There have been no significant corporate governance challenges in 2022, however we are mindful of the challenging environment we operate in with worsening consumer sentiment due to the significant macro-economic headwinds; the war in Ukraine and its impact on energy prices and general cost of living.

Receiving no votes against the resolution, we adopted updated articles of association at the Annual General Meeting ("AGM") on 19 May 2022; these are available at https://www.portmeiriongroup.com/investors/aim-rule-26.

Maintaining a skilled, well-balanced and experienced Board is of fundamental importance to the long-term success of the business. In July 2022, we strengthened our commercial approach with Bill Robedee taking on the broader role of Global Sales Director, in addition to his role as President of North America. Bill has full responsibility for the Group's global sales teams as we continue driving our growth strategy forward.

We currently have four Non-executive Directors alongside four Executive Directors. We have in place a Board that is extremely capable, energetic and focused on delivering our strategy for the benefit of all our stakeholders. We are of the view that the Board is a balanced team with constructive scrutiny and challenge from the Non-executive Directors.

None of the Non-executive Directors have a material financial, familial or other current relationship with the company, its Executive Directors, its independent auditor or other Board members, except for service on the Board and standard fees paid for that service as disclosed in the Directors' emolument table on page 55.

2022 results demonstrate resilience in a challenging market and progress on Portmeirion Group's strategic objectives.

Dick Steele

Chairman

22 March 2023

Pictured: Institutional investor Capital Markets Day held in February 2022; engaging with shareholders and potential investors. This involved presentations by management and a tour around our operations in Stoke-on-Trent.

Corporate Governance Statement continued

Board of Directors

The Board develops strategy and leads Portmeirion Group to achieve long-term success. It provides leadership and governance to the Group as a whole, having regard to the views of shareholders and other stakeholders. The formal schedule of matters reserved to the Board covers, amongst other things: approval of major capital expenditure projects, material contracts, Group policies and transactions, changes to the Group's capital, corporate and control structure; approval of the Annual Report and Accounts, financial reporting, dividend policy and terms of reference; determining the Board's membership, structure and composition; communication with shareholders and corporate governance matters; oversight of risk management and internal control systems; and determining the Group's strategy, culture, objectives, remuneration policy and budgets.

Audit Committee

Oversees financial and narrative reporting, provides assurances on the effectiveness of internal control, risk management systems and audit process, and reviews the effectiveness and objectivity of the external auditors.

Audit Committee Report
pages 46 and **47**

Nomination Committee

In reference to skills, knowledge, experience and diversity required, leads process for Board appointments and succession planning for Board and other senior managers to ensure that they operate effectively and deliver strategy.

Nomination Committee Report
pages 48 and **49**

Remuneration Committee

Approves the Remuneration Policy and total remuneration including long-term performance objectives and awards for the Executive Directors and Chairman.

Directors' Remuneration Report
pages 50 to **57**

Chief Executive

Overall responsibility for day to day management of the business and implementation of approved strategy lies with the Chief Executive with financial matters managed by the Group Finance Director.

Executive Directors Management Team

Manages all operational aspects of the Group under the direction and leadership of the Chief Executive.

Attendance at meetings

The following table shows the attendance of the Directors at meetings of the Board during 2022:

	Board
Total meetings held(1)	● ● ● ● ●
Meetings attended	
R.J. Steele (Non-executive Chairman)	● ● ● ● ●
M.T. Raybould (Chief Executive)	● ● ● ● ●
A.A. Andrea (Non-executive Director)	● ● ● ● ●
C.V. Askem (Non-executive Director)	● ● ● ● ●
J.M. Gale (Chief Commercial Officer) (resigned 7 July 2022)	● ● ● ○ ○
M.J. Knapper (Group Operations Director)	● ● ● ● ●
A.L. Luger (Senior Non-executive Director)	● ● ● ● ●
W.J. Robedee (Global Sales Director and President, North America)	● ● ● ● ●
D. Sproston (Group Finance Director)	● ● ● ● ●

● Attended ○ Did not attend

Notes:

(1) During the year additional Board and Remuneration Committee meetings were held principally in relation to share option matters.

Corporate Governance Statement

This statement describes key features of the Group's corporate governance framework, the work of the Board, its Committees and management, and how we have applied our chosen corporate governance code, the QCA Code.

Delivering growth in the long term

As explained fully within our Strategic Report on pages 1 to 37 our strategy is focused around five key areas: developing online sales channels, leveraging our brands, building new markets/geography, developing and launching successful new product and operating and procurement efficiency and capabilities. How the Company's corporate governance arrangements support our strategy is detailed within the Our Strategy section on pages 20 and 21. Information on our Business Model can be found on pages 18 and 19.

Our Strategy **pages 20 and 21**

Business Model **pages 18 and 19**

Risk management and internal controls

As with all companies, the Group faces challenges in the execution and delivery of its strategy and business model. The environment in which the Company operates is continually changing and evolving which presents both opportunities and risks.

To ensure the Company can capitalise on these developments whilst protecting the Group from significant risk, the Company has a comprehensive risk management and internal control system in place. Details of the Group's principal risks and how these are addressed can be found on page 35 of the Strategic Report.

Principal Risks and Uncertainties **page 35**

The process by which the Board identifies, assesses and mitigates external business risks and principal internal control risks and how the Board gains assurance that the risk management system is effective is detailed in the Risk Management section on page 34. The Board monitors the increasing cyber risk that the Group faces as with all companies. This risk and the Group's mitigation strategy is overseen by the Board and reviewed at each Board meeting.

Risk Management **page 34**

The Board has an established internal control system for identifying internal control risks. As might be expected in a Group of this size, a key control procedure is the day to day supervision of the business by the Executive Directors, supported by the senior managers with responsibility for key operations. The Executive Directors are involved in the budget setting process, constantly monitor key performance indicators and review management accounts on a monthly basis, noting and investigating major variances. Where a new risk is identified, it will be assessed and then mitigated through the implementation of an appropriate control. The adequacy of the systems for internal control is reviewed at every Board meeting.

Furthermore, the Audit Committee reviews the adequacy and effectiveness of the Group's internal controls and reports its findings to the Board on an annual basis. During the course of these reviews in 2022, no failings or weaknesses were identified nor have any been advised to the Board which the Board has determined to be significant. The Group's system of internal control is designed to identify fraud or material error and manage, rather than eliminate, the risk of failure to achieve business objectives, and so can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has considered the impact of the values and culture of the Group and ensures that, through staff communication and training, the Board's expectations and attitude to risk and internal control are embedded in the business.

Building trust through open dialogue

Understanding the motivations and expectations of our shareholders and stakeholders is imperative. The Board acknowledges that effective engagement can only be realised through:

- the opportunity for all shareholders and stakeholders to feed back their views to the Company based upon their understanding of the Group's strategy and objectives; and
- the presentation of a fair, balanced and understandable assessment of the Group's position and prospects.

During 2022, the Group made significant progress in a number of key areas as set out in Our Strategy and Our Strategy in Action sections on pages 20 to 23 despite the challenging macro-economic environment. Throughout the year, the Board was committed to ensuring that both shareholders and stakeholders were regularly updated on the Group's progress.

Our Strategy and Our Strategy in Action
pages 20 to 23

Shareholder engagement

A programme of two-way communication with both institutional and private investors takes place each year. Further detail is provided in the Section 172 (1) Statement on pages 24 and 25.

Section 172 (1) Statement **pages 24 and 25**

The Group provides information about its progress and strategy through its Annual and Interim Reports and Accounts, trading updates, results presentations and investor roadshows. Investor site visits allow shareholders to learn more about the operation of the business. We were pleased to return to face to face meetings with key investors in February 2022.

Key announcements are made through the London Stock Exchange Regulatory News Service and on the Announcements section of the Company's Investor Relations website. The Chief Executive and Group Finance Director engage with retail investors through the Investor Meet Company forum.

Sign up at **www.investormeetcompany.com**

The Chairman, with the support of the Chief Executive and Group Finance Director, is responsible for shareholder liaison. The Chairman talks regularly with the Group's major shareholders and ensures that their views are communicated fully to the Board. The Chairman writes annually to significant shareholders offering a meeting to discuss corporate governance matters. In addition, meetings with the Chairs of our Committees is offered. No concerns were raised following this communication in 2022 or in 2023 so far. The Non-executive Directors are also offered the opportunity to attend meetings with major shareholders.

The Board recognises the AGM as an important opportunity to meet private shareholders and, as such, normally, all Directors are and will be in attendance. The Directors are available to listen to the views of shareholders informally immediately following the AGM. If voting decisions at the AGM are not in line with the Company's expectations, the Board will engage with those shareholders to understand and address any issues. The Chairman and the Company Secretary are the main points of contact for such matters. At the AGM held on 19 May 2022, all resolutions were passed with a significant majority.

The Board understands that dividend income is important to our shareholders and is committed to sustainable dividend payments where this is appropriate. The Board is recommending a final dividend for the financial year 2022 as detailed on page 11.

Chairman's Statement **pages 10 and 11**

Corporate Governance Statement continued

Building trust through open dialogue continued

Stakeholder engagement

Our programme of stakeholder engagement is designed around our assessment of the materiality and impact of our stakeholders on the achievement of the Company's strategy. Our key stakeholders have been identified via an assessment of the Group's business model. Please refer to Section 172 (1) Statement – Engaging with key stakeholders to deliver long-term success on pages 24 and 25, which forms part of this statement.

Section 172 (1) Statement **pages 24 and 25**

Maintaining a dynamic management framework

Board composition and roles

The Board is responsible for the overall leadership and management of the Group. The Board comprises four Executive Directors and four Non-executive Directors. Biographies of all the Directors appear on pages 38 and 39.

Board of Directors **pages 38 and 39**

Dick Steele, the Non-executive Chairman, is responsible for leadership of the Board and ensuring its effectiveness in all aspects of its role. The Board believes that, given its size, there is sufficient opportunity for shareholders to raise any concerns they may have with the Non-executive Chairman, the Chief Executive, the Group Finance Director, the other three Non-executive Directors or the Company Secretary. In addition, in the interests of its continued commitment to good practice relevant to the Company, the Board appointed a Senior Non-executive Director, Angela Luger, on 22 March 2023.

The Board delegates day to day responsibility for managing the business to the Executive Directors and the senior management team. Mike Raybould, the Chief Executive, has executive responsibility for running the Group's business and implementing Group strategy. To ensure suitably defined separation of the responsibilities of the Board and the running of the Group's business, the Board has a formal schedule of matters reserved to it (available on the Company's website at www.portmeiriongroup.com). The schedule is reviewed annually and updated when necessary to ensure its appropriateness.

www.portmeiriongroup.com/our-business/corporate-governance/board-responsibilities

Board Committees

The Board has three Committees which assist in the discharge of its responsibilities – the Audit, Nomination and Remuneration Committees. The Committees are Chaired by the independent Non-executive Directors as set out on pages 38 and 39. The terms of reference for each Committee are reviewed annually and are available on the Company's website at www.portmeiriongroup.com.

Audit Committee Report **pages 46 and 47**

Nomination Committee Report **pages 48 and 49**

Directors' Remuneration Report **pages 50 to 57**

www.portmeiriongroup.com/our-business/corporate-governance/board-committees

Independence

The expertise and wealth of experience from across different industries which are brought by our Non-executive Directors is considered invaluable to the Company. The Board, after careful review, considers that each Non-executive Director is independent and brings an unbiased critical insight, gained from their experience in high performing companies completely distinct to our own, to bear notwithstanding their length of service. The Board accepts that the Non-executive Chairman of the Company may not be considered independent by third parties due to tenure but is fully satisfied that he provides the unbiased, critical challenge to the Board that is required. The Board has considered the need for progressive refreshing of the Board in evaluating independence.

All Non-executive Directors have contracts which expire on the completion of one year's notice. These are available for inspection at the Company's registered office and at the AGM. All continuing Directors stand for re-election on an annual basis in line with the Company's articles of association and recommendations of the UK Corporate Governance Code. All Directors undergo a performance evaluation before being proposed for election/re-election to ensure that their performance is and continues to be effective, that where appropriate they maintain their independence and that they are demonstrating continued commitment to the role. Further details of the Board evaluation process can be found on page 45.

www.portmeiriongroup.com/investors/aim-rule-26 - see Documents, articles of association.

For a Board to be successful, it must make decisions which are in the best interests of the Company without reference to the interests of the Directors. In line with the requirements of the Companies Act 2006, the Directors have put in place a policy and process for notifying and recording the nature and extent of their interests, together with those of connected persons, in organisations and companies outside the Group. Each Director must formally notify the Company if there is potential for these interests to conflict with their duties as a Director of the Company. All such notifications are regularly reviewed by the Board.

Time commitments and meetings

All Non-executive Directors are expected to devote such time as is necessary for the proper performance of their duties. This includes considering all relevant papers before each meeting and attendance at a minimum of five Board meetings per year, separate strategy sessions, the AGM and such other meetings which are necessary. The Nomination Committee annually reviews the time required from Non-executive Directors, which includes assessing whether sufficient time is being spent by the Non-executive Directors to fulfil their duties.

All Directors receive regular and timely information on the Group's operational and financial performance. Relevant information is circulated to the Directors in advance of meetings. In addition, minutes of the meetings of the Directors of the main operating UK subsidiary, Portmeirion Group UK Limited, are circulated to the Board.

Skills and experience

Details of each Director's skills and experience can be found in the biographies of the Directors on pages 38 and 39. The requirement for the Board to have an appropriate mix of personal qualities (including diversity and gender balance) and capabilities is considered in respect of new Board appointments (further details can be found in the Nomination Committee Report on pages 48 and 49), as part of the Board evaluation process and when addressing training and development needs of Directors.

Board of Directors and Company Secretary **pages 38 and 39**

Nomination Committee Report **pages 48 and 49**

www.portmeiriongroup.com/investors/aim-rule-26 - see Documents, articles of association.

All Directors have direct access to the advice and services of the Company Secretary and are able to take independent professional advice in the furtherance of their duties, if necessary, at the Company's expense. The Company Secretary's role includes providing guidance to the Board on its duties and ensuring that the

Board complies with relevant legislation and the Articles of Association of the Company.

External advice was sought in relation to remuneration matters, share schemes, articles of association and operational matters.

Board effectiveness

Each year the Board carries out an evaluation of its own performance in the first quarter looking at performance in the prior year. All recommendations arising from the Board's evaluations of its performance in 2021 have been addressed.

Board evaluation process **below** ›

As part of the evaluation of 2022 performance, each Director reviewed Board performance against set criteria covering areas such as the Board's approach to risk, the effectiveness of each Director and Board communication, as well as reviewing Board performance in respect of key events in 2022.

Specific actions arising from the evaluation were:

1. in light of recommendations from the Nomination Committee, appoint a Senior Non-executive Director. This was completed on 22 March 2023;
2. formalise the objectives of the Board in its operation, which are distinct from the strategy of the Group;
3. dedicate more time as a full Board to in depth discussions on strategic projects; and
4. clarify, update and communicate the culture, purpose and values of the Group.

Following the evaluation, the Board is satisfied that it has a good balance of experience and skills, which allows both strong collaborative working and robust challenge.

Each year, the Board also considers the need for an external evaluation of its performance. No external evaluation was conducted in 2022.

The Audit Committee, Remuneration Committee and Nomination Committee's performance is considered annually as part of the Board evaluation process outlined above. Furthermore, the terms of reference for each Committee are reviewed on an annual basis against good practice and appropriate guidelines. As part of this review, the Committees assess their performance to ensure they have fulfilled the responsibilities outlined in the terms of reference. Each Committee concluded that it had performed effectively during the year and there were no specific actions arising from the evaluations.

Audit Committee Report **pages 46 and 47** ›

Nomination Committee Report **pages 48 and 49** ›

Directors' Remuneration Report **pages 50 to 57** ›

www.portmeiriongroup.com/our-business/corporate-governance/board-committees ›

Induction, training and development

Key to the effectiveness of Board decision making is a detailed understanding of the homeware market, our history and products, the operating environment, relevant legislation and regulation to which the Group is subject and the challenges the Group faces.

All new Directors undertake a comprehensive induction process following their appointment to the Board. The induction would usually consist of main factory and distribution centre tours, full briefings on the operation and history of the business, the role of the Director and the operation of the Board together with meetings with the senior management team and Executive Directors.

Existing Directors are provided with ongoing training, as necessary, by the Company to ensure they have the requisite skills to discharge their duties. During 2022, the Board received continuing AIM compliance training and the Executive Directors update training on data protection and modern slavery. Tailored Director briefing notes are provided throughout the year. All Directors are encouraged to attend relevant external training, seminars and conferences to facilitate their continuing professional development. Where specific training needs are identified, including as a result of the Board evaluation process and individual Director appraisals, the Company will organise the relevant training. The Company Secretary supports the Chairman in addressing the training and development needs of Directors.

Approval

This report was approved by the Board and signed on its behalf by:

Dick Steele

Chairman

22 March 2023

Board evaluation process

Preparation

The Board reviews whether external evaluation is appropriate.

For internal evaluation, as in 2022, the Chairman and Company Secretary prepare a Board evaluation questionnaire following consideration of the QCA Code, UK Corporate Governance Code, industry guidance and significant events over the year.

Assessment

The questionnaire is circulated to the Board for consideration with good time and opportunity for the whole Board to put forward additional areas for inclusion.

Analysis

The Board is asked to give feedback on Board performance to Dick Steele (Non-executive Chairman) and to Angela Luger (Senior Non-executive Director) in respect of the Chairman.

Feedback from shareholder engagement (further detail on page 43) and from corporate brokers collated by Chief Executive.

Action

Combined feedback is discussed by the Board and actions agreed.

Progress on agreed actions monitored throughout the year.

Board evaluation undertaken each year

Audit Committee Report

"Against the backdrop of a challenging macro-economic environment, the Committee continued its commitment to shareholders and other stakeholders by monitoring all aspects of reporting and risk."

Andrew Andrea
Chair of the Audit Committee & Non-executive Director

Key responsibilities

The key responsibilities of the Audit Committee are:

- monitoring the adequacy and effectiveness of the Group's systems for internal control, risk management and compliance;
- oversight of the external audit process and management of the relationship with the external auditors;
- monitoring the integrity of the Group's reporting, financial statements and accounting policies; and
- reviewing the adequacy of the Group's whistle-blowing arrangements.

The Committee acknowledges and embraces its role in protecting the interests of shareholders and considering the interests of other stakeholders.

Dear shareholder,

On behalf of the Board, I am pleased to present the Audit Committee Report for the year ended 31 December 2022.

Membership and meetings

Committee members are all independent Non-executive Directors. Only members of the Audit Committee have the right to attend meetings. When appropriate and necessary, other Directors and representatives from the external auditors, Mazars LLP, attend meetings (in whole or in part) by invitation.

Meetings are held no less than three times a year. There is at least one meeting per year (or part meeting) which the external auditors attend without the Executive Directors or management present.

Experience of the Audit Committee

Biographies of each member of the Committee, including their skills and experience, can be found on pages 38 and 39. I have recent and relevant financial experience and am a qualified Chartered Accountant. We ensure Committee members have the skills and knowledge relevant to the remit of the Committee, as well as the personal attributes to enable us to work with management and auditors and challenge matters if needed.

Role and responsibilities

The Audit Committee has terms of reference in place which have been approved by the Board and are available at www.portmeiriongroup.com. The terms of reference are reviewed annually against good practice and appropriate guidelines.

Accounting policies and financial reporting

The Audit Committee monitors the integrity of the financial statements of the Company, including the annual and half-yearly reports, interim management statements and any other formal announcements relating to the Company's financial performance, reviewing and reporting to the Board on significant financial reporting issues and judgements which they contain. Reports provided by the external auditors on the annual results, which identify any concerns arising from the auditors' work undertaken in respect of the year-end audit, are also reviewed by the Committee.

Auditors

Annually, the Audit Committee reviews the relationship the Company has with the external auditors including the scope of the audit work, the audit process, fees and audit independence. The last review, in November 2022, concluded that the Committee was satisfied with the effectiveness of the external audit. Mazars LLP have acted as the Company's auditors since 2009. The external auditors are required to rotate the audit partner responsible for the Company and subsidiary audits every five years. A new lead audit partner was appointed for the 2022 audit. Mazars LLP are recommended for reappointment as auditors at the Annual General Meeting on 23 May 2023.

Non-audit services

The Audit Committee is responsible for keeping under review the nature and extent of non-audit services provided by the external auditors in order to ensure that objectivity and independence are maintained. For non-audit work, the Committee has agreed a policy whereby the Group will not use the external auditors unless they have the necessary skills and experience to make them the most suitable supplier. There are appropriate safeguards in place to eliminate or reduce to an acceptable level any threat to the objectivity and independence of the external auditors in the provision of non-audit services. Fees paid to the auditors for non-audit services are disclosed in note 8 on page 85.

The external auditors have in place processes to ensure their independence is maintained including safeguards to ensure that where they do provide non-audit services their independence is not threatened. They have written to the Committee confirming that, in their opinion, they are independent.

Internal audit

The Audit Committee has considered the need for an internal audit function, but has decided that, because of the size of the Group and the systems and controls in place, it is not appropriate at present. The Committee will review this on a regular basis.

Internal control

The Audit Committee's role in respect of reviewing the adequacy and effectiveness of the Group's internal controls is detailed in the Corporate Governance Statement on pages 40 to 45.

Whistle-blowing

The Audit Committee reviews arrangements by which employees of the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters, so seeking to ensure that appropriate arrangements are in place for the proportionate and independent investigation of such concerns and for appropriate follow-up action.

Key issues considered in 2022

The Audit Committee considered the following issues, with management and the external auditors, in relation to the financial statements:

- cash flow forecasts and banking facility;
- internal controls;
- assumptions related to the defined benefit pension scheme;
- impairment of goodwill and intangible assets;
- revenue and income recognition;
- stock valuation, inventory levels and provisions;
- the presentation of exceptional items to ensure consistency with Group's accounting policy; and
- the acquisition accounting relating to the purchase of the AromaWorks London brand, intellectual property and certain stock, trade and assets, in August 2022.

Andrew Andrea

Chair of the Audit Committee
Non-executive Director

22 March 2023

Attendance at Audit Committee meetings	
Total meetings held	●●●
A.A. Andrea (Chair of the Audit Committee)	●●●
C.V. Askem	●●●
A.L. Luger	●●●

● Attended ● Did not attend

Nomination Committee Report

"Our Board has delivered a robust performance in 2022, demonstrating that we have the right skills and experience in place in challenging times."

Angela Luger
Chair of the Nomination Committee & Senior Non-executive Director

Key responsibilities

The Committee reviews its terms of reference on an annual basis. These describe the Committee's responsibilities in detail and they are available on the Company's website. Key responsibilities are:

- regular review of the structure, size and composition (including the skills, knowledge, experience and diversity) required of the Board compared to its current position and making recommendations to the Board with regard to changes;
- succession planning for Directors and other senior managers taking into account the challenges and opportunities facing the Group, and what skills and expertise are therefore needed on the Board in the future; and
- prior to any appointment being made by the Board, evaluating the composition of the Board and, in light of this evaluation, identifying the requirements of the role and capabilities required for the appointment.

Dear shareholder,

I am pleased to present our report for the year ended 31 December 2022 which summarises our membership and activities during the year.

Membership and meetings

Only members of the Nomination Committee have the right to attend meetings. In line with our conflicts of interest policy, Directors are asked to absent themselves from any discussion relating to their own reappointment or succession.

Meetings are held no less than once per year, but more frequently when changes to the Board are planned or in progress.

Roles and responsibilities

The key responsibilities of the Committee are summarised on this page. Board composition is a key focus for the Committee, ensuring that the Board has the right skills and experience to direct the Company in the successful execution of its strategy. The Nomination Committee has terms of reference in place which have been approved by the Board and are available at www.portmeiriongroup.com. The terms of reference are reviewed annually against good practice and appropriate guidelines.

Board composition and skills

The Committee considers that the current Board membership provides the right mix of skills and attributes for the Board to ensure effective governance and oversight of the strategic and significant operational decisions of the business and performance monitoring. Information on each of the Directors' skills and attributes is set out on pages 38 and 39.

Diversity and inclusion

Diversity and gender inclusiveness are unequivocally expected in our whole Group.

The Committee recognises the value of a diverse Board and will consider all candidates with the necessary capabilities in accordance with the Company's policies on equal opportunities, diversity and inclusion. The Committee is mindful of the diversity targets announced by the FCA for all Main Market listed companies on the London Stock Exchange.

Director training and development

All Directors have the opportunity for ongoing development and support via:

- a programme of visits to our sites;
- reviews to identify any training and development needs;
- access to the Company Secretary for advice on governance, regulatory and legislative changes affecting the business or their duties as Director; and
- access to independent professional advice at the Company's expense.

Process for new Board appointments

Where new appointments are being considered, the Committee uses the services of external advisers to facilitate the search for external candidates for Board positions and considers all candidates on merit and against objective criteria. Prior to drawing up a specification for a new appointment, the Committee assesses the balance of skills, knowledge and experience required on the Board. It then draws up a specification against which all candidates are judged on merit.

Board changes during the year

On 7 July 2022, Jacqui Gale stepped down from the Board and her role as Chief Commercial Officer. On the same day Bill Robedee took on the broader role of Global Sales Director and full responsibility for the Group's global sales teams as we continue driving our growth strategy forward.

Focus during 2022

Succession planning continued to be an area of focus for the Committee during the year. The scope of planning was widened to consider the potential for advancement being shown by employees below Board level. This lead to a presentation to the Board in November 2022 on the internal talent pool that had been identified and the process for nurturing that talent with the Group.

As part of the annual board evaluation process, the Board concluded that it was an appropriate time to appoint a Senior Non-executive Director, a position which I was delighted to accept on 22 March 2023. Further details on the Board evaluation process can be found within the Corporate Governance Statement on pages 40 to 45.

Looking ahead

The work of the Committee in 2023 will be to ensure that the Board has the right mix of skills, diversity and experience to support continued growth. The recruitment of a further Non-executive Director is under review.

Angela Luger

Chair of the Nomination Committee and Senior Non-executive Director

22 March 2023

Attendance at Nomination Committee meetings	
Total meetings held	●
A.L. Luger (Chair of the Committee)	●
A.A. Andrea	●
C.V. Askem	●
R.J. Steele	●
M.T. Raybould	●

● Attended ● Did not attend

Directors' Remuneration Report

"The Remuneration Committee has considered the business and wider stakeholder context when making remuneration decisions in 2022."

Clare Askem
Chair of the Remuneration Committee & Non-executive Director

Key responsibilities

The key responsibilities of the Remuneration Committee are:

- review the market competitiveness of the Remuneration Policy and the remuneration of the Executive Directors in context with the pay policies and practices across the wider workforce;
- agree the incentive policy and payments for the Executive Directors;
- agree the individual share option and long-term share awards for the forthcoming financial period;
- review the performance measures, targets and achievement thereof in relation to share scheme awards;
- approve the Directors' Remuneration Report; and
- administer the Group's share schemes.

This report is on the activities of the Remuneration Committee for the year ended 31 December 2022 and sets out the Remuneration Policy and remuneration details for the Executive and Non-executive Directors of the Company. As a company listed on AIM, the Company is not required to comply with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in August 2013 (the "Regulations"), nor is it required to comply with the principles relating to directors' remuneration in the UK Corporate Governance Code 2018. The Committee has considered the principles set out in the Quoted Companies Alliance Corporate Governance Code 2018 (the "QCA Code") and evolving best practice in preparing this report. This report has not been audited. This report, excluding the Remuneration Policy section, will be subject to an advisory shareholder vote at the Annual General Meeting ("AGM") on 23 May 2023 at which approval of the financial statements will be sought.

Attendance at Remuneration Committee meetings	
Total meetings held	●●●●
C.V. Askem (Chair of the Committee)	●●●●
A.A. Andrea	●●●●
A.L. Luger	●●●●

● Attended ● Did not attend

Dear shareholder,

I am pleased to present the Directors' Remuneration Report for the year ended 31 December 2022. This report is split into four sections: my overview; details of the Remuneration Committee; the Remuneration Policy; and the annual report on the application of Remuneration Policy for the year ended 31 December 2022.

Our Remuneration Policy is designed to be simple and transparent. This report aims to provide shareholders with the information to understand our Remuneration Policy, its linkage to the Group's financial performance and delivery of long-term strategy.

The Remuneration Committee has taken into consideration the overall performance of the Group when determining remuneration matters for 2022 and 2023. The Group's financial performance in 2022 is reported in the Strategic Report on pages 1 to 37. Performance of our Executive Directors is assessed against a range of financial and operational measures ensuring value is delivered to shareholders.

The Board has delivered a resilient performance against a challenging global backdrop and is proud to report sales and profit for the year ended 31 December 2022 above that of the prior year. As covered in the Chief Executive's Statement on pages 12 to 15 we are reporting a record sales year for the Group for the second year running, whilst continuing to deliver on strategy. The Our Strategy in Action section on pages 22 and 23 reports on our progress in delivering sustainable sales growth and improving operating margins.

In making its decisions on incentive payments and salary increases for 2022/23, the Committee has looked at the wider economic context for stakeholders, particularly the impact of the cost of living crisis for the lowest paid colleagues in the Group. During 2022, the Group conducted a full review of pay rates in our Stoke-on-Trent factory which resulted in increases of 16% on average, over and above union negotiated rates, recognising that a specific pay adjustment was required in this area. This review included increased earnings potential through output related incentive schemes. The Group has only one recognised trade union for collective bargaining purposes, that relates to the Stoke-on-Trent manufacturing and distribution centre sites, and has a healthy relationship with that union, recently negotiating a 15 month pay deal to April 2024.

The Group recognises the cost of living crisis and is actively supporting employees including through the Company funded health and wellbeing programmes offered by Westfield Health which all UK employees have access to and in signposting financial management advice institutions. In addition, although paid in January 2023, a one off payment of £250 was paid to all UK staff earning below a certain salary threshold as a discretionary cost of living support payment. The Committee was pleased to see that in a December 2022 survey, 85% of global employee respondents confirmed that they were committed and happy to be working for Portmeirion Group.

Incentive payments

2022 revenue of £110.8 million is an all-time record for the Group. Such results are a direct output of our teams across the Group with each employee playing their part under the direction and leadership of our Board, the Executive Directors in particular. As a Committee, for 2022, we set challenging annual incentive targets to provide the opportunity for the Executive Directors to earn up to 100% of base salary as a bonus with 70% based on a demanding profit before tax and exceptional items target and 30% based on personal objectives directly related to delivering strategic objectives.

As a result of the Group's strong and resilient performance, the annual incentive to be paid to Executive Directors for the year ended 31 December 2022 is 10% of basic annual salary (2021: 35%). The record sales performance of the Group, despite the challenging macro-economic environment, has made it possible for the Committee to recognise this achievement appropriately.

Salary and fee increases

Any increases for 2022 are set out in the Emoluments table and notes to the table on page 55 and explained on page 54. The Committee is cognisant of the cost of living increases affecting the wider workforce and has reviewed proposals for Executive Director salary increases in 2023 taking this into account as set out in the introduction to this Report.

Structural changes

There have been no structural changes to the Remuneration Policy during 2022.

Shareholder engagement

We encourage shareholder feedback proactively, including by the Chairman of the Company writing annually to significant shareholders offering a meeting with either himself or any of the Chairs of our Committees to discuss any corporate governance matters. No concerns were raised on governance or remuneration matters during this process in 2022, or to date.

Advisory vote

At the AGM to be held on 23 May 2023, this report, excluding the remuneration policy section, will again be subject to an "advisory" shareholder vote (resolution 13).

Each year, we review how shareholders voted on the Directors' Remuneration Report, together with any feedback received. We were pleased to receive good support for our Directors' Remuneration Report at the 2022 AGM, where 92.74% of the proxy votes lodged were in favour.

I hope that you find this report a clear account of the Committee's approach and remuneration outcomes for the year. We are committed to maintaining an open and transparent dialogue with shareholders. Please do contact me if you have any comments or concerns regarding Directors' remuneration.

Clare Askem

Chair of the Remuneration Committee

22 March 2023

Remuneration Committee

The members of the Remuneration Committee are set out on pages 38 and 39. All are independent Non-executive Directors. The terms of reference of the Remuneration Committee are reviewed annually and available at www.portmeiriongroup.com.

None of the Committee members have any personal financial interest (other than as shareholders), conflicts of interest arising from cross-directorships or day to day involvement in running the business. No Director plays a part in any discussion about his or her own remuneration.

The Committee meets at least twice a year. During 2022, the Committee held four scheduled meetings. In addition, the Committee held meetings to deal with share option awards, exercises and other related matters.

Pinsent Masons LLP provided advice on the administration of the Company's share schemes in 2022. In determining the Directors' remuneration for the year, the Committee consulted the Chief Executive about its proposals. The Remuneration Committee believes that the presence of the Chief Executive is important when determining the remuneration of the other Executive Directors. The Chief Executive does not participate in discussions relating to his personal remuneration.

Remuneration Policy

Executive remuneration packages are prudently designed to attract, motivate and retain Directors of high calibre and to reward them for enhancing value to shareholders. The performance measurement of the Executive Directors and the determination of their annual remuneration package is undertaken by the Remuneration Committee. The remuneration of the Non-executive Directors is determined by the Executive Directors.

The Company's policy is that a substantial proportion of the remuneration of the Executive Directors should be performance related in order to encourage and reward improving business performance and shareholder returns.

There are five main elements of the remuneration package for Executive Directors and senior management:

- basic salary and benefits;
- pension arrangements;
- annual incentive payments;
- long-term incentives; and
- share option incentives.

In determining the remuneration arrangements for Executive Directors, the Committee is sensitive to pay and employment conditions elsewhere in the Group, especially when determining base salary increases and pension arrangements. The culture of the Group is overseen by the Board as a whole but is also a factor kept under review by the Committee in determining remuneration policy.

The Committee operates the various incentive plans according to their respective rules and in accordance with HMRC rules where relevant. To ensure the efficient administration of the plans the Committee has certain operational powers. These include the determination of the participants in the plans on an annual basis; the timing of grants of awards and/or payments; the quantum of an award and/or payment; the extent of vesting based on the assessment of performance; determination of leaver status and appropriate treatment under the plans; and annual performance measures and targets.

The Company has a Shareholding Policy which requires Executive Directors to build up (to the extent they have not already done so) and maintain an ownership of the Company's shares to the value of one times annual basic salary.

The Company recognises that Executive Directors may be invited to become Non-executive Directors of other companies and that this can help broaden the skills and experience of a Director. All such appointments must be approved by the Chairman.

The Committee has reviewed the policy for the year ahead and has concluded that the key features of the Remuneration Policy remain appropriate.

Directors' Remuneration Report continued

Remuneration Policy continued

Key aspects of the Remuneration Policy for Executive Directors

The following table provides a summary of the key elements of the remuneration package for Executive Directors:

Purpose and link to strategy	Operation	Maximum opportunity	Performance conditions
Base salary			
To provide competitive fixed remuneration that will attract and retain key employees and reflect their experience and position in the Group.	Reviewed annually taking into account industry-standard executive remuneration and pay levels in the wider workforce.	Salaries for the year ended 31 December 2022 are set out on page 55. Changes in the scope or responsibilities of a Director's role may require an adjustment to salary levels above the normal level of increase.	None.
Benefits			
To provide market levels of benefits on a cost-effective basis.	Private health cover for the executive and their family, life insurance cover of four times salary, critical illness cover and a company car (or cash alternative). Other benefits may be offered from time to time broadly in line with market practice.	Private healthcare benefits are provided through third-party providers and therefore the cost to the Company and the value to the Director may vary from year to year. It is intended the maximum value of benefits offered will remain broadly in line with market practice.	None.
Pension			
Providing post-retirement benefits consistent with those offered to wider employee base.	The Group operates defined contribution pension schemes.	Dependent on the value of the fund at retirement.	None.
Annual incentive			
Recognises achievement of annual objectives which support the short to medium-term strategy of the Group.	The performance targets are set by the Remuneration Committee at the start of the year with input, as appropriate, from the Chief Executive. Achievement is reviewed by the Committee to deliver an outcome consistent with the Group's performance.	Maximum incentive potential is 100% of basic annual salary.	Based on achievement of a demanding profit before tax and exceptional items target and personal objectives based on specific strategic objectives.
Deferred incentive plan			
Incentivising and retaining Executive Directors whilst aligning their interests with those of shareholders through delivery and retention of shares.	Discretionary award over shares with a market value corresponding to a percentage of the gross annual incentive payment earned by the Executive Director in respect of the previous financial year. Awards may not be exercised before the third anniversary of the date of grant.	Maximum award is 50% of the prior year's gross annual incentive payment. The plan allows the Remuneration Committee to reduce the value of an Option granted to an employee (malus), or to require an employee to make a repayment in respect of an Option that he/she has already exercised (clawback) as described further on page 54.	Options under the plan can only be granted to the extent performance targets relating to the annual incentive arrangements are met.

Key aspects of the Remuneration Policy for Executive Directors continued

Purpose and link to strategy	Operation	Maximum opportunity	Performance conditions
Executive share option plans			
Setting value creation through share price growth as a major objective for Executive Directors and senior managers. Alignment of option holder interests with those of shareholders through delivery of shares. The Company has four Executive Share Option Plans: The Portmeirion 2012 Approved Share Option Plan (the "2012 Approved Plan") and The Portmeirion 2012 Unapproved Share Option Plan (the "2012 Unapproved Plan") (together the "2012 Plans") which reached the end of their 10-year lives in 2022 and no further options can be granted thereunder; and The Portmeirion Group 2022 Approved Share Option Plan (the "2022 Approved Plan"), and The Portmeirion Group 2022 Unapproved Share Option Plan (the "2022 Unapproved Plan") (together the "2022 Plans") which were approved by shareholders at the Annual General Meeting in May 2022.	Subject to earnings per share (EPS) performance measurement to reflect operational performance as EPS is a significant factor in determining the market's view of the Group's value. 2022 Plans include: • malus and clawback provisions which apply for a period of two years after vesting of any option which apply in specified circumstances such as corporate failure or behaviour which causes injury to the Company's reputation; and • provisions whereby Executive Directors will be required to retain the net-of-tax number of shares which vest in connection with any options granted under the new share plans for a period of two years after such vesting.	The 2012 Approved Plan and The 2022 Approved Plan have a combined limit of £30,000 for any "approved" options in accordance with HMRC limits. Options granted above the £30,000 limit are granted under the 2022 Unapproved Plan or prior to 2023 under the 2012 Unapproved Plan. The annual limit in the 2022 Plans is 150% of the individual's base salary (although the Remuneration Committee may grant options in excess of this limit in exceptional circumstances). In practice, this limit has also been adhered to in the 2012 Plans. The Remuneration Committee is permitted to reduce the extent to which any options under the 2022 Plans may vest on a discretionary basis, if it considers it appropriate to do so taking into account overall performance of the Group or the individual option holder or on account of unforeseen circumstances.	Growth in EPS targets as detailed on pages 54 and 56

Key aspects of the Remuneration Policy for Non-executive Directors (including the Chairman)

The following table provides a summary of the key elements of the remuneration package for Non-executive Directors:

Purpose and link to strategy	Operation	Maximum opportunity	Performance conditions
Base fee			
To provide competitive fixed fees in order to procure and retain the appropriate skills required and expected time commitment.	Non-executive Director fees are reviewed on a periodic basis and are subject to the Articles of Association. The Board will exercise judgement in determining the extent to which Non-executive Director fees are altered in line with market practice and rates.	Fees for the year ended 31 December 2022 are set out on page 55. Increases above those awarded for the rest of the Group may be made to reflect the periodic nature of any review. Changes in the scope and responsibilities of a Director's role, or the time commitment required, may require an adjustment to the level of fees.	None.

Current service contracts and terms of engagement

It is the Company's policy that Executive Directors should have contracts with an indefinite term providing for a maximum of one year's notice. The details of the Executive Directors' contracts are summarised in the table below:

	Date of contract	Notice period
M.J. Knapper	01.03.2017	12 months
M.T. Raybould	02.09.2019	12 months
W.J. Robedee	04.08.2020	12 months
D. Sproston	02.09.2019	12 months

In the event of early termination, the Executive Directors' contracts provide for compensation of an amount equal to the gross salary that the Executive would have received during the balance of the notice period, plus any incentive once declared, to which they would have become entitled had contractual notice been given.

All Non-executive Directors have service contracts with an indefinite term providing for a maximum of one year's notice, without liability for compensation. Their remuneration is determined by the Board taking into account their duties and the level of fees paid to Non-executive Directors of similar companies.

All of the Directors are being proposed for re-election at the next AGM on 23 May 2023.

Consideration of shareholders' views

The Committee considers shareholder feedback following the AGM and any other meetings with shareholders as part of the Company's annual review of Remuneration Policy.

Further details on shareholder engagement are detailed in the Section 172 (1) Statement on page 24.

Directors' Remuneration Report continued

Application of the Remuneration Policy for the year ended 31 December 2022

Basic salary and benefits

Executive Directors' base salaries are determined by the Committee at the beginning of each year or when responsibilities change. In deciding the appropriate levels, the Committee takes into account factors which it considers necessary including industry-standard executive remuneration and comparable pay levels within the wider workforce.

With effect from 1 January 2022, Bill Robedee received a 4% salary increase in recognition of the strong US market performance he led during 2021; delivering an increase in sales of 27% that year over 2020. All other Executive Directors received a 3% salary increase with effect from 1 January 2022, in line with that paid, on average, to UK and US office staff within the Group. For 2022, the average UK employee wage increase was 3% but higher at 5% for hourly paid employees and 6.6% in respect of living wage increases. In the US the average increase was 3%.

On 7 July 2022, Jacqui Gale stepped down from the Board and her role as Chief Commercial Officer. All payments made to Jacqui Gale were in line with her contractual notice period and are set out in the Directors' emoluments table on page 55. On the same day, Bill Robedee took on the broader role of Global Sales Director and full responsibility for the Group's global sales teams. It was agreed that a salary increase for Bill Robedee in light of the increased responsibilities would be deferred until the 2023 salary review.

As explained in the last report, Mike Raybould and David Sproston were promoted to their current roles in 2019 and on these appointments, the Committee put in place scaled development plans to reflect in their remuneration the increased responsibilities that came with the roles over time. In line with the glide path set out for David Sproston, the Committee has reviewed the salaries of group finance director roles within businesses of similar size and complexity and is particularly cognisant of reflecting the right rate for the position as role responsibilities develop and increase. This will be taken into account in the 2023 year.

Each Executive Director is provided with healthcare and pension benefits, critical illness cover, life insurance and a car (or cash alternative).

Annual incentive payments

Each Executive Directors' remuneration package includes an annual incentive payment opportunity. For 2022, the Executive Directors had the opportunity to earn up to 100% of base salary as an incentive payment with 70% based on a demanding profit before tax and exceptional items target and 30% based on personal objectives directly related to strategic goals. As a result of the Group's strong and resilient performance the annual incentive paid to Executive Directors for the year ended 31 December 2022 is 10% of basic annual salary (2021: 35%) (further details in the introductory overview to this report).

Deferred incentive plan

The Company operates The Portmeirion Group 2018 Deferred Incentive Plan (the "2018 Deferred Incentive Plan") which was established to incentivise and retain Executive Directors and encourage them to acquire and retain shares in the Company. The 2018 Deferred Incentive Plan operates in conjunction with the Group's existing annual incentive arrangements.

The 2018 Deferred Incentive Plan permits the grant of an option to a participant in any year over shares with a market value not exceeding 50% of the gross incentive earned by the relevant employee in respect of the previous financial year. Options are exercisable normally only after the third anniversary of the date of grant.

On exercise, provided that the participant is still employed by the Group (or has left due to limited good leaver provisions as specified in the rules of the 2018 Deferred Incentive Plan), the participant will be entitled to receive a "grossed-up" payment (i.e. a payment which after discharge of necessary taxes (including National Insurance contributions) leaves a net amount sufficient to pay the taxes (including National Insurance contributions) due in respect of the exercise of the option (subject to a cap on the maximum tax and National Insurance rates covered). The Remuneration Committee believes this payment is appropriate so as to ensure that the shares are acquired without any need to sell the shares to generate cash to cover tax liabilities.

Options may be satisfied by an issue of shares (including out of treasury). As options under the 2018 Deferred Incentive Plan can only be granted to the extent performance targets relating to the annual incentive payment arrangements are met, the exercise of options granted under the Plan are not subject to the satisfaction of performance targets.

Under the 2018 Deferred Incentive Plan, the Remuneration Committee has the ability to reduce the value of an option granted to an employee (malus), or to require an employee to make a repayment in respect of an option that he/she has already exercised (clawback), where certain events have occurred in relation to the business or to the conduct of the particular employee. The time limit for the application of this provision will generally be five years from the date that the option was granted (which is a further two years after an option becomes exercisable).

Mike Raybould and Mick Knapper exercised options under the 2018 Deferred Incentive Plan on the 22 September 2022. Taking into account the performance of the individuals and Group over the period and all relevant factors, the Committee considered that the right outcome had been achieved.

Executive share option plans

The Company's policy is to grant options to Executive Directors at the discretion of the Remuneration Committee taking into account individual performance. It is the Company's policy to phase the granting of share options rather than to award them in a single large block to any individual.

As explained on page 53 of this report, the Company has four executive share option plans:

- The Portmeirion 2012 Approved Share Option Plan (the "2012 Approved Plan") and The Portmeirion 2012 Unapproved Share Option Plan (the "2012 Unapproved Plan") (together the "2012 Plans") which reached the end of their 10-year lives in 2022 and no further options can be granted thereunder; and
- The Portmeirion Group 2022 Approved Share Option Plan (the "2022 Approved Plan") and The Portmeirion Group 2022 Unapproved Share Option Plan (the "2022 Unapproved Plan") (together the "2022 Plans") which were approved by shareholders at the Annual General Meeting in May 2022.

These are discretionary schemes, enabling the grant of options over ordinary shares in the Company to selected employees of the Group, with flexibility for the grant of tax-favoured options. For both schemes, earnings per share has been selected as the measure of performance.

Basic adjusted earnings per share is considered to be an appropriate figure because it is a significant factor used by the market in determining the value of the Company and by the Company in determining the level of dividend to be paid. These targets align management interests closely with those of shareholders. Further details on the performance measures can be found on page 56.

Pensions

Annual performance related incentives are not subject to contributions by the Group to the pension arrangements maintained for the Directors. Details of pension contributions paid by the Group for the benefit of the Directors are shown in the Directors' emoluments table on page 55.

Application of the Remuneration Policy for the year ended 31 December 2022 continued

Pensions continued

The majority of the Group's employees are based in the UK in Stoke-on-Trent. All UK Stoke-on-Trent employees, following, if relevant, a two-year period in the auto-enrolled Group stakeholder pension plan, become members of one of two pension schemes for which the maximum level of employer's contribution is determined according to the employee's age or years of service. Membership of the schemes relates to when the employee first joined the Group.

The maximum pension contribution under both schemes is 13%. All UK Executive Directors, namely, Mick Knapper, Mike Raybould and David Sproston, are members of the age related contribution scheme at rates equal to all other employees within the scheme regardless of role or position within the Group. The age related contribution scheme was closed to new entrants on 1 January 2022. All newly appointed Executive Directors will be enrolled into the service related scheme.

Bill Robedee, based in the US, received an employers' pension contribution of 4% of base salary in 2022 into a defined contribution scheme on the same terms and rates as available to the wider US workforce.

Directors' shareholdings

The beneficial interests of Directors in the share capital of the Company are disclosed on page 58 in the Report of the Directors.

Aggregate Directors' remuneration

The total amounts for Directors' remuneration were as follows:

	2022 £'000	2021 £'000
Emoluments	**1,818**	1,868
Long-term incentive plan (LTIP)	**48**	59
Gains made on exercise of share options	**—**	—
Money purchase pension contributions	**117**	125
	1,983	2,052

Directors' emoluments

	Salary and fees £'000	Taxable benefits £'000	Incentive £'000	Deferred incentive plan £'000	Gains made on exercise of share options £'000	Pension contributions £'000	Total 2022 £'000	Total 2021 £'000
Executive								
J.M. Gale(1,2,3,4)	374	15	—	—	—	22	**411**	314
M.J. Knapper(1,2,3,5)	199	13	20	18	—	26	**276**	317
M.T. Raybould(1,2,3,5)	390	15	39	30	—	43	**517**	608
W.J. Robedee(1,2,3,6)	286	28	29	—	—	10	**353**	366
D. Sproston(1,2,3)	155	5	15	—	—	16	**191**	226
Non-executive								
A.A. Andrea(1)	38	—	—	—	—	—	**38**	36
C.V. Askem(1,2)	38	2	—	—	—	—	**40**	36
A.L. Luger(1)	38	—	—	—	—	—	**38**	36
R.J. Steele(1)	119	—	—	—	—	—	**119**	113
	1,637	78	103	48	—	117	**1,983**	2,052

Notes:

(1) D. Sproston, M. J. Knapper, M.T. Raybould and J.M. Gale received a 3% salary increase with effect from 1 January 2022; in line with that paid to UK and US office staff within the Group. W.J. Robedee received a 4% increase in recognition of strong US market performance. Non-executive Directors received a 5% increase in fees from 1 January 2022 having not received an increase since 2020. See page 54 for additional detail.

(2) The taxable benefits shown above for J.M. Gale, M.J. Knapper, M.T. Raybould and D. Sproston arise from the provision of a company car (or cash alternative), travel and accommodation allowance, critical illness cover and private medical insurance. The taxable benefits for W.J. Robedee, who is a resident in the US, arose from the provision of a company car and life assurance. A further £23,000 (2021: £21,000) in non-taxable benefits arose from the provision of disability, medical and dental insurance for W.J. Robedee. Non-executive taxable benefits relate to travel expenses.

(3) The pension figures shown above represent the cash value of employer pension contributions received. This includes salary supplement in lieu of a Company pension contribution.

(4) J.M. Gale stepped down from the Board on 7 July 2022 and continued employment with the Group until 7 September 2022. Amounts disclosed above reflect salary, payments in lieu of notice and holiday entitlement, taxable benefits and pension contributions to 7 September 2022. As previously disclosed J.M. Gale's notice period was 12 months.

(5) On 22 September 2022, M.J. Knapper and M.T. Raybould exercised options granted in 2019 under the 2018 Deferred Incentive Plan. The mid-market closing price of the Company's shares on 22 September 2022 was 333.00p. The amounts in the table above include the value of the shares on exercise by reference to the mid-market closing price of the Company's shares on the day before exercise (358.00p) and the amount paid in accordance with the rules of the Plan such that after discharge of necessary taxes a net amount was left sufficient to pay the taxes due in respect of the exercise of the options. Further details on the exercises are shown under the 2018 Deferred Incentive Plan section of this report on page 57.

(6) W.J. Robedee was remunerated in US dollars and his remuneration is translated into sterling at the average exchange rate for the year. In 2022, this was \$1.2365 /£1 (2021: \$1.3757/£1). Due to the fluctuations in the exchange rate, his remuneration when translated into GBP sterling shows a higher percentage increase than is the case in the actual US dollar payments.

Directors' Remuneration Report continued

Application of the Remuneration Policy for the year ended 31 December 2022 continued

Non-executive Directors

The Non-executive Directors do not participate in the Company's annual incentive, share option or deferred incentive schemes. The Non-executive Directors do not receive employer's pension contributions.

Directors' share options and deferred incentives

Aggregate emoluments disclosed on page 55 do not include any amounts for the value of options to acquire ordinary shares in the Company granted to or held by the Directors.

Executive share option plans

The Company has four share option plans, the 2012 Approved Plan, the 2012 Unapproved Plan, the 2022 Approved Plan and the 2022 Unapproved Plan, as described on pages 53 and 54.

Performance conditions for options granted in 2020 have not been met and therefore these options will lapse.

Options granted in March 2021 are normally only exercisable if the increase in the average of the Group's basic adjusted (for changes in accounting standards and exceptional items) earnings per share ('EPS') for each of the three years ending 31 December 2021, 31 December 2022 and 31 December 2023 is at least 10% higher than that calculated for the year ended 31 December 2019. The calculation of basic adjusted EPS takes account of the number of shares and effective tax rates at the date of grant.

Options granted in March 2022 are normally only exercisable if the increase in the average of the Group's basic adjusted (for changes in accounting standards and exceptional items) earnings per share for each of the three years ending 31 December 2022, 31 December 2023 and 31 December 2024 is at least 20% higher than that for the year ended 31 December 2021. The calculation of basic adjusted EPS shall take account of the number of shares and effective tax rates at the date of grant.

Details of options held under these schemes by Directors who served during the year are as follows:

		Number of options						Dates on which exercisable	
Director	At 01.01.2022	Granted	Exercised	Lapsed	Surrendered	**At 31.12.2022**	Exercise price p	Earliest	Latest
J.M. Gale	10,000	—	—	10,000	—	**—**	446.00	05.05.2023	03.05.2030
J.M. Gale	30,000	—	—	30,000	—	**—**	632.50	26.03.2024	24.03.2031
J.M. Gale	—	25,000	—	25,000	—	**—**	570.00	26.04.2025	24.04.2032
M.J. Knapper	21,000	—	—	—	—	**21,000**	446.00	05.05.2023	03.05.2030
M.J. Knapper	30,000	—	—	—	—	**30,000**	632.50	26.03.2024	24.03.2031
M.J. Knapper	—	25,000	—	—	—	**25,000**	570.00	26.04.2025	24.04.2032
M.T. Raybould	40,000	—	—	—	—	**40,000**	446.00	05.05.2023	03.05.2030
M.T. Raybould	50,000	—	—	—	—	**50,000**	632.50	26.03.2024	24.03.2031
M.T. Raybould	—	40,000	—	—	—	**40,000**	570.00	26.04.2025	24.04.2032
W.J. Robedee	15,000	—	—	—	—	**15,000**	446.00	05.05.2023	03.05.2030
W.J. Robedee	30,000	—	—	—	—	**30,000**	632.50	26.03.2024	24.03.2031
W.J. Robedee	—	25,000	—	—	—	**25,000**	570.00	26.04.2025	24.04.2032
D. Sproston	29,000	—	—	—	—	**29,000**	446.00	05.05.2023	03.05.2030
D. Sproston	30,000	—	—	—	—	**30,000**	632.50	26.03.2024	24.03.2031
D. Sproston	—	25,000	—	—	—	**25,000**	570.00	26.04.2025	24.04.2032

Notes:

(1) The performance criteria attaching to share options are detailed above.

(2) The Company's share price reached a high of 720.00p and a low of 285.00p during 2022. The average share price during 2022 was 450.00p. The share price on 30 December 2022, being the last trading day of the year, was 303.00p.

(3) There have been no changes to the Directors' interests in the shares or options over shares of the Company between 31 December 2022 and 22 March 2023.

Application of the Remuneration Policy for the year ended 31 December 2022 continued

Deferred incentive plan

Details of options held under the 2018 Deferred Incentive Plan by Directors who served during the year are as follows:

Director	At 01.01.2022	Number of options Granted	Exercised	Lapsed	**At 31.12.2022**	Dates on which exercisable Earliest	Latest
J.M. Gale	—	5,706	—	5,706	**—**	26.04.2025	24.07.2025
M.J. Knapper	2,615	—	2,615	—	**—**	09.08.2022	07.11.2022
M.J. Knapper	—	5,506	—	—	**5,506**	26.04.2025	24.07.2025
M.T. Raybould	4,358	—	4,358	—	**—**	09.08.2022	07.11.2022
M.T. Raybould	—	10,813	—	—	**10,813**	26.04.2025	24.07.2025
W.J. Robedee	—	7,051	—	—	**7,051**	26.04.2025	24.07.2025
D. Sproston	—	4,279	—	—	**4,279**	26.04.2025	24.07.2025

Notes:

(1) The exercise price payable by the option holder to acquire shares upon the exercise of a 2018 Deferred Incentive Plan option is £1 in respect of all of the shares under option for that particular award.

Details of options exercised under the 2018 Deferred Incentive Plan by Directors during the year are as follows:

Director	Date of exercise	Number of options exercised	Total exercise price p	Market price on exercise per share p	Gains on exercise £'000	**Total gains on exercise 2022 £'000**	Total gains on exercise 2021 £'000
M.J. Knapper	22.09.2022	2,615	100.00	358.00	9	**9**	12
M.T. Raybould	22.09.2022	4,358	100.00	358.00	16	**16**	20

Consultations with shareholders and statement of voting at general meeting

At the Annual General Meeting of the Company held on 19 May 2022, a resolution to approve the Directors' Remuneration Report for the year ended 31 December 2021 was passed with 7,141,964 proxy votes lodged, of which 92.74% were in favour.

In February 2023, the Chairman of the Company wrote to major shareholders in the Company offering a meeting to discuss corporate governance matters and a meeting with the Chairs of all Committees, including this one on remuneration. The Chairman of the Company is in contact with all institutional and other significant shareholders.

Approval

This report was approved by the Board and signed on its behalf by:

Clare Askem

Chair of the Remuneration Committee and Non-executive Director

22 March 2023

Report of the Directors

The Directors have pleasure in presenting their Annual Report on the affairs of the Group, together with the audited financial statements of the Company and its subsidiary undertakings for the year ended 31 December 2022. The Corporate Governance Statement set out on pages 40 to 45 and the Streamlined Energy & Carbon Reporting (SECR) within the Our Commitment to ESG section on page 28 forms part of this report.

General information and principal activities

The Company is a public limited company, registered in England and Wales and is listed on AIM of the London Stock Exchange. The Company has been permanently domiciled in the UK since incorporation and is the ultimate parent company of the Portmeirion Group. The Company's subsidiaries and nature of their business are set out in note 18 on pages 89 and 90.

The likely future developments in the business of the Company are set out in the Chief Executive's Statement on pages 12 to 15 and Our Strategy section on pages 20 and 21.

Dividends

On 21 October 2022 an interim dividend of 3.50p per share (2021: nil) was paid on the ordinary share capital. Subject to shareholder approval at the AGM on 23 May 2023, the Board is recommending payment of a final dividend for 2022 of 12.00p per share (2021: 13.00p), giving total dividends paid and proposed for the year of 15.50p per share (2021: 13.00p per share).

Directors and their interests

The Directors of the Company are listed on pages 38 and 39 together with biographical and Committee membership details. All Directors served throughout the year ended 31 December 2022. Further details on the composition of the Board, the appointment of Directors and their powers are given in the Corporate Governance Statement on pages 40 to 45.

All continuing Directors stand for re-election on an annual basis in line with best practice. All Directors will therefore retire at the Annual General Meeting to be held on 23 May 2023 and are offering themselves for re-election. The Board has formally reviewed the performance of each continuing Director and concluded that they remain effective and are committed to their roles.

Directors' share interests include the interests of their spouses, civil partners and infant children or stepchildren as required by section 822 of the Companies Act 2006. There were no changes in the beneficial interests of the Directors in the Company's shares between 31 December 2022 and 22 March 2023.

Details of Directors' remuneration and share options are provided in the Directors' Remuneration Report on pages 50 to 57.

Details of transactions with Directors and other related parties are to be found in note 30 on page 95.

Directors' indemnities

The Company has qualifying third-party indemnity provisions for the benefit of its Directors which remain in force at the date of this report.

Financial risk management

Information about the use of financial instruments by the Company and its subsidiaries is given in note 32 on pages 99 to 101. This note also includes information on financial risk management objectives and policies, including the policy for hedging and an assessment of the Group's exposure to financial risk.

Capital structure

Details of the share capital in issue, together with details of the movements in the Company's issued share capital during the year, are shown in note 26 on pages 93 and 94. The Company has one class of ordinary shares which carry no right to fixed income. Each share carries the right to one vote at general meetings of the Company.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights.

Details of employee share schemes are set out in notes 26 and 33 on pages 93 and 94 and pages 102 and 103. Shares held by the Portmeirion Employees' Share Trust abstain from voting.

The Directors who held office at 31 December 2022 had the following beneficial interests in the share capital of the Company:

	At 31 December 2022 5p ordinary shares Beneficial	At 31 December 2021 5p ordinary shares Beneficial
A.A. Andrea	**1,000**	1,000
C.V. Askem	**—**	—
M.J. Knapper	**8,191**	5,576
A.L. Luger	**3,947**	3,947
M.T. Raybould	**11,886**	5,548
W.J. Robedee	**—**	—
D. Sproston	**3,815**	1,315
R.J. Steele	**30,000**	30,000

Capital structure continued

No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

The Company was authorised at the Annual General Meeting held on 19 May 2022 to allot new shares or to grant rights to subscribe for, or to convert any security into, shares in the Company up to an aggregate nominal value of £466,181. Such authority shall expire at the earlier of the next Annual General Meeting of the Company or 30 June 2023.

Substantial shareholdings

On 31 December 2022 the Company had been notified, in accordance with chapter 5 of the Disclosure Guidance and Transparency Rules, of the following beneficial interests in 3% or more of its issued share capital excluding treasury shares:

	Percentage of voting rights and issued share capital(1)	Number of ordinary shares
Trustees of Caroline Fulbright Settlement(3)	**10.26%**	1,436,195
Investec Wealth & Investment Limited(3)(4)	**7.76%**	1,086,275
AB Traction(3)	**7.54%**	1,055,158
Shahrzad Farhadi	**4.52%**	632,333
Kamrouz Farhadi	**4.02%**	562,917
Charles Stanley Group PLC(3)	**3.89%**	543,847

Notes:

(1) The percentages are of the total shares in issue, excluding treasury shares (13,993,805).

(2) All holdings are direct holdings unless otherwise indicated.

(3) Shareholding held indirectly through a nominee.

(4) On the 27 February 2023, the Company was notified that Investec Wealth & Investment Limited had reduced their holding to 698,816 shares (4.99%).

Other than as disclosed above, during the period between 31 December 2022 and 22 March 2023, the Company did not receive any notifications under chapter 5 of the Disclosure Guidance and Transparency Rules.

Acquisition of the Company's own shares

The Directors' authority to make purchases of the Company's shares on its behalf is given by resolution of the shareholders annually at the Company's AGM. The Company did not purchase any of its own shares during the year. The Company holds 210,282 treasury shares, purchased at an average cost of 187.00p per share.

The Portmeirion Employees' Share Trust (the "Trust") facilitates the acquisition and holding of shares in the Company by and for the benefit of the employees of the Group. The shares are held in the Trust to provide for awards under employee share option schemes. During 2022, the Trust did not purchase any shares and no shares were transferred from the Trust. The Trust holds a total of 234,523 shares representing approximately 1.68% of the issued share capital of the Company excluding treasury shares as at 22 March 2023.

Annual General Meeting

The Annual General Meeting will be held at the registered office of the Company at London Road, Stoke-on-Trent, on 23 May 2023 at 12:00 noon (the "2023 AGM"). All ordinary and special resolutions to be proposed at that meeting are detailed in the Notice of Annual General Meeting which is contained in a separate circular to shareholders and on the Company's website at www.portmeiriongroup.com/investors/shareholder-information/notice-agms.

Employees

Details of how the Directors have engaged with employees are set out in the Section 172 (1) Statement on pages 24 and 25. The Group's UK operating subsidiaries are both Investors in People at Platinum level. Details of staff numbers and costs are set out in note 7 on page 84.

The Group has an Equal Opportunities Policy and is committed to ensuring that all employees are treated fairly, regardless of age, gender, race, marital status, sexual orientation, religion or disability. It is the Group's policy to give disabled people full and fair consideration for all job vacancies for which they offer themselves as suitable candidates, having regard to their particular aptitudes and abilities, including the consideration of any reasonable adjustments to the job or workplace. Training and career development opportunities are available to all employees and, if necessary, all efforts are made to retrain any member of staff who develops a disability during employment with the Group.

Share option and profit related incentive schemes are operated to encourage the involvement of more senior employees in the Group's performance.

The Group strives to ensure that it meets employees' expectations of a safe place to work, security of employment, fair treatment and access to training. Details of how the Board has had regard to the interests of the Group's employees can be found in the Our Commitment to ESG statement on pages 26 to 31 and in the Section 172 (1) Statement on pages 24 and 25.

Ethical business practices

To be successful in the long-term, the Group must establish and maintain positive business relationships with its stakeholders, including its suppliers and customers.

Report of the Directors continued

Ethical business practices continued

Details of how the Board has engaged with the Group's key stakeholders, and the resulting outcomes of this engagement, can be found in the Section 172 (1) Statement on pages 24 and 25, together with details of how the Board has had regard to the interests of the Group's stakeholders.

The Group has a zero tolerance approach to bribery and corruption and is committed to ensuring that it has effective processes and procedures in place to counter the risk of bribery and corruption. A formal anti-bribery policy is in place and training is undertaken annually. The policy and procedures in place are reviewed on a regular basis by the Board.

The Group has a whistle-blowing policy. Our Global HR Director and Group Company Secretary are available for all employees, contractors, suppliers and other stakeholders to confidentially raise concerns in relation to improper, unethical or illegal practices. We're committed to dealing with all whistle-blowing reports and ensure those who raise concerns are protected from retaliation.

In compliance with the Modern Slavery Act 2015, the Company's Transparency Statement on Human Trafficking and Modern Slavery can be found on the Company's website at www.portmeiriongroup.com.

Research and development

The Group continues to research methods of tackling the environmental issues facing it as a tableware, giftware, home fragrance and hand care manufacturer whilst improving operating efficiency. The development of innovative new products and designs is a key part of the Group's strategy.

Streamlined Energy & Carbon Reporting (SECR)

The Group is required to disclose its annual UK energy use, associated greenhouse gas (GHG) emissions and information relating to its energy efficiency action, as specified under the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. Our SECR disclosure is set out in the Environment section of Our Commitment to ESG statement on pages 26 to 31.

Political contributions

There were no political contributions during the year (2021: nil).

Post balance sheet events

There have been no material events from 31 December 2022 to the date of this report.

Auditors

Each of the persons who are Directors at the date of approval of this Annual Report confirms that:

1. so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
2. the Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Mazars LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Corporate governance

The Company's statement on corporate governance can be found on pages 40 to 45.

Approved by the Board of Directors and signed on behalf of the Board.

MMacDonald

Moira MacDonald

Company Secretary

22 March 2023

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Strategic Report, the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and Company financial statements in accordance with UK-adopted International Accounting Standards (IFRS) in conformity with the requirements of the Companies Act 2006.

International Accounting Standard 1 requires that IFRS financial statements present fairly for each financial year the Group and Company financial position, financial performance and cash flows. This requires the fair representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's "Framework for the preparation and presentation of financial statements". In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRS. Directors are also required to:

- properly select and apply accounting policies;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed subject to any material departures disclosed and explained in the financial statements;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The Directors have elected to prepare the Company financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The Company financial statements are required by law to give a true and fair view of the state of affairs of the Company. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the Group and the Company financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditor's Report
to the members of Portmeirion Group PLC

Opinion

We have audited the financial statements of Portmeirion Group PLC (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2022 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the Company Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2022 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards and, as regards the parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Group and the parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to SME listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our audit procedures to evaluate the Directors' assessment of the Group's and the parent Company's ability to continue to adopt the going concern basis of accounting included but were not limited to:

- undertaking an initial assessment at the planning stage of the audit to identify events or conditions that may cast significant doubt on the Group's and the parent Company's ability to continue as a going concern;
- making enquiries of the Directors to understand the going concern review period used by the Directors, ensuring that the period assessed by them is at least 12 months from the date of signing;
- evaluating the appropriateness of the Directors' disclosures in the financial statements on going concern;
- inspecting the going concern assessment made by the Directors to determine whether they believe the entity to be a going concern and whether material uncertainties have been identified;
- performing audit work to assess the reasonableness of the assumptions used by the Directors' in their forecasts;
- challenging management on the completeness of the stress test scenarios applied to the assessment, including with reference to the Board's identified business risks;
- inspecting borrowing agreements and assess whether compliance with borrowing terms, including repayment and covenant compliance, have been appropriately factored into the assessment, including in stressed scenarios;
- evaluating the Group's performance in the year as well as post year information available;
- challenging the accuracy of prior budgets, including retrospective review, and the rationale and support for any deviations in budget to outturn; and
- verifying that the estimates and judgements made in respect of going concern are consistent with the financial statements as a whole, specifically with respect to the assumptions relating to critical/significant estimates and judgements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We summarise below the key audit matters in forming our opinion above, together with an overview of the principal audit procedures performed to address each matter and our key observations arising from those procedures.

These matters, together with our findings, were communicated to those charged with governance through our Audit Completion Report.

Key Audit Matter	How our scope addressed this matter
Revenue recognition The Group's accounting policy for revenue recognition is set out in the accounting policy notes on page 76. Revenue recognition is considered as a key audit matter because revenues are a key financial performance measure which could create an incentive for revenues to be recognised prematurely or inappropriately. For Portmeirion Group PLC we see the risk of fraud in revenue recognition as being principally in relation to occurrence of revenue, and cut-off in relation to export and e-commerce sales. Occurrence of Revenue There is a risk that revenue that has been recognised did not occur, or that inflows into the bank accounts from standard business activities have been misclassified as revenue. Revenue recognition for export sales Due to the length of time it takes for an export sale to ship, there is a risk that sales close to the year-end could be accounted for incorrectly. There is a risk that revenue is recognised prior to meeting the performance obligation of transferring inventory to the customer. Revenue recognised on e-commerce sales Revenue recognised on e-commerce sales have grown significantly. There is a risk that revenue is recognised prior to the fulfilment of the performance obligation to the customer due to the specific delivery process for e-commerce and the individual nature of each delivery.	Our audit procedures included, but were not limited to: Occurrence of Revenue • inspected contracts and standard terms of business to confirm or disconfirm the assessment made by management over the point at which performance obligations are met triggering revenue recognition; • performed a substantive revenue to cash reconciliation. For reconciling items in the year, we disaggregated these into relevant categories and tested a sample to supporting documentation; and • performed tests of detail over the cash reconciliation to ensure the transactions are truly revenue. Revenue recognition from export sale • focused on export sales made in December and ensured the cut off between sales and stock movements is reflective of the year end position and the performance obligation which triggered the revenue recognition had been met. Revenue recognised on e-commerce sales • substantively tested revenue raised before the year end relating to e-commerce sales to ensure revenue had been recognised in the correct period with reference to when goods had been delivered to the customer. Our observations The results of our testing were satisfactory, with no matters or findings reported to the audit committee.
Inventory Valuation Inventory accounts for 65% of total current assets of the group. The Group's accounting policy for inventory provisioning is set out in the accounting policy notes on page 79. The inventory cost includes all direct costs and an appropriate allocation of fixed and variable overheads based upon estimated standard production levels. The costs to be absorbed and the estimated level of productivity are subjective areas and there is a risk that the valuation has not been calculated on a reasonable and consistent basis across the inventory portfolio. The impairment against inventory is calculated on a formulaic basis which also considers management's assessment of each unit's sales values in the future. This involves a degree of judgement as some of these inventory lines are out of season or in less demand. Therefore, there is a risk that the inventory provision is materially misstated and that inventory is not being held at the appropriate value. As a result, we consider inventory valuation as a key audit matter.	Our audit procedures included, but were not limited to: With regards to the inventory costing: • substantive testing of the fixed and variable overhead absorption rates and consider the reasonableness of forecast levels of productivity and investigate any significant movements therein; • critically assessed the factory variance in the year and the subsequent change to standard costs. We challenged variances with management to ensure inefficiencies are not added into the year end inventory value; and • tested on a sample basis that stock items are valued in accordance with the overhead absorption rates calculated. With regards to the inventory provision: • challenged the Group stock policy to ensure appropriate based on our knowledge of the Group's products and current macro-economic factors; • assessed the completeness and accuracy of the data used by management in computing the provision; • assessed the mathematical accuracy and logic of the models underpinning the provision; • understanding the changes in the provisioning methodology throughout the Group compared to the prior year and challenge the appropriateness thereof; • tested the accuracy of the process used by management to identify potentially impaired inventory across a representative sample of individual product lines; and • assessed the completeness and accuracy of disclosures within the financial statements in accordance with IFRS. Our observations Based on the work performed, level of provisioning adopted was considered reasonable. No significant matters or findings have been reported to the audit committee.

Independent Auditor's Report continued
to the members of Portmeirion Group PLC

Key Audit Matter	How our scope addressed this matter
Impairment of goodwill and intangible assets The group's accounting policy for intangible assets and goodwill is set out in the accounting policy notes on pages 78 and 79. There is a risk that certain assets held on the Balance Sheet may be impaired, including goodwill and other intangible assets. Management is required to perform an annual impairment review. The risk is focussed around the Home Fragrance Cash Generating Unit (CGU) due to the segment being loss making. The acquired "AromaWorks" trade and assets has been allocated to this CGU. Management perform the appropriate level of impairment review to conclude on whether an adjustment to the carrying value of any potential impaired assets is required.	Our audit procedures included but were not limited to; We obtained copies of the impairment review calculations and conclusions prepared by management and undertook the following procedures: • assessed the appropriateness of the key underlying assumptions such as growth rate and discount rate; • agreed any cashflow and profit forecasts to the latest budgets approved by the Board and challenged management on the assumptions used in these budgets; • re-calculated the mechanical accuracy of the calculations performed; • utilised internal experts who supported the audit team to assess the assumptions used by management and performed sensitivity analysis on management's impairment review; and • challenged the appropriateness of disclosures regarding impairment within the financial statements. **Our observations** We are satisfied with the estimation made by management that the value in use of the Home Fragrance division exceeds its CGU carrying value. We believe the disclosures made around the high level of estimation uncertainty appropriately reflect the reasonably possible future changes to management's estimate.

Our application of materiality and an overview of the scope of our audit

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole. Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Materiality

Overall materiality	Group; £1,384,000 Parent; £150,000
How we determined it & rationale for the benchmark	Group: 1.25% of revenue Parent: Capped from allocation from Group materiality. We believe that revenue is an appropriate benchmark and is utilised as a KPI by management to monitor the success of the business. Revenue is a common benchmark to be used for materiality calculations across the manufacturing/ retail sector. For the parent Company set this from a benchmark of net assets as it doesn't trade.
Performance materiality	Performance materiality is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the financial statements exceeds materiality for the financial statements as a whole. For Portmeirion Group PLC this was taken as 65% of overall materiality to provide a figure of £890,000 for the Group and £105,000 for the parent. We are satisfied 65% is appropriate due to a historic low rate of errors.
Reporting threshold	We agreed with the Directors that we would report to them misstatements identified during our audit above £42,000 for the Group and £4,500 for the parent as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons. These figures represent 3% of overall materiality.

For each component in the scope of the Group audit, we allocated a materiality that was less than our overall Group materiality. The range of performance materiality allocated across the components was between £845,000 and £90,000.

As part of designing our audit, we assessed the risk of material misstatement in the financial statements, whether due to fraud or error, and then designed and performed audit procedures responsive to those risks. In particular, we looked at where the directors made subjective judgements such as making assumptions on significant accounting estimates.

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole. We used the outputs of a risk assessment, our understanding of the Group and the parent Company, its environment, controls and critical business processes, to consider qualitative factors in order to ensure that we obtained sufficient coverage across all financial statement line items.

Our Group audit scope included an audit of the Group and parent financial statements of Portmeirion Group PLC. Based on our risk assessment, all entities on which we profess an individual statutory audit opinion within the Group were subject to full scope audit performed by Mazars LLP. On the residual entities within the Group, we have performed analytical procedures on them to an allocation of Group materiality.

At the parent level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Group and the parent Company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Report of the Directors.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilties set out on page 61, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Based on our understanding of the Group and the parent Company and their industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: Bribery Act 2010, Data protection act, employment regulation, health and safety regulation, modern slavery act, anti-money laundering regulation.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- inquiring of management and, where appropriate, those charged with governance, as to whether the Group and the parent Company is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- inspecting correspondence, if any, with relevant licensing or regulatory authorities;
- reviewing minutes of Directors' meetings in the year;
- communicating identified laws and regulations to the engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- considering the risk of acts by the Group and the parent Company which were contrary to applicable laws and regulations, including fraud.

Independent Auditor's Report continued
to the members of Portmeirion Group PLC

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as IFRS, AIM listing requirements, tax legislation, pension legislation and the Companies Act 2006.

In addition, we evaluated the Directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, revenue recognition (as discussed in the KAM section above), significant one-off or unusual transactions and presentation of exceptional items.

Our audit procedures in relation to fraud included but were not limited to:

- making enquiries of the Directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risks related to fraud;
- discussing amongst the engagement team the risks of fraud; and
- addressing the risks of fraud through management override of controls by performing journal entry testing.

The primary responsibility for the prevention and detection of irregularities, including fraud, rests with both those charged with governance and management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

The risks of material misstatement that had the greatest effect on our audit are discussed in the "Key audit matters" section of this report.

A further description of our responsibilities is available on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of the audit report

This report is made solely to the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's 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 and the Company's members as a body for our audit work, for this report, or for the opinions we have formed.

Charlene Lancaster
(Senior Statutory Auditor)

for and on behalf of Mazars LLP
Chartered Accountants and
Statutory Auditor
The Pinnacle, 160 Midsummer Boulevard
Milton Keynes, MK9 1FF

22 March 2023

Consolidated Income Statement
for the year ended 31 December 2022

	Notes	Year to 31 December 2022 £'000	Year to 31 December 2021 £'000
Revenue	4,5	**110,820**	106,018
Operating costs before exceptionals	6	**(102,154)**	(98,375)
Headline operating profit(1)		**8,666**	7,643
Exceptional items	6		
– restructuring costs		**(958)**	(1,036)
– acquisition costs		**(76)**	—
– GMP equalisation		**—**	(197)
Operating Profit		**7,632**	6,410
Interest income	9	**29**	12
Finance costs	10	**(956)**	(580)
Profit on sale of fixed assets		**—**	120
Other income		**265**	—
Headline profit before tax(1)		**8,004**	7,195
Exceptional items	6		
– restructuring costs		**(958)**	(1,036)
– acquisition costs		**(76)**	—
– GMP equalisation		**—**	(197)
Profit before tax		**6,970**	5,962
Tax	11	**(1,415)**	(2,721)
Profit for the period attributable to equity holders		**5,555**	3,241
Earnings per share	13		
Basic		**40.39p**	23.58p
Diluted		**40.35p**	23.49p
Headline earnings per share	13		
Basic		**46.59p**	38.85p
Diluted		**46.54p**	38.71p
Dividends proposed and paid per share	12	**15.50p**	13.00p

All the above figures relate to continuing operations.

(1) Headline operating profit is statutory operating profit of £7,632,000 (2021: £6,410,000) add exceptional items of £1,034,000 (2021: £1,233,000). Headline profit before tax is statutory profit before tax of £6,970,000 (2021: £5,962,000) add exceptional items of £1,034,000 (2021: £1,233,000).

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2022

	Notes	2022 £'000	2021 £'000
Profit for the year		**5,555**	3,241
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of net defined benefit pension scheme liability	31	**(1,517)**	2,505
Deferred tax relating to items that will not be reclassified subsequently to profit or loss	25	**380**	267
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**2,466**	64
Deferred tax relating to items that may be reclassified subsequently to profit or loss	25	**—**	45
Other comprehensive income for the year		**1,329**	2,881
Total comprehensive income for the year attributable to equity holders		**6,884**	6,122

Consolidated Balance Sheet
31 December 2022

	Notes	2022 £'000	2021 £'000
Non-current assets			
Goodwill	14	**9,416**	8,978
Intangible assets	15	**8,581**	7,126
Property, plant and equipment	16	**16,842**	14,398
Right-of-use assets	17	**5,869**	6,409
Pension scheme surplus	31	**317**	910
Total non-current assets		**41,025**	37,821
Current assets			
Inventories	19	**41,117**	29,224
Trade and other receivables	20	**19,887**	19,243
Current income tax asset		**792**	662
Cash and cash equivalents	21	**1,681**	7,616
Total current assets		**63,477**	56,745
Total assets		**104,502**	94,566
Current liabilities			
Trade and other payables	22	**(16,469)**	(16,245)
Lease liabilities	23	**(1,696)**	(1,695)
Borrowings	28	**(8,789)**	(1,986)
Total current liabilities		**(26,954)**	(19,926)
Non-current liabilities			
Deferred tax liability	25	**(3,230)**	(2,609)
Lease liabilities	23	**(4,654)**	(5,119)
Borrowings	28	**(2,981)**	(4,965)
Total non-current liabilities		**(10,865)**	(12,693)
Total liabilities		**(37,819)**	(32,619)
Net assets		**66,683**	61,947
Equity			
Called up share capital	26	**710**	710
Share premium account		**18,344**	18,344
Investment in own shares	27	**(3,108)**	(3,124)
Share-based payment reserve		**148**	128
Translation reserve		**3,652**	1,186
Retained earnings		**46,937**	44,703
Total equity		**66,683**	61,947

These financial statements were approved by the Board of Directors and authorised for issue on 22 March 2023.

They were signed on its behalf by:

M.T Raybould
Director

D. Sproston
Director

Company Balance Sheet
31 December 2022

	Notes	2022 £'000	2021 £'000
Non-current assets			
Investment in subsidiaries	18	**11,601**	23,595
Total non-current assets		**11,601**	23,595
Current assets			
Trade and other receivables	20	**14,947**	3,577
Total current assets		**14,947**	3,577
Total assets		**26,548**	27,172
Total liabilities		**—**	(35)
Net assets		**26,548**	27,137
Equity			
Called up share capital	26	**710**	710
Share premium account		**18,344**	18,344
Other reserves		**197**	197
Investment in own shares	27	**(3,108)**	(3,124)
Share-based payment reserve		**148**	128
Retained earnings		**10,257**	10,882
Total equity		**26,548**	27,137

The Company reported a profit for the financial year ended 31 December 2022 of £1,589,000 (2021: loss of £244,000).

The financial statements of Portmeirion Group PLC, company registration number 124842, were approved by the Board of Directors and authorised for issue on 22 March 2023.

They were signed on its behalf by:

M.T Raybould
Director

D. Sproston
Director

Consolidated Statement of Changes in Equity
for the year ended 31 December 2022

	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 2021	710	18,344	(3,140)	152	1,077	38,566	55,709
Profit for the year	—	—	—	—	—	3,241	3,241
Other comprehensive income for the year	—	—	—	—	109	2,772	2,881
Total comprehensive income for the year	—	—	—	—	109	6,013	6,122
Increase in share-based payment reserve	—	—	—	64	—	—	64
Transfer on exercise or lapse of options	—	—	—	(88)	—	88	—
Shares issued under employee share schemes	—	—	16	—	—	(16)	—
Deferred tax on share-based payment	—	—	—	—	—	52	52
At 1 January 2022	**710**	**18,344**	**(3,124)**	**128**	**1,186**	**44,703**	**61,947**
Profit for the year	—	—	—	—	—	5,555	5,555
Other comprehensive income for the year	—	—	—	—	2,466	(1,137)	1,329
Total comprehensive income for the year	**—**	**—**	**—**	**—**	**2,466**	**4,418**	**6,884**
Dividends paid	—	—	—	—	—	(2,269)	(2,269)
Increase in share-based payment reserve	—	—	—	91	—	—	91
Transfer on exercise or lapse of options	—	—	—	(71)	—	71	—
Shares issued under employee share schemes	—	—	16	—	—	(16)	—
Deferred tax on share-based payment	—	—	—	—	—	30	30
At 31 December 2022	**710**	**18,344**	**(3,108)**	**148**	**3,652**	**46,937**	**66,683**

The nature of each reserve is explained in note 2.16 on page 79.

Company Statement of Changes in Equity
for the year ended 31 December 2022

	Share capital £'000	Share premium account £'000	Other reserves £'000	Investment in own shares £'000	Share-based payment reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2021	710	18,344	197	(3,140)	152	11,054	27,317
Loss for the year	—	—	—	—	—	(244)	(244)
Total comprehensive income for the year	—	—	—	—	—	(244)	(244)
Increase in share-based payment reserve	—	—	—	—	64	—	64
Transfer on exercise or lapse of options	—	—	—	—	(88)	88	—
Shares issued under employee share schemes	—	—	—	16	—	(16)	—
At 1 January 2022	**710**	**18,344**	**197**	**(3,124)**	**128**	**10,882**	**27,137**
Profit for the year	—	—	—	—	—	1,589	1,589
Total comprehensive income for the year	**—**	**—**	**—**	**—**	**—**	**1,589**	**1,589**
Dividends paid	—	—	—	—	—	(2,269)	(2,269)
Increase in share-based payment reserve	—	—	—	—	91	—	91
Transfer on exercise or lapse of options	—	—	—	—	(71)	71	—
Shares issued under employee share schemes	—	—	—	16	—	(16)	—
At 31 December 2022	**710**	**18,344**	**197**	**(3,108)**	**148**	**10,257**	**26,548**

The nature of each reserve is explained in note 2.16 on page 79.

Consolidated Statement of Cash Flows
for the year ended 31 December 2022

	Notes	2022 £'000	2021 £'000
Operating profit		**7,632**	6,410
Adjustments for:			
Depreciation of property, plant and equipment	16	**1,810**	1,652
Depreciation of right-of-use assets	17	**1,881**	1,933
Amortisation of intangible assets	15	**813**	698
Charge for share-based payments	33	**91**	64
Charge for GMP Equalisation		**—**	197
Exchange (loss)/gain		**(559)**	36
Loss on sale of tangible fixed assets		**251**	17
Operating cash flows before movements in working capital		**11,919**	11,007
Increase in inventories		**(9,869)**	(2,071)
Decrease/(increase) in receivables		**239**	(3,960)
(Decrease)/increase in payables		**(643)**	3,707
Cash generated from operations		**1,646**	8,683
Contributions to defined benefit pension scheme	31	**(900)**	(1,350)
Interest paid		**(686)**	(368)
Income taxes paid		**(300)**	(461)
Net cash (outflow)/inflow from operating activities		**(240)**	6,504
Investing activities			
Interest received		**5**	12
Purchase of property, plant and equipment	16	**(4,093)**	(4,511)
Proceeds from disposal of property, plant and equipment		**—**	786
Purchase of intangible assets	15	**(1,933)**	(843)
Other income		**265**	—
Acquisition of subsidiary	34	**(821)**	—
Net cash outflow from investing activities		**(6,577)**	(4,556)
Financing activities			
Equity dividends paid	12	**(2,269)**	—
Principal elements of lease payments		**(1,864)**	(1,927)
Drawdown of short term borrowings	28	**6,803**	—
Repayments of borrowings	28	**(2,000)**	(4,000)
Net cash inflow/(outflow) from financing activities		**670**	(5,927)
Net decrease in cash and cash equivalents		**(6,147)**	(3,979)
Cash and cash equivalents at beginning of year		**7,616**	11,590
Effect of foreign exchange rate changes		**212**	5
Cash and cash equivalents at end of year		**1,681**	7,616

Company Statement of Cash Flows
for the year ended 31 December 2022

	Notes	2022 £'000	2021 £'000
Operating profit/(loss)		**1,589**	(244)
Adjustments for:			
Charge for share-based payments	33	**91**	64
Operating cash flows before movements in working capital		**1,680**	(180)
Decrease in receivables		**624**	153
(Decrease)/Increase in payables		**(35)**	27
Cash generated from operations		**2,269**	—
Income taxes paid		**—**	—
Net cash inflow from operating activities		**2,269**	—
Investing activities		**—**	—
Net cash inflow from investing activities		**—**	—
Financing activities			
Equity dividends paid	12	**(2,269)**	—
Net cash outflow from financing activities		**(2,269)**	—
Net movement in cash and cash equivalents		**—**	—
Cash and cash equivalents at beginning of year		**—**	—
Cash and cash equivalents at end of year		**—**	—

Notes to the Financial Statements

1. Basis of preparation

Portmeirion Group PLC is a company incorporated in England and Wales. The address of the registered office is given on the back cover. The nature of the Group's operations and its principal activities are set out in the Strategic Report on pages 2 to 37. The financial statements have been prepared in accordance with UK-adopted International Accounting Standards (IFRS) in conformity with the requirements of the Companies Act 2006.

The financial statements have been prepared on the historical cost basis, with the exception of derivative financial instruments which are stated at their fair value.

The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present an income statement.

At the year end the Group had net debt of £10.1 million (comprising cash and cash equivalents of £1.7 million less borrowings of £11.8 million) and, as disclosed in note 24 on page 92, had unutilised bank facilities with available funding of £15.7 million. Operating cash generation was impacted during the year by an adverse working capital movement and therefore £1.6 million (2021: £8.7 million), although we expect this movement to largely reverse in 2023.

The Group sells into over 80 countries worldwide and has a spread of customers and sales channels within its major UK and US markets with adequate credit insurance cover in export markets where required. The Group manufactures approximately 38% of its products and sources the remainder from a range of third-party suppliers.

There remains ongoing challenges in our sales markets around the world caused by the negative impact of the cost of living crisis, but the Group's performance continues to remain resilient and we are well diversified with significant funding headroom available.

The Group has also produced a sensitivity analysis to its cash flow forecast based upon possible downside scenarios. We have modelled a 10% sales reduction to assess the potential impact of a significant downturn in trading performance similar to the reduction experienced in 2020 during the Covid-19 pandemic and is therefore considered a very prudent case. This demonstrated the Group still has sufficient headroom within borrowing facilities and loan covenants.

We have also considered a reverse stress-tested scenario to try and assess the amount of sales reduction required before the Group begins to approach maximum facility and covenant headroom. This demonstrated sales could reduce by more than 20% before we breached facility limits or any covenants.

After making enquiries and reviewing budgets and forecasts for the Group, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Accounts.

These financial statements are presented in pounds sterling. Foreign operations are included in accordance with the policies set out in note 2.5.

In the current year, the Group has applied a number of amendments to IFRS that are mandatorily effective for an accounting period beginning on 1 January 2022.

The following new and revised standards and interpretations have also been adopted in the current year but none have had a significant impact on the amounts reported in these financial statements.

	Effective date periods beginning on or after
Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts — Cost of Fulfilling a Contract	1 January 2022
Amendments to IFRS 3 Business Combinations: Reference to the Conceptual Framework	1 January 2022

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS that have been issued but are not yet effective and (in some cases) had not yet been adopted:

	Effective date periods beginning on or after
IFRS 17 Insurance Contracts (issued May 2017) and Amendments to IFRS 17 Insurance Contracts	1 January 2023
Amendments to IFRS 17 Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information	1 January 2023
Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements: Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023

The Directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Group in future periods.

Notes to the Financial Statements continued

2. Significant accounting policies

The accounting policies which follow set out those policies which were applied in preparing the financial statements for the year ended 31 December 2022.

2.1 Basis of consolidation

The consolidated financial statements incorporate the financial statements of Portmeirion Group PLC and its subsidiaries.

Subsidiary undertakings are consolidated on the basis of the acquisition method of accounting where the Group has overall control of that entity. Intra-group transactions and balances are eliminated fully on consolidation and the consolidated accounts reflect external transactions only. Subsidiaries' accounting policies are amended where necessary to ensure consistency with the policies adopted by the Group.

All accounts for subsidiaries have been prepared for the year ended 31 December 2022.

2.2 Investments

Fixed asset investments for the Company in subsidiaries are shown at cost less provision for impairment.

2.3 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes. Revenue is reduced for estimated customer returns, rebates and other similar allowances based on historical evidence.

Sales of goods are recognised when title has passed as this is the only performance obligation required.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Royalty revenue is recognised on an accruals basis in accordance with the substance of the relevant agreement.

Royalties determined on a time basis are recognised on a straight-line basis over the period of the agreement.

The Group offers a wide range of payment terms to customers, from payment up front to 60 days + from date of dispatch.

2.4 Leases

The Group as a lessee

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an asset, the Group assesses whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract the Group has the right to direct the use of the identified asset throughout the period of use; and
- the Group has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset. The Group has applied this methodology to its land and buildings where sufficient historical information has been available to facilitate this.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

2. Significant accounting policies continued

2.4 Leases continued

Measurement and recognition of leases as a lessee continued
A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

2.5 Foreign currencies

The individual financial statements of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency). The results and financial position of each Group company are expressed in pounds sterling, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the year.

In order to hedge its exposure to certain foreign exchange risks, the Group enters into forward contracts (see note 2.17 for details of the Group's accounting policies in respect of such derivative financial instruments).

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity.

2.6 Operating profit

Operating profit is stated before interest income, finance costs, profit on sale of fixed assets and other income.

2.7 Exceptional items

The Group's income statement separately identifies exceptional items. Such items are those that in the Director's judgement are one-off in nature or non-operating and need to be disclosed separately by virtue of their size or incidence and may include, but are not limited to, restructuring costs, acquisition-related costs and GMP equalisation costs. In determining whether an item should be disclosed separately as an exceptional item, the Directors consider quantitative as well as qualitative factors such as the frequency, predictability of occurrence and significance. This is consistent with the way financial performance is measured by management and reported to the Board. Disclosing exceptional items separately provides additional understanding and transparency of the performance of the Group.

2.8 Group pension schemes

Payments to defined contribution retirement schemes are charged as an expense in the period to which they relate.

For defined benefit schemes, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at least triennially and updated at each balance sheet date. Actuarial gains and losses are recognised in full in the period in which they occur. They are recognised outside profit or loss and presented in other comprehensive income.

Past service costs are recognised in profit or loss when the plan amendment or curtailment occurs, or when the Group recognises related restructuring costs or termination benefits, if earlier. The retirement benefit obligation recognised in the balance sheet represents the deficit or surplus in the Group's defined benefit pension scheme. Any surplus resulting from this fluctuation is limited to the present value of any economic benefits available in the form of refunds from the schemes or reductions in future contributions to the scheme.

Notes to the Financial Statements continued

2. Significant accounting policies continued

2.9 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax
The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. It also includes tax relief for contributions that are not expenses. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax
Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

2.10 Property, plant and equipment

Freehold and leasehold land is not depreciated. Property, plant and equipment are held at cost less accumulated depreciation and any recognised impairment losses.

Depreciation is recognised so as to write off the cost of assets (other than land) less their residual values over their useful lives, using the straight-line or the reducing balance method, on the following bases:

Freehold and leasehold buildings	–	2% per annum
Leasehold improvements	–	6% to 30% per annum
Plant and vehicles	–	5% to 33% per annum

2.11 Intangible assets

Purchases of intellectual property and customer lists are included at cost and written off in equal annual instalments over their estimated useful economic life of between five and twenty years. Provision is made for any impairment.

Computer software is held at cost less accumulated amortisation less any recognised impairment losses. Amortisation is charged so as to write off the cost of assets less their residual value over their useful lives, using the straight-line method. The estimated useful life of computer software is between three and ten years.

2.12 Impairment of tangible assets, intangible assets and goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

2. Significant accounting policies continued

2.12 Impairment of tangible assets, intangible assets and goodwill continued

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Goodwill is not amortised but is reviewed for impairment at least annually. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying value of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset of the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

2.13 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value in the acquiree. Acquisition related costs are expensed as incurred and included in exceptional costs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed of in these circumstances is remeasured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

2.14 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

2.15 Research and development

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Development activities are capitalised where appropriate.

2.16 Equity

Ordinary shares are classified as equity. The excess of the nominal value of ordinary shares received upon the issue of a new share is classified as share premium.

Investment in own shares has been classified as a deduction from equity. These shares are valued at the weighted average cost of purchase and comprise treasury shares and shares held by an employee benefit trust. The employee benefit trust is controlled by the Company and Group and as such is consolidated into the reported figures.

The share-based payment reserve represents the cumulative charge on outstanding share options. Once the options have been exercised or lapsed, this reserve is transferred into retained earnings.

The translation reserve represents the aggregate of the cumulative exchange differences arising from the retranslation of the balance sheets of non-sterling denominated subsidiary undertakings.

Retained earnings are the cumulative profits recognised by the Group and the Company.

The Company other reserve is a merger reserve arising on the purchase of subsidiary undertakings.

Notes to the Financial Statements continued

2. Significant accounting policies continued

2.17 Financial instruments

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Derivative financial instruments
The Group's activities expose it to the financial risks of changes in foreign currency exchange rates. The Group uses foreign exchange forward contracts to hedge this exposure. The Group does not use derivative financial instruments for speculative purposes.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

Receivables
Trade receivables and other receivables are measured at amortised cost, because the payments are solely payments of principal and interest is held to collect. Impairment is determined by reference to expected credit loss.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial liabilities and equity
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Further details on the Group's financial instruments can be found in note 32.

2.18 Share-based payments

Equity-settled share option schemes and long-term incentive plans are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market-based vesting conditions. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 33.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

Cash-settled share-based payments are measured at fair value at the grant date. The fair value determined at the grant date of the cash-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of cash instruments that will eventually vest. A corresponding adjustment is made to liabilities. At each reporting date, the recognised liability is remeasured with changes recognised in profit or loss. The liability is included in other creditors.

2.19 Government grants

In the prior year, the Group 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.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 2, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

3. Critical accounting judgements and key sources of estimation uncertainty continued

Critical judgements and estimates in applying the Group's accounting policies

The following are the critical judgements that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Intangible assets and goodwill
The Group holds a number of intangible assets and goodwill that have been acquired in business combinations. These assets are held at cost (which on initial recognition would in all cases be expected to be fair value) less amortisation and any impairment. At each balance sheet date management reviews the appropriate value of these assets to ensure there are no indicators of impairment that would require a write-down in fair value. Management also reviews future discounted cash flow forecasts to ensure the fair value is still appropriate.

When required, management judgment is necessary to estimate the fair value of a cash generating unit based on assumptions in our future cash flow forecasts. The development of these cash flows, and the discount rate applied to the cash flows, is subject to inherent uncertainties, and actual results could vary from such estimates. Our determination of the discount rate is based on a weighted average cost of capital (WACC) approach, which uses the Group's cost of equity provided by our brokers and after-tax cost of debt and reflects the risks inherent in the cash flows.

If, amongst other factors, the adverse impacts of economic, competitive or other factors were to cause our results or cash flows to be worse than anticipated, we could conclude in future periods that impairment charges are required in order to reduce the carrying values of our goodwill and intangible assets.

Revenue recognition
Revenue is measured at the fair value of the consideration received or receivable for goods or services. A number of the Group's customers purchase goods on a sale or return basis, where at the year end the value of potential returns is unknown. Management have included an estimated provision for goods sold on a sale or return basis as a reduction to revenue.

In making this judgement, management has considered the detailed criteria for the recognition of revenue from the sale of goods set out in IFRS 15 'Revenue', and made a best estimate of the anticipated returns from customers.

Depreciation and amortisation
The Directors exercise judgement to determine useful lives and residual values of tangible and intangible assets. The assets are depreciated or amortised over their estimated useful life.

Impairment of inventory
Inventories are stated at the lower of cost and net realisable value. At the year end, the future sale value of some slow-moving and obsolete inventory is uncertain, and a provision has been included where management feels this value falls below cost. The level of provision is determined by management estimates based on historical and forecast sales and potential net realisable value.

Defined benefit pension scheme
The valuation of the Group's defined benefit pension scheme assets and liabilities under IAS 19 'Employee Benefits' is disclosed in note 31. IAS 19 required a net asset or liability to be recognised in the Group balance sheet based upon relevant actuarial assumptions at each balance sheet date. The significant actuarial assumptions for the determination of the defined benefit obligation are discount rate, expected inflation assumptions and life expectancy. Management receives independent advice from an actuary in the preparation of these assumptions. The Group recognises an asset based on surplus funds being available for distribution in line with the Trust Deed and Scheme rules.

Lease term
The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the Group's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The Group reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Incremental borrowing rate
Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the Group estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

Notes to the Financial Statements continued

4. Revenue

An analysis of the Group's revenue is as follows:

Continuing operations	2022 £'000	2021 £'000
Sale of goods	**110,598**	105,827
Royalties	**222**	191
	110,820	106,018

5. Segmental analysis

IFRS 8 requires operating segments to be identified on the basis of internal reports about the components of the Group that are regularly reviewed by the Chief Executive to allocate resources to the segments and to assess their performance. Based upon the nature and extent of these internal reports, the Directors are of the opinion that there are two reportable segments under IFRS 8, namely UK and North America. The Directors are of the opinion that only one class of business is being undertaken, that of the manufacture and sale of ceramics, home fragrances and associated homeware.

	2022			2021		
Revenue by origin	Total sales £'000	Inter-segment sales £'000	Sales to third parties £'000	Total sales £'000	Inter-segment sales £'000	Sales to third parties £'000
UK	**63,997**	**(4,244)**	**59,753**	65,350	(5,664)	59,686
North America	**51,067**	**—**	**51,067**	46,332	—	46,332
	115,064	**(4,244)**	**110,820**	111,682	(5,664)	106,018

Inter-segment sales are charged at prevailing market prices.

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

Revenue	2022 £'000	2021 £'000
United Kingdom	**28,255**	32,871
United States	**43,783**	42,492
South Korea	**26,656**	18,680
Rest of the World	**12,126**	11,975
	110,820	106,018

The accounting policies of the reportable segments are the same as the Group's accounting policies as described in note 2. Segment profit represents the profit earned by each segment without allocation of interest income, finance costs and income tax expense. This is the measure reported to the Group's Chief Executive for the purpose of resource allocation and assessment of segment performance.

For the purposes of monitoring segment performance and allocating resources between segments the Group's Chief Executive monitors the tangible, intangible and financial assets attributable to each segment. All assets are allocated to reportable segments. Assets used jointly by reportable segments are allocated on the basis of contribution earned by individual reportable segments.

Operating profit by origin	2022 £'000	2021 £'000
UK	**6,498**	5,985
North America	**2,168**	1,658
Headline operating profit	**8,666**	7,643
Unallocated items:		
Exceptional items	**(1,034)**	(1,233)
Profit on sale of fixed assets	**—**	120
Other income	**265**	—
Interest income	**29**	12
Finance costs	**(956)**	(580)
Profit before tax	**6,970**	5,962
Tax	**(1,415)**	(2,721)
Profit after tax	**5,555**	3,241

5. Segmental analysis continued

Other information	2022 UK £'000	2022 North America £'000	2022 Consolidated £'000	2021 UK £'000	2021 North America £'000	2021 Consolidated £'000
Capital additions	**5,488**	**2,311**	**7,799**	4,659	2,050	6,709
Depreciation and amortisation	**2,726**	**1,778**	**4,504**	2,648	1,635	4,283
Balance sheet:						
Assets						
Non-current segment assets	**31,116**	**9,909**	**41,025**	27,946	9,875	37,821
Other segment assets	**36,655**	**26,822**	**63,477**	34,708	22,037	56,745
Consolidated total assets	**67,771**	**36,731**	**104,502**	62,654	31,912	94,566
Liabilities						
Consolidated total liabilities	**30,557**	**7,262**	**37,819**	21,941	10,678	32,619

All non-current segment assets relate to the UK business other than £9,909,000 (2021: £9,875,000) which relate to the North America business segment.

Reconciliation of earnings before interest, tax, depreciation and amortisation (EBITDA)	2022 £'000	2021 £'000
Operating profit	**7,632**	6,410
Add back:		
Depreciation	**3,691**	3,585
Amortisation	**813**	698
Earnings before interest, tax, depreciation and amortisation	**12,136**	10,693

6. Operating costs

	2022 £'000	2021 £'000
Cost of inventories recognised as an expense	**49,717**	46,902
Movement on inventory impairment provision	**(1,424)**	(540)
Other external charges	**16,860**	16,922
Staff costs (note 7)	**31,742**	30,532
Covid-19 Government support	**—**	(316)
Depreciation of property, plant and equipment	**1,810**	1,652
Depreciation of right-of-use assets	**1,881**	1,933
Amortisation of intangible assets	**813**	698
Impairment of trade receivables	**169**	28
Cost of research and development	**837**	570
Net foreign exchange gains	**(251)**	(6)
	102,154	98,375

Government grants were receivable as part of Government initiatives to provide financial support as a result of Covid-19 lockdowns. There are no future related costs in respect of these grants which are receivable solely as compensation for past expenses.

In the prior year, the Group received funding from the UK Government's 'Coronavirus Job Retention Scheme' and retail support grants, the US Government's 'Paycheck Protection Programme' and the Canadian Government's 'Emergency Wage Subsidy'. In total this support amounted to £316,000 and was included as a credit within operating costs. There were no related credits in 2022.

Notes to the Financial Statements continued

6. Operating costs continued

Exceptional items by type are as follows:

	2022 £'000	2021 £'000
Restructuring costs	**958**	1,036
Acquisition costs	**76**	—
GMP equalisation costs	**—**	197
	1,034	1,233

Restructuring costs relate to a redundancy exercise undertaken within the Group and GMP equalisation costs relate to past service costs in relation to the Group's defined benefit pension scheme. Acquisition costs relate to the acquisiton of the trade and assets of AromaWorks. All of these costs are exceptional in nature and non-recurring.

7. Staff numbers and costs

	2022 Number	2021 Number
The average number of persons employed during the year, including Directors:		
Operatives	**512**	496
Support staff	**356**	370
	868	866

The Company had no employees in the current or preceding years. All employee costs are paid for by Group companies.

	2022 £'000	2021 £'000
Staff costs		
Wages and salaries	**27,039**	26,086
Social security costs	**2,398**	2,171
Other pension costs	**1,319**	1,398
	30,756	29,655
Non-monetary benefits	**986**	877
	31,742	30,532

	2022 £'000	2021 £'000
Directors' emoluments:		
Salary and fees, taxable benefits and incentive	**1,818**	1,868
Long-term incentive plan	**48**	59
Pension contributions	**117**	125
	1,983	2,052

The Directors' emoluments disclosed above reflect emoluments received by the Directors for the period in 2022 during which they were a Director of the Company.

There were no gains made on the exercise of share options in 2022 (2021: £nil).

	2022 Number	2021 Number
Number of Directors who were members of a defined contribution pension scheme during the year	**5**	6
Number of Directors who exercised options over shares in the ultimate parent company	**2**	2

	2022 £'000	2021 £'000
Remuneration of the highest paid Director:		
Salary and fees, taxable benefits and incentive	**444**	529
Long-term incentive plan	**30**	37
Pension contributions	**43**	42
	517	608

8. Auditors' remuneration

	2022 £'000	2021 £'000
Fees payable to the Group's auditors for the audit of the Group's annual accounts	**185**	106
Other audit related services – interim review	—	16
The audit of the Company's subsidiaries	**45**	21
Total audit related fees	**230**	143
Fees payable to the Group's auditors and their associates in respect of associated pension schemes		
Audit of the Portmeirion Potteries Limited Retirement Benefits Scheme	—	6
	—	6

The audit fee for the Company was £3,000 (2021: £2,000).

Fees payable to Mazars LLP and their associates for non-audit services to the Company are £nil (2021: £nil). There were no non-audit services provided on a consolidated basis in 2022 (2021: £nil).

9. Interest income

	2022 £'000	2021 £'000
Bank deposits	**5**	12
Net interest income on pension scheme asset (note 31)	**24**	—
	29	12

Interest income relates to amounts received on financial assets and classified as cash and cash equivalents.

10. Finance costs

	2022 £'000	2021 £'000
Interest paid	**686**	361
Interest on lease liabilities	**270**	192
Net interest expense on pension scheme asset (note 31)	—	27
	956	580

Interest paid relates to amounts paid on financial liabilities held at amortised cost.

11. Taxation on profit on ordinary activities

	2022 £'000	2021 £'000
Current taxation		
United Kingdom corporation tax at 19% (2021: 19%)	**175**	260
Overseas taxation	**286**	107
	461	367
Deferred taxation		
Origination and reversal of temporary differences	**723**	1,343
Pension scheme	**231**	1,011
	954	2,354
	1,415	2,721

United Kingdom corporation tax is calculated at 19% (2021: 19%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

Notes to the Financial Statements continued

11. Taxation on profit on ordinary activities continued

The actual tax charge for the current and the previous year differs from the standard rate for the reasons set out in the following reconciliation:

	2022 £'000	2021 £'000
Profit on ordinary activities before taxation	**6,970**	5,962
Tax on profit on ordinary activities at standard rate of 19% (2021: 19%)	**1,324**	1,133
Factors affecting charge for the year:		
Expenses not deductible for tax purposes and other adjustments	**(56)**	230
Foreign tax charged at higher rates than UK standard rate	**114**	(71)
Adjustments in respect of previous periods	**(206)**	186
Deferred tax rate change	**239**	1,243
Total tax on profit on ordinary activities	**1,415**	2,721

Future tax charges will be impacted by any tax rate changes.

12. Dividends paid

	2022 £'000	2021 £'000
Final dividend of 13.00p per share paid in respect of the year ended 31 December 2021	**1,788**	—
Interim dividend of 3.50p per share paid in respect of the year ended 31 December 2022	**481**	—
Total dividends paid in the year	**2,269**	—

The Directors recommend that a final dividend for 2022 of 12.00p (2021: 13.00p) per ordinary share be paid. The final dividend will be paid, subject to shareholder approval, on 30 May 2023, to shareholders on the register at the close of business on 21 April 2023. This dividend has not been included as a liability in these financial statements. The total dividend paid and proposed for the year is 15.50p per share (2021: 13.00p).

13. Earnings per share

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

	2022			2021		
	Earnings £'000	Weighted average number of shares	Earnings per share (p)	Earnings £'000	Weighted average number of shares	Earnings per share (p)
Basic earnings per share	**5,555**	**13,753,233**	**40.39**	3,241	13,747,450	23.58
Effect of dilutive securities:						
– employee share options	**—**	**14,773**	**—**	—	49,235	—
Diluted earnings per share	**5,555**	**13,768,006**	**40.35**	3,241	13,796,685	23.49

	2022			2021		
	Earnings £'000	Weighted average number of shares	Earnings per share (p)	Earnings £'000	Weighted average number of shares	Earnings per share (p)
Headline basic earnings per share	**6,407**	**13,753,233**	**46.59**	5,341	13,747,450	38.85
Effect of dilutive securities:						
– employee share options	**—**	**14,773**	**—**	—	49,235	—
Headline diluted earnings per share	**6,407**	**13,768,006**	**46.54**	5,341	13,796,685	38.71

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

	2022 £'000	2021 £'000
Profit for the year attributable to equity holders	**5,555**	3,241
Add back/(deduct):		
Exceptional items	**1,034**	1,233
Tax effect of exceptional items	**(182)**	(223)
Exceptional impact of remeasuring deferred tax balances from 19% to 25%	**—**	1,090
Headline earnings	**6,407**	5,341

14. Goodwill

	Total £'000
Cost at 1 January 2021 and 1 January 2022	**8,978**
Additions	**438**
Cost at 31 December 2022	**9,416**

Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating units, or group of units that are expected to benefit from that business combination.

The Group tests annually for impairment, or more frequently if there are indications that goodwill might be impaired. Goodwill has been tested for impairment during the year.

The recoverable amounts of the cash-generating units are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the year. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the cash-generating unit. Future growth rates and expected changes to selling prices and direct costs are estimated based upon historical and anticipated trading performance. There have been no significant changes in these assumptions during the financial year.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management and projects these cash flows by five years and then into perpetuity at a growth rate of 3% for all cash generating units. These budgets are based on current trading performance and do not envisage any changes to the current business model. This rate does not exceed the average long-term growth rate for the relevant markets. The rate used to discount the cash flow forecasts is 8.6%.

For the largest balance relating to the home fragrance division, the Directors performed a sensitivity analysis on the estimates of value in use by varying the input assumptions in the discounted cash flow model. This demonstrated that a pre-tax discount rate of 14.9% or a reduction in projected sales of 18% would be required before value in use was equal to the carrying value of assets in the cash-generating unit. Additionally, using a more cautious growth rate of 2% would not trigger an impairment.

Goodwill includes £7,667,000 (2021: £7,229,000) relating to Wax Lyrical and AromaWorks and £1,749,000 relating to the North America division.

15. Intangible assets

	Computer software £'000	Customer lists £'000	Intellectual property £'000	Total £'000
Cost				
At 1 January 2021	1,644	2,070	8,714	12,428
Additions	843	—	—	843
Disposals	(12)	—	—	(12)
Exchange rate adjustments	—	—	20	20
At 1 January 2022	2,475	2,070	8,734	13,279
Additions	1,933	—	—	1,933
Disposals	(563)	—	—	(563)
Acquired on acquisition	—	—	309	309
Exchange rate adjustments	13	—	270	283
At 31 December 2022	**3,858**	**2,070**	**9,313**	**15,241**
Amortisation				
At 1 January 2021	938	966	3,548	5,452
Charge for the year	231	207	260	698
Exchange rate adjustments	—	—	3	3
At 1 January 2022	1,169	1,173	3,811	6,153
Charge for the year	346	207	260	813
Disposals	(333)	—	—	(333)
Exchange rate adjustments	1	—	26	27
At 31 December 2022	**1,183**	**1,380**	**4,097**	**6,660**
Net book value				
At 31 December 2022	**2,675**	**690**	**5,216**	**8,581**
At 31 December 2021	1,306	897	4,923	7,126

Notes to the Financial Statements continued

15. Intangible assets continued

Included within intellectual property are the rights to certain intellectual property and the trade names of Spode and Royal Worcester (purchased in April 2009), the intellectual property recognised at fair value on the acquisition of Wax Lyrical (purchased in May 2016), the intellectual property of Nambé (purchased in July 2019) and the intellectual property of AromaWorks (purchased in August 2022).

Customer lists includes the amounts recognised at fair value on the acquisition of Wax Lyrical (purchased in May 2016).

At the year end the Spode and Royal Worcester intellectual property had a carrying value of £564,000 (2021: £564,000). There is no amortisation as the trade name has been classified as having an indefinite life. The carrying value is included in the UK cash generating unit.

At the year end the Wax Lyrical intellectual property had a carrying value of £2,165,000 (2021: £2,425,000) and the customer lists had a carrying value of £690,000 (2021: £897,000). The remaining amortisation periods are eight years four months and three years four months respectively.

At the year end the Nambé intellectual property had a carrying value of £2,178,000 (2021: £1,934,000). There is no amortisation as the trade name has been classified as having an indefinite life. The movement relates to year end exchange rate translation. Nambé is part of the North America CGU and the Group has conducted an impairment review annually to confirm this indefinite life intangible asset does not require impairment.

At the year end the AromaWorks intellectual property had a carrying value of £309,000 (2021: £nil). The remaining amortisation period is five years.

16. Property, plant and equipment

	Land and buildings				
	Freehold £'000	Long leasehold £'000	Leasehold improvements £'000	Plant and vehicles £'000	Total £'000
Cost					
At 1 January 2021	4,953	3,874	1,665	19,449	29,941
Additions	17	—	858	3,636	4,511
Disposals	(670)	—	(28)	(149)	(847)
Transfers	—	—	796	(796)	—
Exchange rate adjustments	14	—	8	16	38
At 1 January 2022	4,314	3,874	3,299	22,156	33,643
Additions	—	—	284	3,809	4,093
Disposals	—	—	—	(672)	(672)
Exchange rate adjustments	26	—	151	290	467
At 31 December 2022	**4,340**	**3,874**	**3,734**	**25,583**	**37,531**
Depreciation					
At 1 January 2021	2,255	378	1,148	13,963	17,744
Charge for the year	142	51	149	1,310	1,652
On disposals	(18)	—	(16)	(139)	(173)
Exchange rate adjustments	7	—	6	9	22
At 1 January 2022	2,386	429	1,287	15,143	19,245
Charge for the year	147	48	207	1,408	1,810
On disposals	—	—	—	(651)	(651)
Exchange rate adjustments	12	—	96	177	285
At 31 December 2022	**2,545**	**477**	**1,590**	**16,077**	**20,689**
Net book value					
At 31 December 2022	**1,795**	**3,397**	**2,144**	**9,506**	**16,842**
At 31 December 2021	1,928	3,445	2,012	7,013	14,398

The long leasehold property has a peppercorn rent where the lease premium was paid in total on completion of the purchase. At 31 December 2022, there are 133 years remaining on the lease. At 31 December 2022, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £915,000 (2021: £2,761,000).

17. Right-of-use assets

The Group leases land and buildings for its offices, warehouses and retail outlets under agreements of between five to one hundred years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated. The Group also leases plant and equipment under agreements of between three to seven years.

	Land & buildings £'000	Other £'000	Total £'000
Cost			
At 1 January 2021	9,887	689	10,576
Additions	1,098	257	1,355
Disposals	(882)	(355)	(1,237)
Transfers	(16)	16	—
Exchange rate adjustments	163	(3)	160
At 1 January 2022	10,250	604	10,854
Additions	1,151	313	1,464
Disposals	(1,840)	(85)	(1,925)
Exchange rate adjustments	608	6	614
At 31 December 2022	**10,169**	**838**	**11,007**
Amortisation			
At 1 January 2021	3,179	487	3,666
Charge for the year	1,787	146	1,933
Disposals	(837)	(355)	(1,192)
Exchange rate adjustments	40	(2)	38
At 1 January 2022	4,169	276	4,445
Charge for the year	1,697	184	1,881
Disposals	(1,514)	(75)	(1,589)
Exchange rate adjustments	398	3	401
At 31 December 2022	**4,750**	**388**	**5,138**
Net book value			
At 31 December 2022	**5,419**	**450**	**5,869**
At 31 December 2021	6,081	328	6,409

18. Investment in subsidiaries

Company investment in subsidiary undertakings:

	2022 £'000	2021 £'000
30,100 ordinary shares of £1 each in Portmeirion Group UK Limited representing 100% of the issued share capital at cost	**1,455**	1,455
Capital contributions made to subsidiary undertakings:		
Portmeirion Group UK Limited	**10,146**	21,375
Portmeirion Enterprises Limited	**—**	705
Portmeirion Distribution Limited	**—**	60
	11,601	23,595

No interest is charged on these capital contributions.

Notes to the Financial Statements continued

18. Investment in subsidiaries continued

At 31 December 2022 the Company had the following subsidiary undertakings:

	Country of operation and incorporation	Legal/registered address	Nature of business
Subsidiary undertakings			
Portmeirion Group UK Limited	England and Wales	London Road, Stoke-on-Trent ST4 7QQ	Ceramic manufacturer, marketing and distribution of homeware
Portmeirion Group USA, Inc.(1)	USA	105 Progress Lane, Waterbury, Connecticut, USA 06705	Marketing and distribution of homeware
Portmeirion Group Designs, LLC(2)	USA	105 Progress Lane, Waterbury, Connecticut, USA 06705	Online marketing and distribution of homeware
Nambé LLC.(2)	USA	810 Calle Mejia Ste 103 Santa Fe, NM, 87501-1581	Design, marketing and distribution of homeware
Portmeirion Group Hong Kong Limited(1)	Hong Kong	Unit B, 17/F, United Centre, 95 Queensway, Admiralty, Hong Kong	Intermediate holding company
Portmeirion (Shenzhen) Trading Company Limited(3)	China	Room A807, Block A, Lianhe Plaza, Futian District, Shenzhen, People's Republic of China	Marketing and distribution of homeware
Wax Lyrical Limited(1)	England and Wales	Lindal-in-Furness, Ulverston, Cumbria LA12 0LD	Manufacture, marketing and distribution of home fragrances
Colony Deutschland GmbH(4)	Germany	Karlsplatz 3, 80335 Muchen, Germany	Marketing and distribution of homeware
Portmeirion Canada Inc.(1)	Canada	20 Voyager Court South, Rexdale, Etobicoke, Toronto, Ontario, Canada	Marketing and distribution of homeware

The companies are incorporated in England and Wales and registered in England and Wales except where stated. The share capital of all subsidiary undertakings consists solely of ordinary shares. The Company holds 100% of the share capital of all subsidiaries.

Notes:

(1) Wholly owned by Portmeirion Group UK Limited.

(2) Wholly owned by Portmeirion Group USA, Inc.

(3) Wholly owned by Portmeirion Group Hong Kong Limited.

(4) Wholly owned by Wax Lyrical Limited.

During the year the Group performed a corporate simplification exercise for dormant entities in the group. This resulted in capital reductions and the strike off of five companies.

19. Inventories

Group

	2022 £'000	2021 £'000
Raw materials and other consumables	**4,369**	4,067
Work in progress	**1,021**	987
Finished goods	**35,727**	24,170
	41,117	29,224

20. Trade and other receivables

Group

	2022 £'000	2021 £'000
Amounts receivable for the sale of goods	**17,290**	16,823
Allowance for expected credit loss provision	**(212)**	(292)
Trade receivables	**17,078**	16,531
Other receivables	**163**	221
Prepayments and accrued income	**2,646**	2,491
	19,887	19,243

Generally no interest is charged on receivables; however, there is provision in the Group's terms and conditions for interest to be charged on late payments. The allowance for expected credit losses has been determined by reference to past default experience and a review of specific customers' debts at the year end.

Included in the Group's trade receivable balance are receivables with a carrying amount of £1,263,000 (2021: £204,000) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The average age of these receivables is 57 days (2021: 57 days).

In determining the recoverability of a trade receivable the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the Directors believe that there is no further credit provision required in excess of the allowance for expected credit loss provision.

Included in the allowance for expected credit loss provision are individually impaired trade receivables with a balance of £nil (2021: £nil), owed by companies which have been placed into liquidation. The impairment recognised represents the difference between the carrying amount of these trade receivables and the present value of the expected liquidation proceeds. The Group does not hold any collateral over these balances.

Movement in the allowance for expected credit losses	2022 £'000	2021 £'000
Balance at the beginning of the year	**292**	400
Impairment losses recognised	**169**	28
Amounts written off as uncollectable	**(249)**	(136)
Balance at the end of the year	**212**	292

Company

	2022 £'000	2021 £'000
Amounts owed by subsidiary undertakings	**14,947**	3,577

The Directors consider that the carrying amount of trade and other receivables for the Group and the Company approximates to their fair value.

21. Cash and cash equivalents

Group

	2022 £'000	2021 £'000
Cash and cash equivalents	**1,681**	7,616

Cash and cash equivalents comprise cash held by the Group including short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates to their fair value.

Notes to the Financial Statements continued

22. Trade and other payables

Group

	2022 £'000	2021 £'000
Trade payables and accruals	**15,131**	14,946
Other taxation and social security	**744**	816
Other payables	**594**	483
	16,469	16,245

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 54 days (2021: 45 days). For most suppliers no interest is charged on the trade payables from the date of invoice to the end of the following month. Thereafter, interest may be charged on the outstanding balances at various interest rates. The Group's policy is to pay all payables within the credit timeframe.

The Directors consider that the carrying amount of trade payables approximates to their fair value.

Included in other payables is £nil (2021: £35,000) in relation to a cash-settled share-based payments liability.

23. Lease liabilities

Group

	2022 £'000	2021 £'000
Less than 1 month	**141**	152
1 – 3 months	**283**	455
Over 3 months	**1,272**	1,088
Total lease liability less than one year	**1,696**	1,695
Total lease liability 1 – 5 years	**3,852**	3,349
Total lease liability 5 – 10 years	**473**	1,439
Total lease liability greater than 10 years	**329**	331
	6,350	6,814

24. Borrowings

The Group has four facilities:

a) A £6,250,000 overdraft facility available until September 2023. Interest is calculated on the gross borrowing and is payable on amounts owing in each account at 2.50% per annum, plus bank base rate.

b) A £10,000,000 loan facility repayable in equal quarterly instalments, followed by a final instalment on 12 January 2025. Interest is payable at an average 1.90% above three-month SONIA. At the year end the outstanding balance was £5,000,000 which net of deferred facility fee costs of £33,000 left the balance sheet value of £4,967,000.

c) A £10,000,000 revolving credit facility available until February 2025. Interest is payable at 2.60% above three-month SONIA.

d) A £6,250,000 general export finance facility which is available until September 2023. Interest is calculated on the gross borrowing and is payable on amounts owing in each account at 2.00% per annum, plus bank base rate.

These facilities are secured by an unlimited debenture from the Group and the Company and a first charge over the Group's property.

At the 31 December 2022 total borrowings were as follows. The general export finance facility was being fully utilised at £6,250,000 (2021: £nil).

	2022 £'000	2021 £'000
Overdraft	**553**	–
Loan facility	**4,967**	6,951
Revolving credit facility	**–**	–
General export finance facility	**6,250**	–
	11,770	6,951

25. Deferred tax

Group

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior reporting years:

	Accelerated tax depreciation £'000	Retirement benefit obligations £'000	Share-based payment £'000	Capital gain rolled over £'000	Other temporary differences £'000	Temporary difference acquired intangibles £'000	Total £'000
At 1 January 2021	(774)	517	(11)	(215)	584	(720)	(619)
Charge to income	(981)	(1,012)	(89)	(67)	(95)	(110)	(2,354)
Credit to equity	—	—	52	—	—	—	52
Credit to other comprehensive income	—	267	—	—	45	—	312
At 1 January 2022	(1,755)	(228)	(48)	(282)	534	(830)	(2,609)
(Charge)/credit to income	(630)	(231)	17	—	(226)	116	(954)
Credit to equity	—	—	30	—	—	—	30
Credit to other comprehensive income	—	380	—	—	—	—	380
Acquired on acquisition of AromaWorks	—	—	—	—	—	(77)	(77)
At 31 December 2022	**(2,385)**	**(79)**	**(1)**	**(282)**	**308**	**(791)**	**(3,230)**

Deferred tax assets and liabilities are offset where the Group has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2022 £'000	2021 £'000
Deferred tax liability	**(3,230)**	(2,609)
Deferred tax asset	**—**	—
	(3,230)	(2,609)

At the balance sheet date, the Group had no unused tax trading losses and no capital losses (2021: £nil) available for offset against future profits.

26. Share capital

	2022		2021	
	Number '000	**£'000**	Number '000	£'000
Allotted, called up and fully paid share capital:				
– ordinary shares of 5p each	**14,204**	**710**	14,204	710

The Company has one class of ordinary shares which carry no right to fixed income.

There were no shares issued during the year (2021: none).

Notes to the Financial Statements continued

26. Share capital continued

Equity-settled share options and cash-settled share options granted to Directors and employees (note 33) and still outstanding at 31 December 2022 were as follows:

	Number of shares	Exercise price per share (p)	Dates on which exercisable	
			Earliest	Latest
Portmeirion Group Phantom Option Plan	**33,000**	**446.0**	**05.05.2023**	**03.05.2030**
2012 Approved Plan	**48,616**	**446.0**	**05.05.2023**	**03.05.2030**
2012 Unapproved Plan	**105,884**	**446.0**	**05.05.2023**	**03.05.2030**
2012 Approved Plan	**77,319**	**632.5**	**26.03.2024**	**24.03.2031**
2012 Unapproved Plan	**227,181**	**632.5**	**26.03.2024**	**24.03.2031**
Portmeirion Group Phantom Option Plan	**42,500**	**570.0**	**26.04.2025**	**24.04.2027**
2012 Approved Plan	**13,934**	**570.0**	**26.04.2025**	**24.04.2032**
2012 Unapproved Plan	**245,066**	**570.0**	**26.04.2025**	**24.04.2032**
2018 Deferred Incentive Plan	**27,649**	**—**	**26.04.2025**	**24.07.2025**

Equity-settled share options and cash-settled share options granted to Directors and employees (note 33) and still outstanding at 31 December 2021 were as follows:

	Number of shares	Exercise price per share (p)	Dates on which exercisable	
			Earliest	Latest
2018 Deferred Incentive Plan	8,363	—	09.08.2022	07.11.2022
Portmeirion Group Phantom Option Plan	36,000	446.0	05.05.2023	03.05.2030
2012 Approved Plan	48,616	446.0	05.05.2023	03.05.2030
2012 Unapproved Plan	120,884	446.0	05.05.2023	03.05.2030
2012 Approved Plan	94,548	632.5	26.03.2024	24.03.2031
2012 Unapproved Plan	260,452	632.5	26.03.2024	24.03.2031

Options held by the Directors are shown in the Directors' Remuneration Report on pages 56 and 57.

27. Own shares

Treasury shares	2022 £'000	2021 £'000
At 1 January	**409**	425
Shares issued under employee share schemes	**(16)**	(16)
At 31 December	**393**	409

ESOP shares	2022 £'000	2021 £'000
At 1 January	**2,715**	2,715
Shares issued under employee share schemes	**—**	—
At 31 December	**2,715**	2,715
Total at 31 December	**3,108**	3,124

The Group currently holds 210,282 (2021: 218,645) ordinary shares of 5p each in treasury.

The ESOP share reserve represents the cost of shares in Portmeirion Group PLC purchased in the market and held by the Portmeirion Employees' Share Trust to satisfy options under the Group's share option schemes (note 33). The number of ordinary shares held by the Portmeirion Employees' Share Trust at 31 December 2022 was 234,523 (2021: 234,523).

28. Notes to the statements of cash flows

Group

	1 January 2022	Financing(1) cash flows	Other(2) changes	31 December 2022
Current borrowings	**1,986**	**6,803**	**—**	**8,789**
Non-current borrowings	**4,965**	**(2,000)**	**16**	**2,981**
Lease liabilities	**6,814**	**(1,864)**	**1,400**	**6,350**
Total liabilities from financing activities	**13,765**	**2,939**	**1,416**	**18,120**

	1 January 2021	Financing(1) cash flows	Other(2) changes	31 December 2021
Current borrowings	3,972	(2,000)	14	1,986
Non-current borrowings	6,951	(2,000)	14	4,965
Lease liabilities	7,239	(1,927)	1,502	6,814
Total liabilities from financing activities	18,162	(5,927)	1,530	13,765

Notes:

(1) The cash flows make up the net amount of repayments of borrowings in the cash flow statement.

(2) Other changes are the amortisation of upfront facility fees, new leases and translation adjustments.

29. Contingent liabilities

The Group and the Company have given a guarantee of up to $900,000 to the landlord of the premises of Portmeirion Group USA, Inc. located in Connecticut, USA. The Group and the Company have also provided a guarantee to the Trustees of the UK defined benefit pension scheme which guarantees all present and future obligations and liabilities up to a maximum amount equal to the entire aggregate liability.

30. Related party transactions

Transactions between the Group and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and the Company and its subsidiaries are disclosed below.

Group

Transactions with Directors/Officers relate to the Company's grant of share options. On 25 April 2022, under The Portmeirion 2012 Approved and Unapproved Share Option Plans, 40,000, 25,000, 25,000, 25,000, 25,000 and 11,000 share option awards were granted to M.T. Raybould, J.M. Gale, M.J. Knapper, W.J. Robedee, D. Sproston and M. MacDonald respectively at an option price of £5.70 per share when the market price was £5.70 per share. In addition, also on 25 April 2022, under The Portmeirion Group 2018 Deferred Incentive Share Option Plan, 10,813, 5,706, 5,506, 7,051 and 4,279 share option awards were granted to M.T. Raybould, J.M. Gale, M.J. Knapper, W.J. Robedee and D. Sproston respectively at an option price of £1 (in respect of all options granted per Director).

Several of the Directors made purchases of goods from the Group during the year on the same terms as those available to all employees. Total purchases did not exceed £3,000 for any Director in the year or in the prior year.

No Director of the Company had a financial interest in any material contract, other than those for service, to which the Company was a party during the financial year.

The key management personnel of the Group are considered to be the Directors, the remuneration of whom is set out in note 7 on page 84.

Company

During 2022 net transactions totalling £624,000 were credited (2021: £153,000) to the intercompany account with the Company's subsidiary, Portmeirion Group UK Limited. These transactions represented payments and receipts made on behalf of the Company by Portmeirion Group UK Limited, dividends received from Portmeirion Group UK Limited and the charge for share-based payments.

During the year there were no changes in the Portmeirion Employees' Share Trust (2021: £nil). The purpose of the trust is for acquiring shares to satisfy Group share option exercises (note 33). The total outstanding loan is now £2,715,000 (2021: £2,715,000). The ESOP share reserve is disclosed in note 27.

The outstanding balances with subsidiary undertakings at 31 December 2022 and 31 December 2021 are shown in note 20.

Notes to the Financial Statements continued

31. Pensions

The Group operates group personal pension plans in the UK and a discretionary money purchase scheme in the USA.

The total cost charged to income of £1,319,000 (2021: £1,398,000) represents contributions payable to these schemes by the Group at rates specified in the rules of the schemes.

The UK defined benefit scheme was frozen, i.e. closed to new entrants and for future accrual of benefits, at 5 April 1999. Following the decision for the scheme to be frozen, formal notice was given to employees in January 1999. A defined contribution pension scheme commenced on 6 April 1999 for all eligible UK employees. This scheme was closed on 31 October 2002 and was replaced by a group stakeholder pension plan. Membership in this scheme was transferred to a group personal pension plan during 2013.

All equity and debt instruments have quoted prices in active markets.

Investment risk

The present value of the defined benefit liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan assets is below this rate, it will increase the scheme deficit.

Interest risk

A decrease in the bond interest rate will increase the scheme liability.

Longevity risk

The present value of the defined benefit scheme liability is calculated by reference to the best estimate of the mortality of the scheme participants both during and after their employment. An increase in the life expectancy of the scheme participants will increase the scheme's liability.

Salary risk

The present value of the defined benefit scheme liability is calculated by reference to the salary of scheme participants at the point the scheme was closed. As such, only inflationary increases in the salary of scheme participants will increase the scheme's liability.

Valuation and assumptions

For the defined benefit scheme, the most recent triennial valuation was at 5 April 2020. The main actuarial assumptions used in the valuation were:

- RPI for current pensioners of 3.00% per annum;
- RPI for future pensioners of 3.00% per annum;
- CPI of 2.40% per annum;
- pre-retirement valuation rate of interest of 2.10% per annum;
- post-retirement valuation rate of interest for current pensioners of 1.10% per annum;
- post-retirement valuation rate of interest for future pensioners of 1.10% per annum; and
- mortality experience based upon S2PA tables with projections based on year of birth with a long-term rate of improvement of 1.50% per annum.

At the date of the last valuation on 5 April 2020 the market value of the scheme assets was £35,596,000 and the scheme had a deficiency of £8,273,000. As the triennial valuation was significantly impacted by Covid-19, an additional valuation was carried out at 31 May 2021 due to changes in scheme assumptions and revealed a deficiency of £1,300,000.

The actuarial valuation of the scheme was updated at 31 December 2022 in accordance with IAS 19 by qualified actuaries.

31. Pensions continued

Valuation and assumptions continued

The major assumptions used by the actuaries were:

	2022	2021
Rate of increase of pensions in payment:		
– Post 06.04.88 GMP	**3.00%**	3.25%
– Post 06.04.97 pension	**3.00%**	3.25%
– Rate of revaluation of pensions in deferment	**2.35%**	2.60%
Rate used to discount scheme liabilities	**4.90%**	1.80%
Inflation assumption:		
– RPI	**3.15%**	3.45%
– CPI	**2.35%**	2.60%
Life expectancy at 65 for a member:		
– Currently aged 65 – male	**21.5**	21.4
– Currently aged 45 – male	**22.8**	22.7
– Currently aged 65 – female	**23.8**	23.8
– Currently aged 45 – female	**25.3**	25.3

Sensitivity analysis

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate, expected inflation increases and life expectancy. The sensitivity analysis below has been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

If the discount rate is 0.25% lower, the defined benefit obligation would increase by £786,000 (2021: £1,608,000).

If inflation and related assumptions increased by 0.25%, the defined benefit obligation would increase by £175,000 (2021: £230,000).

If life expectancy increased by one year for both men and women, the defined benefit obligation would increase by £1,295,000 (2021: £2,036,000).

The sensitivity analysis presented may not be representative of the actual change in the defined benefit obligation as it is unlikely that the changes in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

In presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the balance sheet.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

Analysis of scheme assets and liabilities

The amount included in the balance sheet arising from the Group's obligations in respect of its defined benefit scheme is as follows:

	2022 Fair value £'000	2021 Fair value £'000
Scheme assets		
Equities	**5,828**	7,724
Bonds	**6,691**	9,516
Diversified growth funds	**4,528**	11,230
Liability driven investments	**6,376**	8,420
Insured pensions	**2,730**	3,577
Cash	**67**	139
Total fair value of assets	**26,220**	40,606
Present value of defined benefit obligations	**(25,903)**	(39,696)
Asset in the scheme	**317**	910

Notes to the Financial Statements continued

31. Pensions continued

Analysis of the amount charged to profit before tax

	2022 £'000	2021 £'000
Current service cost	—	—
Past service cost	—	197
	—	197

The past service cost relates to GMP equalisation and has been included as an exceptional cost.

Analysis of the amount included in the income statement

	2022 £'000	2021 £'000
Interest on pension scheme assets	**730**	492
Interest on pension scheme liabilities	**(706)**	(519)
Amount credited to interest income/(debited to interest cost)	**24**	(27)

Amounts recognised in the consolidated statement of comprehensive income

	2022 £'000	2021 £'000
Return on plan assets (excluding amounts included in net interest expense)	**(14,984)**	553
Actuarial gains and losses arising from changes in financial assumptions	**13,956**	3,144
Actuarial gains and losses arising from changes in demographic assumptions	**(5)**	(1,445)
Actuarial gains and losses arising from experience adjustments	**(484)**	253
Remeasurement of the net defined benefit pension scheme liability	**(1,517)**	2,505

The Group has assessed the impact of GMP equalisation on the defined benefit obligation. In the prior year, an amount of £197,000 was included in exceptional costs.

The cumulative amount of actuarial gains and losses recognised in the consolidated statement of comprehensive income since adoption of IFRS is a loss of £8,979,000 (2021: £7,462,000).

Analysis of movements in scheme assets and liabilities

Movements in the present value of defined benefit obligations were as follows:

	2022 £'000	2021 £'000
At 1 January	**39,696**	41,947
Current service cost	—	—
Past service cost	—	197
Interest cost	**706**	519
Remeasurements (financial assumptions)	**(13,956)**	(3,144)
Remeasurements (demographic assumptions)	**5**	1,445
Remeasurements (experience adjustments)	**484**	(253)
Benefits paid	**(1,032)**	(1,015)
At 31 December	**25,903**	39,696

31. Pensions continued

Analysis of movements in scheme assets and liabilities continued

Movements in the fair value of scheme assets were as follows:

	2022 £'000	2021 £'000
At 1 January	**40,606**	39,226
Interest on assets	**730**	492
Remeasurement of assets	**(14,984)**	553
Contributions by the employer	**900**	1,350
Benefits paid	**(1,032)**	(1,015)
At 31 December	**26,220**	40,606

Pension contributions

The estimated amount of contributions expected to be paid to the scheme during the next financial year is £900,000 (2022: £900,000). The Group is contracted to paying into the scheme until March 2023, under the agreed schedule of contributions.

The average duration of the defined benefit obligation at the end of the reporting period is 17 years.

At 31 December 2022, contributions of £148,000 (2021: £178,000) due in respect of the current reporting period had not been paid over to the UK schemes.

In the United States there was a provision for payments into the money purchase scheme of £102,000 (2021: £102,000) at 31 December 2022.

32. Financial instruments

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2.

Financial risk management objectives

Capital management

The Group and the Company manage their capital to ensure that all entities in the Group will be able to continue as a going concern while maximising the return to stakeholders. The Group's overall strategy remains unchanged from 2021.

The capital structure of the Group consists of cash and cash equivalents, borrowings and equity attributable to equity holders, comprising capital, reserves and retained earnings.

The Group is not subject to any externally imposed capital requirements. The Group Board reviews the capital structure at each Board meeting and considers the cost of capital and the risks associated with each class of capital.

Credit risk

The Group's principal financial assets are cash, short-term deposits and trade receivables. The Group's policy is to place funds on short-term deposit with highly rated institutions. Accounts receivable are monitored closely and provisions are made for expected credit loss where appropriate. The creditworthiness of customers is assessed prior to opening new accounts and on a regular basis for significant customers. The assessment of credit quality of trade receivables is outlined in note 20.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics that is not covered by credit insurance.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Group and Company's maximum exposure to credit risk.

Interest rate risk management and sensitivity analysis

The Group is exposed to interest rate risk because entities in the Group borrow funds at both fixed and floating interest rates as disclosed in note 24. The risk is managed by maintaining an appropriate mix between fixed and floating rate borrowings, and could further be mitigated by the use of interest rate swap contracts and forward interest rate contracts if deemed appropriate. If interest rates had been 1% higher and all the other variables were held constant, the Group's profit for the year ended 31 December 2022 would decrease by £138,000 (2021: £90,000).

Notes to the Financial Statements continued

32. Financial instruments continued

Financial risk management objectives continued

Foreign currency risk management

The Group has exposure to foreign currency risk arising from its net investments in and cash flows from overseas subsidiaries. Its policy in managing this risk is to maintain appropriate levels of net assets in the overseas companies and utilise foreign currency forward contracts. The most significant risk of exposure to foreign currency arises from the US dollar sales made by Portmeirion UK to Portmeirion North America. The Group's net exposure to US dollar cash flows for the coming year is not expected to be significant. At the year end the Group had in place an average rate option in US dollars to manage the risk arising from the retranslation of profit made in the United States, and subsequent to the year end the Group placed a forward contract for US dollars.

The Group enters into derivative transactions only to manage exposure arising from its underlying businesses. No speculative derivative contracts are entered into.

The Group undertakes certain trading transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts when considered appropriate. Open derivative positions at the year end are not material.

The carrying amounts of the Group's material foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets	
	2022 £'000	2021 £'000	**2022 £'000**	2021 £'000
Euro	**627**	55	**467**	495
US dollar	**5,495**	4,091	**10,116**	14,854

Foreign currency sensitivity analysis

The Group is mainly exposed to the currencies of euro and US dollar.

The following table details the Group's sensitivity to a 10% increase and decrease in sterling against the relevant foreign currencies. 10% is the sensitivity rate which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 10% change in foreign currency rates. A negative number below indicates a decrease in profit where sterling strengthens 10% against the relevant currency. For a 10% weakening of sterling against the relevant currency, there would be an equal and opposite impact on profit.

	Euro impact		US dollar impact	
	2022 £'000	2021 £'000	**2022 £'000**	2021 £'000
Profit/(loss)	**15**	(40)	**(114)**	(378)

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and banking facilities, monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

32. Financial instruments continued

Liquidity and interest risk tables

The following tables detail the Group's expected maturity for its assets and liabilities. The tables have been drawn up based on the undiscounted contractual maturities of the financial assets and liabilities including interest that will be earned on those assets except where the Group anticipates that the cash flow will occur in a different period.

At 31 December 2022	Weighted average effective interest rate %	Less than 1 month £'000	1–3 months £'000	Over 3 months £'000	Non-financial assets/ (liabilities) £'000	Total £'000
Financial assets	**0.50**	**17,769**	**990**	**—**	**—**	**18,759**
Other assets	**—**	**—**	**—**	**—**	**85,426**	**85,426**
Pension scheme asset	**—**	**—**	**—**	**—**	**317**	**317**
Total assets		**17,769**	**990**	**—**	**85,743**	**104,502**
Shareholders' funds	**—**	**—**	**—**	**—**	**(66,683)**	**(66,683)**
Financial liabilities	**—**	**(15,028)**	**(683)**	**(14)**	**—**	**(15,725)**
Borrowings	**4.00**	**(500)**	**—**	**(11,270)**	**—**	**(11,770)**
Other liabilities	**—**	**(590)**	**(578)**	**(5,926)**	**(3,230)**	**(10,324)**
Total liabilities and shareholders' funds		**(16,118)**	**(1,261)**	**(17,210)**	**(69,913)**	**(104,502)**
Cumulative gap		**1,651**	**1,380**	**(15,830)**	**—**	**—**

At 31 December 2021	Weighted average effective interest rate %	Less than 1 month £'000	1–3 months £'000	Over 3 months £'000	Non-financial assets/ (liabilities) £'000	Total £'000
Financial assets	0.10	23,405	741	—	—	24,146
Other assets	—	—	—	—	69,510	69,510
Pension scheme asset	—	—	—	—	910	910
Total assets		23,405	741	—	70,420	94,566
Shareholders' funds	—	—	—	—	(61,947)	(61,947)
Financial liabilities	—	(14,271)	(1,030)	(128)	—	(15,429)
Borrowings	2.50	(500)	—	(6,451)	—	(6,951)
Other liabilities	—	(646)	(776)	(6,208)	(2,609)	(10,239)
Total liabilities and shareholders' funds		(15,417)	(1,806)	(12,787)	(64,556)	(94,566)
Cumulative gap		7,988	6,923	(5,864)	—	—

Categories of financial instruments	**2022 £'000**	2021 £'000
Financial assets:		
Cash and cash equivalents	**1,681**	7,616
Loans and receivables	**17,078**	16,530
	18,759	24,146
Financial liabilities:		
Amortised cost	**15,725**	15,429

Notes to the Financial Statements continued

33. Share-based payments

Equity-settled share option schemes

The Group operated two share option schemes ("share schemes") and one long-term incentive plan ("LTIP") for senior managers and Directors during 2022.

The Group recognised an expense of £91,000 in 2022 and £64,000 in 2021. The Company recharged this expenditure to Portmeirion Group UK Limited.

a) The Portmeirion Group 2018 Deferred Incentive Share Option Plan (LTIP)
Options are granted to Executive Directors in a year over shares with a market value not exceeding 50% of the gross incentive earned by the relevant Director in respect of the previous financial year. Options are exercisable at £1 per individual as the total exercise price. The vesting period is three years. If the options remain unexercised after a period of three years and three months from the date of grant the options expire.

Details of the share options outstanding during the year are as follows:

	2022		2021	
	Number of share options	Total exercise price £	Number of share options	Total exercise price £
Outstanding at 1 January	**8,363**	**3**	16,693	6
Granted during the year	**33,355**	**5**	—	—
Lapsed during the year	**(5,706)**	**(1)**	—	—
Surrendered during the year	**—**	**—**	—	—
Exercised during the year	**(8,363)**	**(3)**	(8,330)	(3)
Outstanding at 31 December	**27,649**	**4**	8,363	3
Exercisable at 31 December	**—**	**—**	—	—

The options outstanding at 31 December 2022 had a weighted average remaining contractual life of 2.5 years (2021: 0.9 years). In 2022 options were granted on 25 April. The aggregate of the estimated fair value of those options is £101,000.

The inputs into the Black-Scholes pricing model are as follows:

	2022	2021
Weighted average share price at date of grant	**£5.70**	—
Weighted average exercise price	**£nil**	—
Expected volatility	**31%**	—
Expected life	**3.125 years**	—
Risk-free rate	**2.05%**	—
Expected dividend rate	**4.96%**	—

Expected volatility was determined by calculating the historical volatility over the previous 3.125 years. The expected life used in the model assumes that the options will be exercised on average halfway through the period during which they can be exercised.

33. Share-based payments continued

Equity-settled share option schemes continued

b) The Portmeirion 2012 Approved and Unapproved Share Option Plans (Share schemes)

Options are exercisable at a price equal to the closing quoted market price of the Company's shares on the day prior to the date of the grant. The vesting period is three years. If the options remain unexercised after a period of ten years from the date of grant the options expire.

Details of the share options outstanding during the year are as follows:

	2022		2021	
	Number of share options	Weighted average exercise price £	Number of share options	Weighted average exercise price £
Outstanding at 1 January	**524,500**	**5.722**	382,411	8.062
Granted during the year	**295,500**	**5.700**	377,500	6.325
Lapsed during the year	**(102,000)**	**5.827**	(161,111)	10.807
Surrendered during the year	**—**	**—**	(74,300)	9.800
Exercised during the year	**—**	**—**	—	—
Outstanding at 31 December	**718,000**	**5.698**	524,500	5.722
Exercisable at 31 December	**—**	**—**	—	—

The options outstanding at 31 December 2022 had a weighted average remaining contractual life of 8.4 years (2021: 8.9 years).

In 2022, options were granted on 25 April. The aggregate of the estimated fair value of those options is £196,000.

The range of exercise prices for the options outstanding at 31 December is £4.460 to £6.325.

The inputs into the Black–Scholes pricing model are as follows:

	2022	2021
Weighted average share price at date of grant	**£5.700**	£5.900
Weighted average exercise price	**£5.700**	£6.325
Expected volatility	**30%**	27%
Expected life	**4 years**	4 years
Risk-free rate	**2.05%**	0.05%
Expected dividend rate	**4.96%**	6.36%

Expected volatility was determined by calculating the historical volatility over the previous four years. The expected life used in the model is based upon management's best estimate of life using historical experience as a benchmark.

The Group also operates a cash settled share-based payments scheme.

The Group recognised a credit of £35,000 in 2022 (2021: expense of £27,000) in relation to this scheme.

Options are valued based on the difference between the issue price and the share price at the reporting date. The issue price is considered fair value. No options had vested at the end of the reporting date.

Notes to the Financial Statements continued

34. Acquisition of AromaWorks Trade and Assets

On 12 August 2022, the Group acquired 100% of the trade and assets of AromaWorks for a net consideration of £821,000.

The acquisition provides the Group with additional scale in the home fragrance market and strategically complements its existing home fragrance operation.

The acquisition terms do not include any contingent or deferred consideration arrangements. Details of the total consideration and the provisional fair values of the assets and liabilities acquired are as follows:

	Net assets acquired £'000	Fair value adjustment £'000	Initial fair value of assets acquired £'000
Inventory	268	(117)	151
Identifiable intangible assets	309	—	309
Deferred tax on intangible assets	(77)	—	(77)
Total identifiable assets	500	(117)	383
Goodwill		438	438
Total consideration			821

Satisfied by:

	£'000
Cash and cash equivalents	821
Total consideration transferred	**821**

Consideration consists of £438,000 paid to the administrators for the trade and assets of AromaWorks. The remaining consideration includes contributions made to suppliers and customers to ensure ongoing trade.

The goodwill of £438,000 arising from the acquisition consists of the anticipated synergies of combining the existing Group operations with those of AromaWorks. This will include shared product development, distribution channels, access to new customers and other operational synergies.

Acquisition related costs (included in exceptional costs) amounted to £76,000.

AromaWorks contributed £731,000 revenue and £49,000 profit before tax for the period between the date of acquisition and the balance sheet date.

35. Post balance sheet event

There are no post balance sheet events.

Five-year Summary

Consolidated income statement information

Years ended 31 December

	2022 £'000	2021 £'000	2020 £'000	2019 £'000	2018 £'000
Revenue	**110,820**	106,018	87,854	92,816	89,594
Profit/(loss) before tax	**6,970**	5,962	(232)	7,100	9,714
Tax	**(1,415)**	(2,721)	(503)	(1,286)	(2,023)
Profit/(loss) attributable to equity holders	**5,555**	3,241	(735)	5,814	7,691
Earnings per share	**40.39p**	23.58p	(6.02)p	54.66p	72.12p
Diluted earnings per share	**40.35p**	23.49p	(6.02)p	54.58p	71.90p
Dividends paid and proposed per share	**15.50p**	13.00p	0.00p	8.00p	37.50p

Consolidated balance sheet information

At 31 December

	2022 £'000	2021 £'000	2020 £'000	2019 £'000	2018 £'000
Assets employed					
Non-current assets	**41,025**	37,821	35,180	35,051	25,142
Current assets	**63,477**	56,745	54,751	47,291	42,031
Current liabilities	**(26,954)**	(19,926)	(18,716)	(18,731)	(14,552)
Non-current liabilities	**(10,865)**	(12,693)	(15,506)	(15,513)	(3,971)
	66,683	61,947	55,709	48,098	48,650
Financed by					
Called up share capital	**710**	710	710	555	555
Share premium account and reserves	**65,973**	61,237	54,999	47,543	48,095
	66,683	61,947	55,709	48,098	48,650

Company Information

Board of Directors

Non-executive Chairman
Dick Steele BCOM FCA CTA

Senior Non-executive Director
Angela Luger BSc

Chief Executive
Mike Raybould BSc ACA

Group Finance Director
David Sproston BSc ACA

Group Operations Director
Mick Knapper

Global Sales Director
Bill Robedee JD BA

Non-executive Director
Andrew Andrea BA MA ACA

Non-executive Director
Clare Askem BSc MBA

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Financial Calendar

Annual General Meeting	May
Interim Report	September
Dividends	
Interim announced	September
Final announced	March

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