Timeless Design

PORTMEIRION GROUP PLC

Report and Accounts for the year ended 31 December 2021

Stock code: PMP

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**

Sophie Conran for Portmeirion - Arbor & Floret

Headlines

Financial Headlines

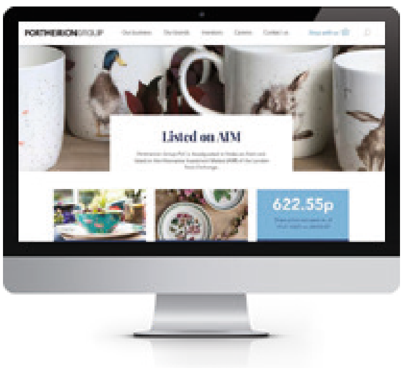
- Record Group revenue of £106.0 million in the year to 31 December 2021, an increase of 21% over the prior year (2020: £87.9 million) and 14% over pre Covid-19 level (2019: £92.8 million).
- Excellent Q4 seasonal trading performance despite ongoing global supply chain inflation and disruption, demonstrating the strength of consumer demand for our brands, progress with our online strategy and resilience of our operations.
- Sales from our own ecommerce platforms increased by 16% over 2020 and are now 81% above 2019 levels. Online sales now represent 50% of total sales in our core UK and US markets in the year to 31 December 2021 (2020: 47%, 2019: 30%).
- Headline profit before tax(1) of £7.2 million (2020: £1.4 million, 2019: £7.4 million).
- EBITDA of £10.7 million (2020: £5.1 million, 2019: £11.4 million).
- Headline basic earnings per share(1) of 38.85p (2020: 4.96p, 2019: 56.32p).
- Dividend reinstated with final dividend proposed of 13.00p per share, bringing total dividends paid and proposed to 13.00p (2020: £nil, 2019: 8.00p).
- Strong balance sheet maintained with net cash of £0.7 million (2020: net cash £0.7 million, 2019: net debt £12.3 million). Cash generative, which has allowed accelerated investments in our strategic capabilities.

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

Operational Headlines

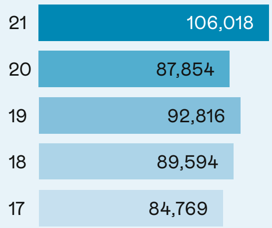
- Sales growth across three key markets of the US, UK and South Korea. Rest of the world sales also performed strongly and are 71% ahead of pre Covid-19 levels.
- Substantial progress in developing online and digital capabilities, including ongoing investment in online platforms and warehouse fulfilment capabilities to support growth.
- Strong growth across all brands, particularly in Spode brand up 30% over 2020.
- Completed a number of key operational projects; hand and body line extension at Wax Lyrical, automation investment in our UK ceramic factory and mezzanine floor installed in our UK distribution centre.
- Extended our long term energy hedging programme to Q1/2024, insulating the Group against the current volatility in energy prices.
- Continued to deliver an improved carbon emission performance whilst undertaking a full evaluation of our ESG position in order to deliver a sustainable forward strategy.
- Our UK businesses both achieved Investors in People Platinum accreditation in recognition of our commitment to leading, supporting and improving our workforce.

Visit our website at
portmeiriongroup.com



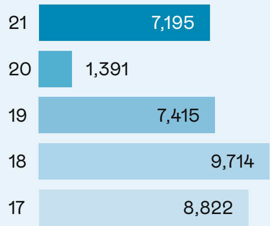
Revenue (£'000)

£106,018



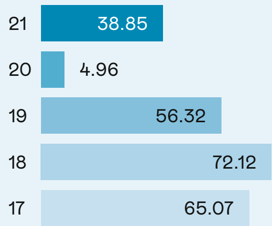
Headline profit before tax (£'000)

£7,195



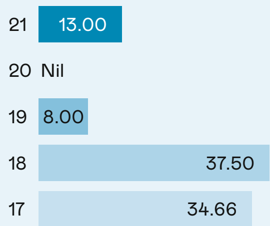
Headline basic EPS (p)

38.85p



Dividends paid and proposed per share (p)

13.00p



At a Glance

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 866 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 Established 1751, pimpernel, nambe Design Your Life

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 70 countries worldwide and has sales offices in the UK, US, Canada, Europe, The Middle East and the Far East.

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

In line with many businesses, we have seen a shift in demand from bricks and mortar retail to online channels. The increase in consumer demand for online has been further impacted by our focus to grow this channel, and 50% of total sales in our core UK and US markets are now 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 such as the classic Portmeirion Botanic Garden, which was first launched in 1972 and still sells in significant volume around the world today, and Spode Christmas Tree which was first introduced in 1938 and 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

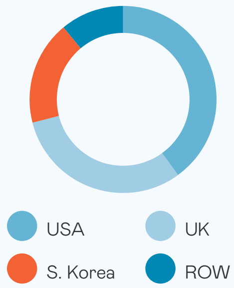
We manufacture earthenware from our factory in Stoke-on-Trent and home fragrance at our factory in the Lake District. We also source a range of product from around the world to the same exacting quality standards; this includes bone china and porcelain tableware, wood, glass and metal alloy giftware and other associated homeware products. In 2021, our mix of sales was 40% manufactured product and 60% 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 2021 in order to improve our cost efficiency and output capacity. This included a new hand and body line extension at our home fragrance site in the Lake District, and a number of automation investments in our Stoke-on-Trent ceramic factory. Our sites remained open in 2021 with Covid-19 secure working practices.

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

Where we operate

Geographical revenue split



UNITED STATES
£42.5m
of sales, 40% of Group revenue

UNITED KINGDOM
£32.9m
of sales, 31% of Group revenue

SOUTH KOREA
£18.7m
of sales, 18% of Group revenue

REST OF THE WORLD
£12.0m
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 70 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.

Despite the Covid-19 pandemic and supply chain issues experienced around the globe, due to our diversified business model and the underlying credibility of our long-standing brands, our business continues to grow.

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 have invested heavily 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 40% of the revenue generated in 2021, with the remaining 60% coming from sourced product sales. Product from our six global brands is shipped mainly via our distribution centres in the UK, US and Canada.

During 2021, we have invested heavily in our direct to consumer capabilities, including a mezzanine floor at our distribution centre in the UK to be used solely for the purpose of fulfilling D2C orders. We have a clear investment plan for further development of our D2C capabilities at our UK, US and Canada distribution centres.

4

Strong balance sheet and strong track record

The Group maintains a strong balance sheet and at 31 December 2021 had £0.7 million net cash, with £22.6 million of headroom via cash and bank facilities available. Working capital has increased year-on-year by £2.3 million as a result of cost of goods increases and some forward purchasing to mitigate the risk of supply chain issues.

Our Strategy in Action
pages 22 and 23 ›

Our Brands

PORTMEIRION®

The art of the everyday.

The Art of the Everyday

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

portmeirion.co.uk

Portmeirion UK

Portmeirion Botanic Garden

UNMISTAKABLY.

Spode®

Unmistakably Spode design

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

spode.co.uk

by_spode

Spode Blue Italian

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

Inspiring people through fragrance

Home fragrance and body care inspired by our home in the English Lake District.

waxlyrical.com

waxlyricaluk

Wax Lyrical Home Scenter

Our Brands continued

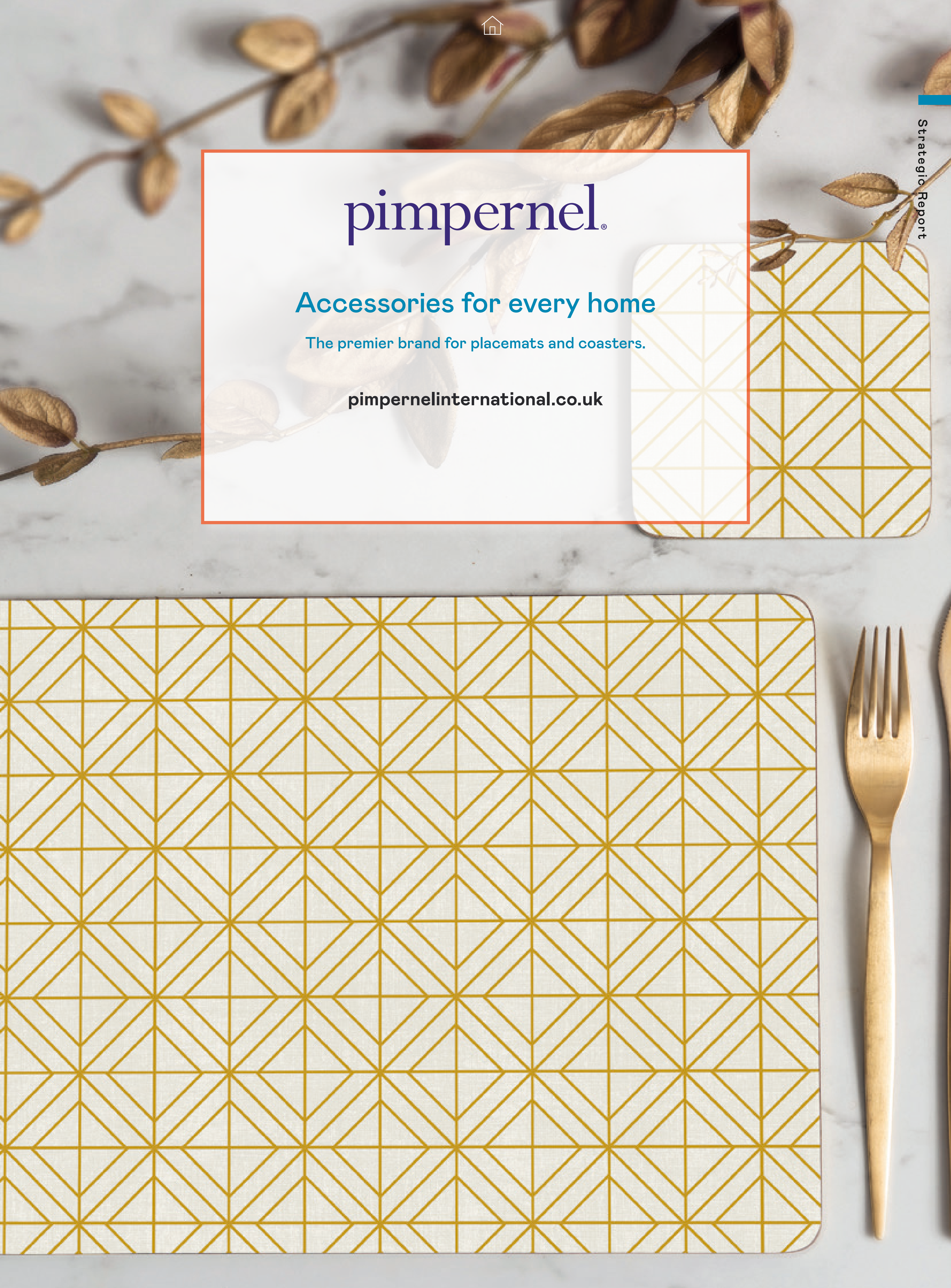
Design your life

Iconic mid-century modern lifestyle brand.

nambe.co.uk

Nambe UK

Nambé Kitchenware



pimpernel®

Accessories for every home

The premier brand for placemats and coasters.

pimpernelinternational.co.uk

Pimpernel Luxe

Chairman's Statement

Strong trading recovery and return to dividend payments

"The foundation of this strong result was laid in 2020 and our efforts to not only navigate Covid-19 but come out a stronger, more dynamic business."

Dick Steele
Non-executive Chairman

Summary

- Record sales of £106 million which represented 21% growth over 2020 and 14% growth over 2019.
- Profit before tax now in line with pre-pandemic performance.
- Net cash position maintained which allowed significant capital investment.
- Strong trading and cash generation permits reintroduction of dividend.
- Ongoing initiatives in ESG result in 12% reduction in CO_2 emissions/saleable tonne product.

Introduction

For 2021, we report a record level of sales, 14% above pre Covid-19 levels, significant profit improvement and us returning to recommending a dividend. This represents the benefit of our increasingly diversified geography and success in developing online sales channels. The foundation of this strong result was laid in 2020 and our efforts to not only navigate Covid-19 but come out a stronger, more dynamic business. I would like to thank all of our employees who have worked tirelessly to develop our business through Covid-19 and our Executive Directors for their leadership, commitment and tireless efforts during the period to deliver such success.

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 70 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 16 of our own retail outlets in the UK and the US.

The Group's strategy is set out in more detail on pages 20 to 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 inflation 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 2021 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 from shareholders.

The Board

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 requirements be they legal or otherwise. We undertake a formal board effectiveness review each year.

In order to promote best practice, each of the relevant committee meetings are now chaired by one of the Non-executive Directors; Andrew Andrea chairs the Audit Committee, Angela Luger the Nomination Committee and Clare Askem the Remuneration Committee.

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 have continued to invest in reducing our environmental impact in 2021. 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 enough 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.

During the Covid-19 pandemic we determined not to pay a dividend due to the impact and disruption to our business.

Due to the strong trading performance and cash generation, the Board are recommending a final dividend of 13.00p (2020: £nil). Total dividends paid and proposed for the year would therefore be 13.00p (2020: £nil).

Dick Steele

Chairman

16 March 2022

Chief Executive's Statement

Record sales year bears out benefits from strategic investments

"We have significantly expanded our online sales and digital marketing teams and re-organised our core market and export sales teams to more efficiently leverage our brands."

Mike Raybould
Chief Executive

Summary

- Record sales year for the Group with our extensive expertise and experience in homewares design, manufacture and supply chains enabling us to navigate the ongoing disruption from Covid-19.
- Our results show a track record of delivering on our strategy including strong growth in online channels.
- Increased investment in operating infrastructure has enabled top line growth and will continue to drive increased factory output and productivity in 2022/23.
- Focus on leveraging our six brands and further developing direct to consumer relationship will continue to drive our business over next 3-5 years.
- Improvements in energy usage have created a strong foundation for the next leg of our ESG journey.

Trading

2021 was a record sales year for the Group driven by our strategy of reaching a wider potential customer base through developing online sales channels, building new geographical markets and new product launches within our strong family of brands.

We were pleased to see growth over 2020 and 2019 pre Covid-19 levels in our UK and US core markets. We experienced a strong seasonal Christmas trading period particularly in the US market where new product launches and our ability to handle drop ship order fulfilment enabled good levels of growth.

The work we did in 2019 and 2020 to safeguard our brands, long term, in South Korea enabled a robust and sustainable sales performance in 2021 with sales rising by 43% over the prior year.

We have continued our transformation to a more online and digital based business and were delighted to see 16% sales growth in our own branded websites sales despite high street retail stores reopening. 50% of total sales in our core UK and US markets now go through all online channels (2020: 47%, 2019: 30%). Developing a deeper direct relationship with the end consumer represents a huge opportunity for the Group and we will continue to invest in our capabilities in this area. Our website customer lists grew by 25% in 2021 and by over 220,000 (110%) on a two year basis versus 2019. With the opportunity of repeat purchases this is a key KPI for the Group and a positive indicator of future sales growth potential.

The benefit of our diversified sales channels and increasing the number of routes to market enabled a strong rebound in profitability in 2021 despite the well-publicised disruption and significant cost increases in global supply chains, particularly in container sea freight. The strength and depth of experience of our supply chain teams around the world really shone through and enabled our Q4 sales to beat our forecasts.

Full year headline profit before tax(1) was £7.2 million (2020: £1.4 million).

We are confident in our long-term strategy for growth and have a strong balance sheet to support our ambitions. The Group continues to be cash generative and we maintained a net cash positive position after net capital expenditure of £4.6 million during the year.

Financial Headlines

- Revenue was £106.0 million, an increase of 21% on 2020 and 14% on 2019 pre Covid-19 levels.
- Like-for-like sales increased by 19% over the prior year.
- Own platform website sales increased by 16% to £11.4 million (2020: £9.8 million) and by 81% on a YO2Y basis.
- Headline basic earnings per share(1) was 38.85p per share (2020: 4.96p).
- Final dividend proposal of 13.00p per share, bringing total dividends paid and proposed to 13.00p (2020: £nil, 2019: 8.00p).

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

Operational Overview

Revenue for the Group increased by 21% to £106.0 million (2020: £87.9 million).

The US is our largest geographical market representing 40% of Group sales. In translated figures, sales in the US increased by 27% to £42.5 million (2020: £33.5 million) due to the benefit of increased online channel sales and successful product range extensions. 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 and new extensions to the range.

Our UK market is our second largest market and in 2021 accounted for 31% of Group sales at £32.9 million (2020: £31.8 million), an increase of 3% over the prior year. Excluding the sales of hand sanitiser in 2020 in response to the Covid-19 pandemic, UK market sales increased by 14%.

As previously reported, we took action in 2019 and 2020 to reduce levels of parallel shipping into our South Korean market, enabling overstocks to subside. This allowed for a much more robust and sustainable level of sales in 2021, with good sell through to the end consumer. Sales into South Korea were £18.7 million (2020: £13.1 million, 2019: £20.8 million). We are pleased that the steps we took to stabilise this important market have been successful and we expect to see growth from a solid base in the coming years.

Products and brands

Our brands and product ranges are key assets and a major economic driver for the Group. Our six major brands – Portmeirion, Spode, Wax Lyrical, Nambé, Royal Worcester and Pimpernel – have over 750 years of combined history and are sold across the world. Their design and appeal are timeless and are much loved in homes around the world.

We see significant potential to grow the sales footprints of our brands in the future and have developed more structured roadmaps in the past 18 months to help deliver on this potential. Our roadmaps include developing our heritage ranges such as Portmeirion Botanic Garden and Spode Christmas Tree as well as more contemporary ranges and licensed collaboration ranges. We are fortunate, in Spode Christmas Tree and Portmeirion Botanic Garden, to have two of the most successful and long selling ranges in the global tableware category.

Portmeirion Botanic Garden was first launched in 1972 and remains our largest selling range. We estimate there are over 50 million pieces of Botanic Garden in use worldwide today and there is a strong repeating sales element. To mark its 50th year in 2022 we will be launching new range extensions to further support and grow the appeal and longevity of this historic range.

The brand work we have done should allow us to accelerate and leverage our brand portfolio across our diversified sales channels and markets. We are pleased to see the early benefits of our work in 2021. Our Spode brand, which celebrated its 250th anniversary in 2020, grew strongly in 2021, with sales up 30% on 2020 (up 33% on 2019). Key drivers included new product development and line extensions within the ever popular Spode Christmas Tree range, new contemporary range launches and the benefit of increased availability on online channels. Similarly sales in our Pimpernel brand were up 28% and 26% on a two year basis.

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

Environmental, Social and Governance (ESG)

We are focused on doing business ethically and sustainably – for our shareholders, the environment, our people, our customers, our suppliers and the communities we operate in. The Group has a long history of innovation and a strong track record of continual improvements in ESG.

We have made a very conscious decision to go beyond minimum compliance in our ESG requirements and push our progress to a more targeted, deliverable strategy. Throughout 2021, we worked to better understand the materiality of our impacts and to make well-informed choices in focusing our resources and efforts to deliver tangible strides towards a more sustainable world. We have made significant progress in recent years in reducing our energy usage, reducing carbon emission per tonne of sales product by 12% over 2020, and are committed and look forward to publishing our ambitions in key areas later this year. 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 are unfaltering, supported by our policies and processes. Further details 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 to 25, in the Our Commitment to ESG section on pages 26 to 31 and the Corporate Governance Statement on pages 40 to 45.

We are again immensely proud of and thankful to all our people and teams for their commitment and hard work throughout 2021. Our results, safety records and staff well-being are testimony to all their efforts.

Strategic areas of focus

Our commercial strategy is focused on reaching more customers on more occasions through:

- developing online sales channels;
- building new markets and geography;
- new product launches/new categories; and
- leveraging our brands more effectively.

Chief Executive's Statement continued

Strategic areas of focus continued

Our operating strategy supports our commercial strategy and is to build additional capabilities and increased efficiency/productivity in everything we do.

As a result, our twin financial goals are:

1. consistent and sustainable sales growth; and
2. improved operating margins, thereby converting sales more effectively into profit.

We have continued increased investment in these strategic areas despite the short-term challenges of Covid-19, as we believe this will enable the Group to prosper in the long-term.

As a result, the strategic capabilities of the business have taken a huge step forward in the past eighteen months. We have significantly expanded our online sales and digital marketing teams and re-organised our core market and export sales teams to more effectively leverage our brands.

As we increasingly reach more end customers directly, we are able to build an ever stronger emotional affinity for our brands and products and get much improved feedback that helps us curate our ranges and design tomorrow's products more effectively.

We are heavily investing in automation in our factories and warehouses, building further capacity and efficiencies in production and increasing our drop ship online warehouse fulfilment capabilities.

Driving sales growth through reaching more customers on more occasions

1. Developing online sales channels

Our brands are known and loved around the world. There is a huge opportunity to reach more potential customers through online channels including our own branded websites. The benefit of building an increasingly direct relationship with the end consumer allows us to continue to communicate after the first purchase, thus building a long term relationship with the customer. Increasingly we see potential customers searching for 'our brand names' when searching online for products within the categories we operate in. This affinity for our brands and what they stand for is an important point of difference that we can leverage further as we develop our web systems, data and analytics.

We have continued to invest through 2021 in improving our website sales platforms and digital marketing assets. In the UK and US we have established web sales platforms for all our core brands. Website sales increased by 16% in 2021, building on the significant growth we achieved in 2020 when retail stores were shut for much of the year. On a two year basis, our own website sales are up 81%. For our two core markets in the UK and US, sales through all online channels (including third party retailer websites) increased to 50% for the first time (2020: 47%, 2019: 30%).

In addition, we have built extra warehouse capacity for online/drop ship order fulfilment that, for the UK, will allow us to ship approximately double the number of direct to consumer parcels per day in the second half of 2022.

We have an ongoing roadmap of development to further boost our online sales and digital marketing for all our brands. In 2022 we expect to launch new websites in the UK, building on the website re-platforming project we executed in the US in 2020. We are also working on improved CRM and launching Customer VIP club programmes in 2022.

2. Building new markets and geography

Our products are sold in more than 70 countries around the world, however, our three largest markets of the UK, US and South Korea account for 89% of all Group sales.

We restructured our international sales teams in 2020 with a focus on developing more sizeable rest of world markets over the next three to five years.

We are pleased to report early positive results with our rest of world sales growing by 27% in 2021 and we expect to see further strong growth in the next three years. In 2021, we have appointed a new distributor for all our brands in China and we are excited to work with them on developing new customers in this region. We have also seen good growth in 2021 in a number of other markets including Australia and Scandinavia.

3. New product launches

Developing and launching new products and extending existing ranges is a key strategic driver for sales growth. We have implemented new global processes for product development and launch and have a future pipeline of development going out two years.

In 2021 we managed to keep our product launch programmes on track despite ongoing disruption to supply chains and sales markets from Covid-19. This included a new Sophie Conran for Portmeirion tableware range, extensions to our ever popular Spode Christmas Tree range, a new Spode range: Creatures of Curiosity and new ranges for our Wax Lyrical and Nambé brands.

Part of our strategic focus in this area is to see an improved sales contribution from new product launches. In 2021, new products launched (within the last twelve months) generated over 10% of total Group sales. In 2022 we celebrate the 50th anniversary of Portmeirion Botanic Garden and will be launching new products under this range as well as substantial new launches across our other brands.

We continue to focus on changing and improving packaging formats for our products to enhance our customer proposition for online channels.

4. Leveraging our brands more effectively

Telling the story to the end consumer of what our brands and product ranges stand for, increasingly in online channels, represents a significant opportunity for the Group. We have increased resource, brand marketing and digital marketing spend over the past two years and this will continue to support our growth ambitions and allow us to reach more potential end customers on more occasions than ever before.

We are looking to leverage the Group's infrastructure more effectively across all our consumer brands including the more recent acquisitions: Wax Lyrical and Nambé.

In 2021, we have combined UK sales teams across our tableware brands and home fragrance division to allow more effective sales synergies.

Nambé brand sales increased by 23% to record a five year high despite ongoing disruption from Covid-19 to sales markets through increased distribution, including online and better stock availability.

Home fragrance sales, excluding hand sanitiser ranges (production started in 2020 in reaction to the pandemic), grew by 5% in 2021. Our Wax Lyrical brand has been impacted by Covid-19 enforced retail closures for much of 2020 and 2021, however, we expect to see a return to growth in 2022 as restrictions are lifted.


Spode Christmas Tree

In addition, we now produce home fragrance products under our Sophie Conran for Portmeirion and Royal Worcester Wrendale Designs tableware ranges. In 2022, we also expect to launch home fragrance products as an extension to our hugely successful Portmeirion Botanic Garden range as part of our celebrations of Botanic Garden's 50th year.

All of our brands grew in 2021 and we are pleased to see the early and positive signs from our efforts to leverage our brands more effectively, with Spode and Pimpernel sales up 33% and 26% respectively on a two year basis.

Building our operational capabilities and efficiencies

In order to support our growth and to deliver higher operating margins, the Group has a clear plan to deliver increased production capacity, improved productivity, lower costs per unit and increased capabilities.

We have increased capital investment in our operations in the past 24 months. In our Stoke-on-Trent manufacturing facility we have designed new automation that will add capacity and lower costs and reliance on manual labour. Despite delays in final assembly of robotics due to the global shortage in silicon chips, a number of these projects went live late 2021 and early 2022. Further investments are in progress for 2022 and 2023. As well as delivering much increased levels of production output these investments will also support our goal of reducing our cost per unit by at least 10%.

In our home fragrance manufacturing site, in Cumbria, we completed the build of a new hand and body liquid production facility in the second half of 2021. This facility will add capacity for production of core existing ranges of reed diffusers and also allow the production and sales of hand and body liquid soaps for the first time.

The experience and skills of our operations and supply chain teams shone through 2021 as the business successfully coped with the immense disruption to global supply chains and container freight shipping. The fact that the business had a very strong Christmas trading period, resulting in a record sales year for the Group, is a testament to the immense efforts and experience of our teams.

We have a roadmap for increasing warehouse capacity for drop ship/online order fulfilment in both our key UK and US markets. The first phase of this – building a large mezzanine floor extension in our UK warehouse – was completed in Q4 2021 and will support expected online sales growth in 2022.

In 2021, we continued to focus on improved procurement to drive efficiencies in spending. In the first half of the year we extended our long term energy hedging programme to Q1 2024, insulating the Group against the current volatility in energy prices.

Mike Raybould
Chief Executive

16 March 2022

Markets

Expanding international markets

Portmeirion Group sells into over 70 countries around the world.

Pictured: Royal Worcester Wrendale Designs

SALES

£32.9 million

The UK was the second largest market for the Group in 2021, with sales of £32.9 million (2020: £31.8 million) or 31% of the Group's total revenue.

Market implications

The UK market remains competitive, the Covid-19 pandemic increased the accelerating trend of traditional retail store sales being transitioned to online shopping.

During 2021, non-essential retail was closed for the first quarter of the year, with stores then re-opening and footfall building as confidence returned in physical shopping channels.

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 sell through omnichannel retailers who have both physical retail stores and a strong online presence.

Link to strategy

1 2 4 5

Pictured: Nambé barware

GROUP REVENUE

40%

The United States was the largest market for the Group at £42.5 million of sales (2020: £33.5 million) representing 40% of total Group revenue.

Market implications

The United States market experienced a very similar trend to the UK, with the shift to online continuing. This market benefitted as a result of increased direct to consumer orders for large retailers with an online platform.

Response

We have gained great value from the successful acquisition of the Nambé brand during the year (acquired 2019), which has added additional scale to our operations in the key US marketplace.

We continue to leverage our teams and grow our online presence and capabilities following the replatform of our US websites in Q4 2020.

Link to strategy

1 2 4 5

Key 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

Pictured: Portmeirion Botanic Garden

SALES

£18.7 million

Sales into South Korea were £18.7 million (2020: £13.1 million) or 18% of total Group sales in the year.

Market implications

South Korea was the first of our major markets to be impacted by Covid-19 in the prior year, although consumer demand rebounded strongly.

The Group has taken a disciplined approach to this market in order to avoid overstocking and reduce levels of parallel shipping.

Response

New product launches continue to sell through well in this market, and we were able to grow sales in 2021 to a new sustainable level.

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

Link to strategy

1 2 4 5

Pictured: Morris & Co for Pimpernel

COUNTRIES

70

The Group sells into more than 70 countries around the world which accounts for 11% of the Group's revenue. Sales increased to £12.0 million during the year (2020: £9.4 million).

Market implications

Retail markets around the world reopened at various different points during 2021. A number of our markets remained in lockdowns well into the first half of the year.

Additionally, the impact of increased regulation, cost and administration from Brexit created additional disruption on sales into Europe.

Response

We continue to invest in our international design and sales teams. We develop market specific products to meet local demands, we will continue to review and position our teams in strategic locations around the world.

Rest of world markets are important to reduce reliance on a specific market. We are confident there are significant growth opportunities and demand for our products, 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 750 years of collective history.

Exceptional people
- Experienced leadership team in place.
- Strong focus on investing in and developing our 866 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.

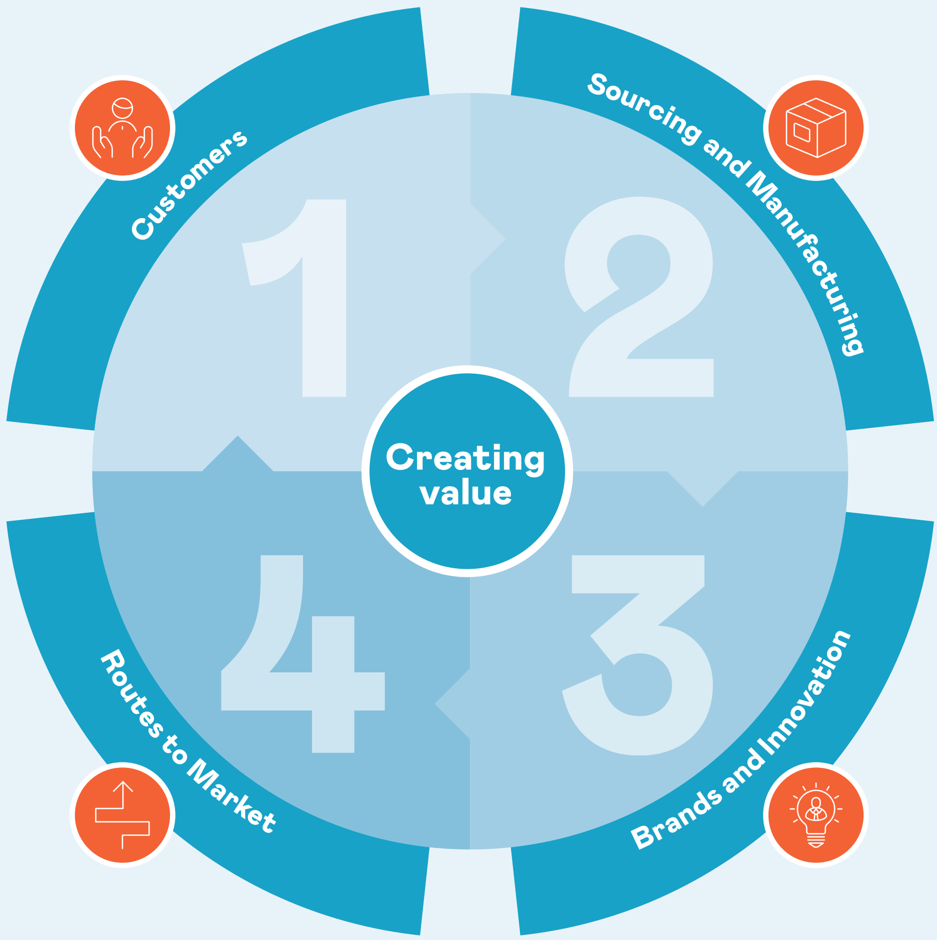
Innovation and design
- Customer centric approach to strategy.
- Innovation and design is the heart of our business model.

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

Value Creation/Outcome



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 2021, 40% of products sold were manufactured in our own UK factories. The remaining 60% 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 2021:

13.0p dividends paid and proposed per share.

For Customers

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

DURING 2021, WE DESPATCHED:

Half a million cartons, direct to consumers from our warehouses, an increase of 8% on 2020.

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.

866 employees across the world.

For the environment

We strive for operational excellence whilst reducing environmental impact.

Almost 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

- Delivered strong online sales growth in 2021 building on 2020 gains.
- Total online channel sales now account for 50% of UK/US markets (2020: 47%, 2019: 30%).
- Significant increase achieved in online customer list – a key KPI.

Future outlook

- Further investment in our own websites and digital/online presence across all platforms.
- Expect to launch new improved UK websites in 2022.
- 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

- Clear brand guidelines and defined plans for future growth in place.
- Has enabled Spode and Pimpernel sales to grow significantly vs. 2019 pre Covid-19.
- Improved digital assets have helped further deepen customer emotional affinity for brands.

Future outlook

- Further focused execution of our new brand plans to drive further sales growth.
- Will focus on developing both historic ranges and new ranges which are brand focused and speak to both our traditional customer base and new consumers.
- Will develop new customer VIP clubs for major brands.

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

- Group currently exports to around 70 countries.
- Rest of world sales increased by 27% in 2021.
- New distributor relationships signed in 2021 including China.

Future outlook

- Expect growth over next three years with focus on building three new sizeable markets.
- Leverage all our brands more effectively across export markets.
- Leverage our brands further with international growth in home fragrance, personal care 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

- Successful launch of key new ranges in 2021 despite ongoing Covid disruption to supply chains.
- New product launches contributed over 10% to total Group sales.
- Robust two year roadmap and process for future product launches in place.

Future outlook

- Pipeline of new product for launch in 2022 on track.
- Key extensions to highly successful Spode Christmas Tree range for 2022.
- Botanic Garden 50th anniversary product launches for 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 remained safely open throughout 2021 despite Covid disruption.
- Automation schemes in Stoke-on-Trent factory implemented Q4 2021/Q1 2022 to add capacity and efficiency gains.
- Extension to Lake District home fragrance factory completed H2 2021.
- Good stock availability position for key Christmas trading period despite huge Covid-19 supply chain disruption.

Future outlook

- Factory efficiency projects will add output and reduce cost per unit in 2022 thereby improving profit margins.
- Procurement savings already realised but more opportunities available.
- Improve warehouse capabilities and potential for future 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** ›

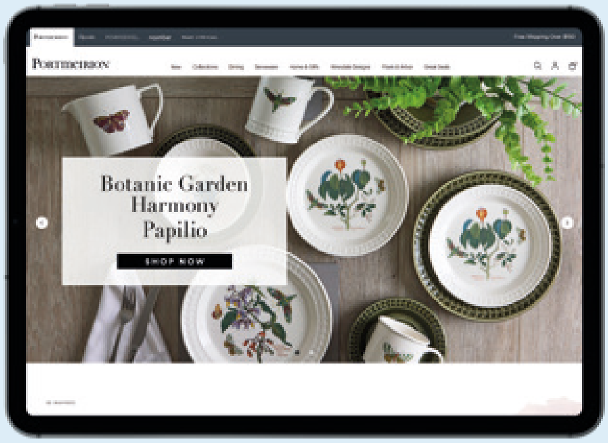
Risk Management **page 34** ›

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

Our Strategy in Action

Executing our strategy to enable growth

In 2021, 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 50% of sales in our core UK and US markets, increasing from 47% in 2020 and 30% in 2019. Our own website sales have grown 16% over the prior year and are now 81% ahead of pre-Covid levels. The Group continues to invest in our people, our systems and our processes in this key area, having completed a number of strategic projects in 2021 which build our ability to convert sales and capacity to fulfil customer demand. Our own websites allow us to establish direct consumer relationships which drive loyalty and profitability. Our customer lists increased by 25% over 2021 and are now more than double 2019 levels.

In 2022, we will invest further in a new UK/ROW website redesign following the success of the US redesign completed in 2020.

Pictured: Portmeirion Botanic Garden Harmony Papilio

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 2021, this approach translated successfully into strong growth across all of our brands including a breakout year for the Spode brand which grew 30% over the prior year, driven by growth across heritage ranges like Blue Italian and Christmas Tree as well as new collections like Creatures of Curiosity.

Pictured: Spode Creatures of Curiosity

Successful new product launches

The Group continues to launch new products despite the ongoing challenges of supply chains due to the pandemic.

In 2021, the Group introduced a number of new collections, including a new Sophie Conran for Portmeirion range and Spode Creatures of Curiosity, both of which sold strongly following their introduction in the year. More than 10% of sales during the year were from new products which is testament to our commercial and operational teams for being able to successfully launch products despite ongoing disruption.

For 2022, we have a number of new products in the pipeline including new items to celebrate the 50th anniversary of Portmeirion Botanic Garden, first launched in 1972.

Pictured: Portmeirion Botanic Garden

Building new markets

In 2021, the Group increased sales across our three key markets, the US, UK and South Korea, whilst also growing rest of the world markets.

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

During 2021, we reset our international teams and hired a new global development director to spearhead our international growth plans.

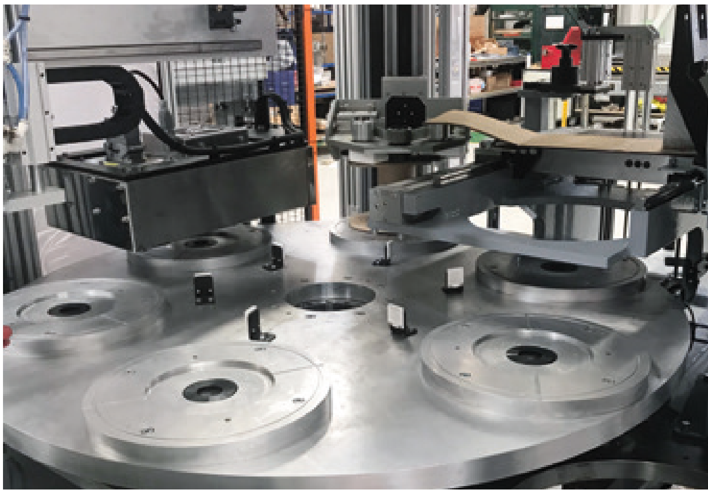
Rest of the world sales increased by 27% over 2021, including a new distributor signed for the key China market.

Pictured: Nambé Serveware

Factory and Operational Efficiencies

The Group is committed to building our manufacturing and operational efficiency and capability. In 2021, we invested significant sums into our UK manufacturing sites in order to improve productivity and reduce cost per unit, which will translate into better gross margins on product sold. We completed three major automation projects in our Stoke-on-Trent ceramic factory; a new heat release machine, assisted lifting support and an in-line glaze spray loader. We also completed a number of energy saving investments including recycling heat from our kilns to reduce gas usage. In our home fragrance site in the Lake District, we completed a new hand and body plant extension which supports all key hand and body product types and is adequate for future growth. We also completed a significant upgrade to our UK warehouse with a mezzanine floor installed in order to build capacity to fulfil increased drop ship orders.

Pictured: Heat release automation in our Stoke-on-Trent ceramic factory



Pictured: Our May 2021 Employees of the Month at our Stoke-on-Trent site, who were recognised for their help supporting the on-site lateral flow testing during March and April 2021

People

Our teams demonstrated their diligence, commitment and ability during 2021 as the Group continued to deal with the impact and disruption of the Covid-19 pandemic. The Group has recovered strongly from the impact the pandemic presented in the previous year, and we have made a number of key hires to further strengthen our teams in e-commerce and digital marketing. Our operational teams around the world continued to utilise their extensive experience to ensure we navigated the well publicised supply chain disruption and remained in stock of goods in our key markets. The Group continues to invest in our people and will recruit new skills where necessary in order to advance our strategy. Our UK division was awarded Investor in People Platinum accreditation in recognition of our commitment to leading, supporting and improving our workforce.

Section 172 (1) Statement

Engaging with key stakeholders to deliver long-term success

In compliance with the Companies Act 2006, the Board of Directors are required to act in accordance with a set of general duties.

During 2021, the Board consider that they have, individually and collectively, acted in a way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its shareholders as a whole, having regard to a number of broader matters including the likely consequence of decisions for the long term and the Company's wider relationships. In doing so, the Board has had regard to the matters contained in section 172(1) (a)–(f) of the Companies Act 2006.

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 recognises the importance of building and maintaining relationships with its key stakeholders, and considering the external impact of the Group's operations, in order to achieve long-term success.

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.

Shareholders

Link to strategy

1 2 3 4 5

What is important to them

- Staying up to date with strategy and business performance;
- timely and relevant communication;
- shareholder value; and
- understanding the 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 presents 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
- commitment from the Board to organise a capital markets day when Covid-19 restrictions allowed. This day went ahead in February 2022.

98%

At least 98% of proxy votes lodged were in favour on each resolution at 2021 AGM

Customers

Link to strategy

1 2 3 4 5

What is important to them

- Excellent quality, innovative products that meet customer requirements;
- ease of ordering, delivery and exceptional service;
- a competitive price; and
- brands that they recognise and love.

How we engage

- Customers' needs considered at every level of the business, from the Board to the service desk;
- commercial team engages regularly with strategic and national customers to build trust and collaborative working relationships. Key accounts are overseen by Board or subsidiary directors;
- 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

- Investment in our factories, warehouse and digital infrastructure over the last two years to drive customer delivery and satisfaction;
- we are becoming an increasingly digital business and the new capabilities we have built to drop ship online orders allow us to deliver goods more efficiently;
- new product development is informed by customer feedback; and
- enhanced our digital offering to customers particularly through our digital asset management system and virtual showroom.

25%

Growth in website customer lists in 2021 over 2020

Our Strategy **pages 20 and 21** >

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

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

Suppliers

Link to strategy

2 4 5

What is important to them

- Visibility of future projects and workload;
- sharing financial risks and rewards;
- operational efficiency;
- 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; and
- continuous engagement which is both formal but also informal from day to day dialogue between our teams.

Considerations and outcomes

- Successfully coped with immense disruption to global supply chains and container freight shipping to deliver a strong Christmas trading period and record sales for the Group in 2021; and
- increased scope of our Supplier Code of Conduct to beyond sourced product suppliers to begin to understand the impact that their own supply chain has on the environment.

30

Number of new sign ups to Code of Conduct in 2021

Employees

Link to strategy

1 2 3 4 5

What is important to them

- A safe place to work;
- engagement with the business and its overall purpose, especially if working remotely;
- wellbeing and work-life balance;
- feeling valued, trusted and empowered; and
- being fairly rewarded and incentivised.

How we engage

- Briefings, newsletters, team meetings and opinion surveys;
- personal letter from the Chief Executive and opportunity to engage with him directly;
- Innovation Scheme;
- focus groups e.g. health and safety meetings; and
- providing training and community involvement.

Considerations and outcomes

- Feedback from employees was considered in every decision relating to the Group's working culture throughout 2021, including in relation to the safeguarding of their health and wellbeing whether on site or remote working;
- adapted work practices including new hybrid working policies; and
- both our UK businesses achieved Investors in People Platinum accreditation in recognition of our commitment to leading, supporting and improving our workforce.

Over 90%

of worldwide employees understand how they play their part in the delivery of our strategy (2021 employee survey)

Communities and the environment

Link to strategy

4 5

Why both are important to us

- We need to understand the likely consequences of our decisions in the long term on the environment and our communities; and
- opportunity to reduce the negative impact of climate change whilst continuing to provide our high quality, durable products.

How we engage

- Covid-19 restrictions have made it difficult to engage with our communities in the same was as we did before. As a Group we are excited by the opportunities to take a more proactive role in our communities in the coming year. During 2022 we will work to further understand the priorities of our communities; and
- we actively consider ways to reduce our environmental impact.

Considerations and outcomes

- During 2021, and supported by external experts, the Group undertook an initial ESG baselining exercise to fully understand the Group's impact on the environment. This is explained in Our Commitment to ESG section on pages 26 to 31. The exercise identified that the Group's existing approach to environmental and social matters is well managed and under good governance whilst identifying areas to work towards improved performance in the short, medium and longer terms; and
- the Group supports charities in the local vicinity of its sites and encourages all employee fundraising.

23

Number of employees involved in ESG baseline exercise

Key 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

Our Commitment to ESG

Portmeirion Group – a business with a proud history and commitment to playing our part in delivering a more sustainable world

We strive to do business ethically and sustainably – for our shareholders, the environment, our people, our customers, our suppliers and the communities we operate in. Portmeirion Group has a long history of innovation and creativity. This has underpinned our celebrated designs and approach to driving continuous improvements.

Our ESG achievements in 2021:

- Joined an active role in the "British Ceramics – towards Net Zero" initiative.
- Developed kiln waste heat recovery system to reduce energy consumption in firing process.
- Changed application of back stamp techniques to reduce kiln firings and improve process efficiency (400% additional throughput in one hour for one work stream).
- Automated the loading of ware to improve the consistency of glazing and reduce the requirement to re-fire.
- Electric vehicle charging points installed to assist in reducing associated carbon emissions.
- Trained 19 employees as Mental Health First Aid Advocates recognising the national statistics in this risk area.
- Positive HSE audits reflecting commitment to health & safety of our employees and pandemic work practices.
- At least 98% average "in favour" proxy votes from shareholders on each resolution at 2021 AGM.

We have made a very conscious decision to go beyond compliance in our Environmental, Social and Governance (ESG) factors and push our journey to a more targeted, deliverable strategy. As Chief Executive, I am taking overall responsibility to drive this. COP26 highlighted climate negotiation and the UK government commitment to net-zero by 2050. We are going to play our part.

Throughout 2021, we worked with external experts on an ESG baselining exercise to better understand the materiality of our impacts and to make well-informed choices in focusing our resources and efforts to deliver tangible strides towards a more sustainable world. It was important to us as a Board to understand all impacts of all of our operations globally. We wanted to cover not only our own factories and supplier factories (Tier 1) but also Tier 2 (who our suppliers are supplied by) and Tier 3 (raw material suppliers). We believe we need to understand and focus on more than just the carbon footprint of our own sites.

Our detailed review will give us a more robust framework to drive future decisions that will reduce our carbon footprint and help deliver a more sustainable world.

Our "baseline" used mainly 2019 numbers due to the Covid affected and irregular trading year of 2020 and was designed to arrive at an "as is" scenario for the Group to measure its progress against.

Our exercise identified that the Group's existing approach to environmental and social matters is well managed and under good governance. As hoped and expected, it also helped identify areas which we can focus on in the future to further improve performance in the short, medium and longer terms.

We have a strong track record of continued improvements in ESG. We are committed and look forward to publishing our ambitions in key areas later this year. We are dedicated to delivering further significant improvements in energy consumption and carbon emissions in the coming years.

Mike Raybould
Chief Executive

16 March 2022

Environment

The Group has a history of innovation, including its energy efficiency measures and is proud of our highly effective environmental management system that has, to date, been particularly focused on reducing energy consumption and the treatment of waste as part of our own manufacturing processes.

Almost half of the energy used at Wax Lyrical's production site continues to be generated by our wind turbine; reducing the carbon emissions of our operation in Cumbria by nearly 30%. In addition, a series of innovative solutions originated by colleagues and deployed in our factories and distribution centres are combining to reduce the carbon intensity of our operations. In due course, we are planning further work to develop carbon intensity metrics for products produced in both our directly managed and outsourced manufacturing settings.

Because the ESG agenda is already culturally embedded in the Group, ongoing research into reducing packaging and distribution miles of products sits at the forefront of the design, operational and customer management teams. We recognise that the ceramics industry of which the majority of the Group is part of, is an energy intensive business.

Portmeirion Group – moving from compliance to environmental leadership

Portmeirion Group has a clear focus on our regulatory and reporting obligations and will continue to adhere to the highest standards. However, the Group recognises that our achievements to date represent a foundation from which we can adopt a proactive approach and do much more than ticking the compliance box.

We proactively look to ways of encouraging and supporting the decarbonisation of the UK energy system (particularly industrial heat) to meet the legal commitments the UK Government has set – both with regard to 2050 Net Zero strategy but more importantly in relation to the more challenging 68% reduction (on 1990 levels) by 2030.

Portmeirion Group has joined the 'British Ceramics – towards Net Zero' initiative, is collaborating with other partners in the value chain and working with leading universities to be at the forefront of the technological developments that will be needed to stay within the limits set by the 2015 Paris Agreement.

Of course, while working at an industry scale and progressing local initiatives to reduce our own carbon emissions as much as possible, we recognise that some offsetting of residual emissions will be required and we will explore options to offset our own manufacturing emissions as a first step on the journey.

We already have a good level of engagement with our supply chain and some very strong partnerships that have contributed to the Group's story of success. We have improved data transparency during 2021 and intend to go further. However, from gaining a deeper understanding of the Group's supply chain (including Tier 2 and Tier 3 suppliers of direct and outsourced manufacturing), to customer engagement and a review of logistics, 2022 will mark an important year for Portmeirion Group to accelerate our plans on sustainability. Being an international business, the Group is taking a global approach to a global challenge and will be sharing a more detailed plan later in the year.

Pictured: Wind turbine in background of our home fragrance manufacturing site.

Reducing CO_2

In 2021, we conducted a detailed external review of our current ESG baseline to inform future strategy for improvements.

-12%*

UK Ceramics – tonnes of CO_2e per tonne of saleable product

-12%*

UK Home Fragrance – tonnes of CO_2e per tonne of saleable product

47%

of energy used at Wax Lyrical operation in 2021 was provided by wind turbine

INVESTORS IN PEOPLE

In 2021, all UK operations were accredited at Investor in People Platinum status; a level only held by the top 4% of accredited organisations.

* 2021 compared to 2020.

There is

0% waste

going to landfill from the Stoke-on-Trent operation

80%

of the 837 tonnes of waste generated is recycled and usually repurposed into a secondary use with the rest being incinerated (waste to energy) at a plant in Runcorn.

Our Commitment to ESG continued

Environment continued

Stoke-on-Trent (ceramics) GHG Emissions and Energy Use Data for the period 1 January 2021 to 31 December 2021

	Year ended 31 December 2020	Year ended 31 December 2021
Energy consumption used to calculate emissions	kWh	**kWh**
Electricity	5,314,606	**6,404,372**
Natural gas	32,694,169	**38,081,766**
Transport	131,397	**179,108**
Total energy consumption (kWh)	38,140,172	**44,665,246**

	Year ended 31 December 2020	Year ended 31 December 2021
Emissions	tonnes CO_2e	**tonnes CO_2e**
Scope 1 emissions		
Natural gas	6,701.0	**7,729.5**
Company owned/leased vehicles	33.4	**47.3**
Scope 2 emissions		
Electricity	1,239.1	**1,390.4**
Scope 3 emissions		
Employee owned car travel (grey fleet)	0.0	**3.7**
Total SECR emissions (tonnes CO_2e)		
Intensity metric: tonnes of CO_2e per tonne of saleable product	4.23	**3.74**

Lake District (home fragrance and personal care) GHG Emissions and Energy Use Data for the period 1 January 2021 to 31 December 2021

	Year ended 31 December 2020	Year ended 31 December 2021
Energy consumption used to calculate emissions	kWh	**kWh**
Electricity	896,994	**648,167**
Natural gas	1,163,361	**903,883**
Transport	108,565	**7,664**
Total energy consumption (kWh)	2,168,920	**1,559,714**

	Year ended 31 December 2020	Year ended 31 December 2021
Emissions	tonnes CO_2e	**tonnes CO_2e**
Scope 1 emissions		
Natural gas	241.2	**183.5**
Company owned/leased vehicles	24.8	**2.0**
Scope 2 emissions		
Electricity	209.1	**137.6**
Scope 3 emissions		
Employee owned car travel (grey fleet)	11.6	**10.9**
Total SECR emissions (tonnes CO_2e)		
Intensity metric: tonnes of CO_2e per tonne of saleable product	0.26	**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, this year we have split out our reporting for our two manufacturing sites – our ceramics factory site in Stoke-on-Trent and home fragrance and hand care site in the Lake District. We are very proud to report a reduction in tonnes of CO_2e per tonne (of saleable product) for both sites.

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 and average UK Government GHG Conversion factors and assumption of medium sized car.

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 866 employees worldwide. We are invested in our people and have demonstrated through the recent pandemic that people 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.

Our health and safety record is excellent and during 2021 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. Our UK Stoke-on-Trent business has also been accredited with the Workplace Wellbeing Charter; a certification that demonstrates our commitment to the health and wellbeing of our colleagues.

The health and wellbeing of our teams remains our absolute priority. However, the people agenda is not confined to those colleagues directly employed by the Group. As with other aspects of our operations, we are evolving our people and workforce policies to place greater focus on the activities of the Group's supply chain; both in terms of primary suppliers and outsourced manufacturing.

The resilience, loyalty and continued effectiveness of our employees is what has allowed us to get through the challenging last two years of Covid-19 related turbulence. We introduced hybrid working where possible and could not be prouder of the many achievements of our teams throughout this period. The way our teams pulled together through this very difficult period has strengthened us as a Group, and has also permanently changed the way our colleagues interact with the organisation.

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. 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.

Going beyond in 2021

- Training for 19 employees as Mental Health First Aid Advocates; this ensures that we have team members available to support and guide our teams through any issues that they encounter.
- Ten of our team members attended training sessions with the NHS to allow us to conduct lateral flow testing onsite to ensure that our teams remained as safe as possible at work throughout the pandemic.
- Part of our UK division, Wax Lyrical, was awarded a bronze award in The Salesforce Frontline Hero Initiative category for its hand sanitiser production at the Retail Week Awards in October 2021.
- Various initiatives took place to raise awareness of health and wellbeing including the sharing of healthy eating options, local walking routes, alcohol and stress awareness.
- Our New York Showroom and all newly renovated US retail stores have converted to energy efficient LED fixtures with our warehouse in New Mexico scheduled to convert in 2022.

Pictured: During 2021, the Group refurbished offices at our Stoke-on-Trent site to provide an inspiring, modern and flexible working space for our employees

Pictured: Our New York showroom and all newly renovated US retail stores have converted to energy efficient LED fixtures, with our warehouse in New Mexico scheduled to convert in 2022

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. Our managers are required to undergo unconscious bias training where this is appropriate.

Gender split

Portmeirion Group strives to eliminate any gender bias in our pay and employment policies and practices; the percentage of female colleagues holding a senior role in both USA and in our Wax Lyrical part of our UK Division is higher than their male counterparts.

Our site with the highest level of employees, Portmeirion UK in Stoke-on-Trent, published its gender pay gap statistics in 2021 which noted a mean pay gap of 24.5%. The figures for this year are not representative of a usual reporting period; at the time the snapshot was taken in the first Covid-19 UK national lockdown in 2020, less than 20% of our typical workforce were at work, the remainder were placed on furlough and as a result are excluded from the calculations.

As the Group moved to remote or hybrid working as a result of the pandemic, there has been a noticeable improvement with regard to recruiting more senior female colleagues from a wider pool of talent.

Senior positions in Portmeirion UK have a:

46/54

gender balance

Within Portmeirion US operations more than

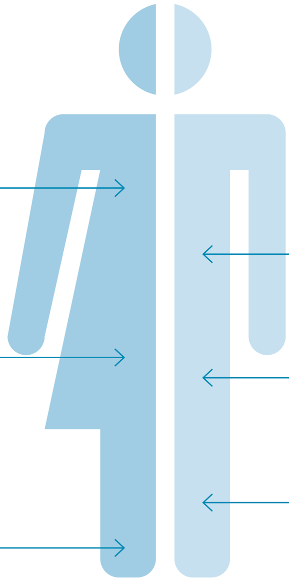
60%

of senior positions are occupied by women

Senior positions in Wax Lyrical are

67%

female



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

63%

of warehouse staff at Wax Lyrical are male

69%

of warehouse staff in Portmeirion US are male

52%

of factory staff in Portmeirion UK are male

During 2021 for instance, we promoted 32 colleagues within the Group recognising the amazing talent that we have within our business. Of these 75% were female colleagues.

The Group will be carrying on 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 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.

During 2021 colleagues took part in various apprenticeship qualifications at levels 3, 4, 5, 6 and 7, we also supported the attendance of mini-MBA courses in business and marketing alongside business coaching and mentoring. We continued with all mandatory training in areas such like anti-bribery and corruption, modern slavery prevention and unconscious bias alongside health and safety training.

The Group is also aware that, while training and development is critical to ensuring our workforce is provided the opportunities to progress and succeed, it is also essential to the success of the organisation itself. As such an additional focus on training, learning and working environment will be reviewed as part of our 2022 priorities.

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. 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,

Investors in People

INVESTORS IN PEOPLE

In 2021, both Portmeirion UK and Wax Lyrical were accredited with Investors in People Platinum status, the highest status achievable. The reports from IiP reflected and validated the Group's stated policy of being a caring employer with good working conditions and an open and consultative culture. In particular, the way the Group managed the recent pandemic has been proof of management's trust and continued investment in both people and the business.

The report recognised that training and skills development for the workforce is a key part of the Group's culture and ethos. It did however also flag a lower level of engagement and response rate within the factory and distribution centre colleagues, indicating attention should be focused in this area.

Social continued

Recognition & Engagement continued

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.

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. Nevertheless, we would like to understand in more detail how the engagement changes based on role and pay, thus we will be doing more analysis into ensuring engagement is good across all levels of our colleagues. We were happy to welcome over 200 new employees to the Group in 2021 of which 22 joined via our Refer a Friend programme.

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. During 2022, we will undertake an outreach and learning exercise to gain an understanding of the priorities that our communities consider to be most important. This will help us form our future strategy. In addition, and as one of the key employers in Stoke-on-Trent (UK), we will engage more deeply with educational institutions, from Primary school level to Universities, and understand better how we can support the aspirations of future talent and stakeholders.

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 employees, with active support from the Board.

Pictured: Our employees collecting Christmas boxes for the Boxes of Hope charitable cause

Governance

As a Group, we are proud to be recognised as a good employer with strong commitments, policies and procedures put in place. Being under good governance is important to us although we recognise that, as non-regulatory risks evolve, our governance structures also need to be responsive to new and emerging issues. This underpins our commitment to improving the capture and analysis of non-financial data and the ongoing review and update of our risk register in response to increasingly turbulent external dynamics. Our Corporate Governance Statement can be found on pages 40 to 45.

Good governance is no longer "just" having all procedures and process in order as a listed company. As a Group we acknowledge that ensuring we are meeting all legal and regulatory requirements are in essence simply ensuring our "hygiene factors" are met. We are, therefore, mindful that our corporate governance needs to adapt in the context of the various challenges that we are likely to face in the decades to come. Recognising the risk register of the World Economic Forum released January 2022, eight out of the ten risks were either environmental or social in nature.

We understand that as a Group, our governance needs to reflect the environment in which we operate and focus on what this will mean to us as a global organisation will be considered through 2022.

Next steps on our journey:

E	Continue to evolve our ESG materiality assessment.
E	Establish clear ESG commitments with supporting targets and plans for implementation.
S	Enhance our levels of engagement with all of the people that are part of the global Portmeirion Group operation.
G	Continue to monitor that our Governance framework correctly supports our aspirations on ESG factors and goes further than compliance.
G	Assess how to appropriately incorporate additional KPIs that link environmental and social performance into our corporate behaviours, evolve our culture and to further embed our commitments both internally and externally.

Pictured: Maureen Gleghorn our longest serving employee, celebrating 50 years with the Group in 2021

Financial Review

Strong recovery to revenue and profit across all markets

"The Group continued to invest in our strategy, confident in our ability to generate growth and make progress against our strategic targets."

David Sproston
Group Finance Director

Summary

- Excellent recovery from challenging 2020.
- Strong operating cash flows of £8.7 million.
- Positive net cash balance maintained which allowed significant capital investment, with sufficient headroom in unutilised debt facilities.

Following the challenging backdrop of disruption and lockdowns of 2020, the year started with the UK back in lockdown and significant inflation and disruption to both supply chains and labour markets.

Set against this, the Group continued to invest in our strategy, confident in our ability to generate growth and make progress against our strategic targets.

We saw ongoing demand for our brands, growing well across all key geographical markets and further increases in online channel sales.

Revenue

Revenue for the year ended 31 December 2021 totalled £106.0 million, an increase of 21% over the prior year (2020: £87.9 million) and is now 14% above pre-pandemic levels (2019: £92.8 million).

The Group has benefited from additional sales from recent acquisitions; Nambé was acquired in July 2019 and Portmeirion Canada was fully acquired in August 2020. On a like-for-like basis revenue was 19% ahead of 2020.

Sales in our US market are translated from US dollars into sterling at the average daily exchange rate. In 2021, sterling was stronger against the US dollar than 2020, therefore at a constant currency rate the Group's like-for-like sales would have been 22% higher.

Geographical sales performance was strong overall and we saw growth across our three key markets of the US, UK and South Korea.

The UK and US markets both achieved record sales levels, driven by online where 50% of sales in these markets were via online channels (2020: 47%, 2019: 30%).

In South Korea, sales increased by 43% to £18.7 million (2020: £13.1 million) as consumer demand recovered from the prior year. We remain confident that this is a sustainable base on which we can grow sales going forward.

Rest of the world markets increased by 27% to £12.0 million (2020: £9.4 million). This was driven by strong sales in Canada following the acquisition of the remaining 50% of our distribution partner in 2020.

Profit

Headline profit before taxation[1] was £7.2 million, a significant improvement over the 2020 level of £1.4 million and broadly in line with the pre-pandemic level in 2019 of £7.4 million. Statutory profit before taxation was £6.0 million (2020: loss before taxation £0.2 million, 2019: profit before taxation £7.1 million). This strong profit performance was despite ongoing disruption within a number of our key sales markets.

In the UK, retail stores were closed for the first quarter of the year, and in Canada for much of the first half of the year. This restricted sales channels, although we were able to compensate for these shortfalls due to strong trading performance elsewhere, including online sales in the UK and US.

The well-publicised supply chain inflation and delays impacted our markets around the world, with container freight rates five times 2019 levels.

Covid-19 restrictions and isolation periods also impacted absence rates in our factories and warehouses, which in turn disrupted sales fulfilment and production efficiency.

Set against these significant challenges, the Group managed this disruption incredibly well and delivered a record sales performance, with profit before taxation in line with 2019 levels.

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

Interest and financing costs

Finance costs for the Group decreased by £0.1 million to £0.6 million (2020: £0.7 million) due to reduced borrowing facilities as long term loans were repaid.

We expect to see finance costs continue to reduce as long term loans are repaid.

Taxation

The charge for taxation for the year was £2.7 million (2020: £0.5 million). The increased charge is due to the improved profit performance over the prior year and the one-off impact of the change in UK corporation tax rate from 19% to 25% which caused a deferred tax charge of £1.1 million.

Dividends

The Board proposes a final dividend of 13.00p per share (2020: £nil) giving a total dividend for the year of 13.00p (2020: £nil). The final dividend is expected to be paid on 26 May 2022 to shareholders on the register on 22 April 2022 with an ex-dividend date of 21 April 2022.

We are reintroducing the dividend at a cover of three times 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 2021, the Group had a net cash balance of £0.7 million (comprising cash and cash equivalents of £7.6 million less borrowings of £6.9 million). This compares to a net cash balance of £0.7 million at the prior year end.

The Group continues to be cash generative; operating cash generated was £8.7 million (2020: £8.7 million) despite the increased cost of inventory due to container freight prices.

The positive operating cash flows allowed the Group to continue to invest behind our strategic goals; net capital expenditure was £4.6 million in the year (2020: £2.8 million). This included the new hand and body line extension at our home fragrance factory in the Lake District, factory automation investments in our Stoke-on-Trent ceramic factory and a new mezzanine floor at our main UK distribution site.

Bank facilities

The Group has agreed debt facilities with Lloyds Bank which totalled £22 million at the balance sheet date. This consists of a £10 million revolving credit facility available until February 2025, a £5 million overdraft on an annual renewal cycle and a £10 million term loan repayable by January 2025 of which £7 million was outstanding at the year end. The overdraft and revolving credit facilities were not being utilised at 31 December 2021.

Our business remains seasonal due to the second half weighting of our sales. We therefore experienced, in common with previous years, a working capital swing of around £8 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 £22.6 million. We believe our committed funding lines more than adequately addresses this seasonal dynamic and is prudent.

Assets and liabilities

We had a net working capital outflow of £2.3 million which was driven by increased inventory over the prior year. Increased receivable balances were largely offset by increased payable balances due to an increase in year-on-year trading activity.

Our inventory balance increased to £29.2 million (2020: £27.3 million) which was predominantly caused by supply chain inflation due to increased raw material and finished goods prices inflating the cost of goods.

We continue to monitor supply chain disruption and the impact it may have on our inventory costs and lead times.

We continue to make contributions to our closed defined benefit pension scheme and paid £1.35 million during the year, with agreed contributions of £0.9 million for 2022. At the 2020 year end we had an accounting deficit of £2.7 million which had increased due to a fall in the discount rate used to calculated scheme liabilities, which is based on corporate bond yields.

As yields have recovered following the pandemic, we now have a £0.9 million pension surplus under IAS 19. 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 218,645 shares, having used 8,330 during the year.

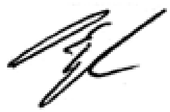
In addition, we also hold 234,523 shares in The Portmeirion Employees' Share Trust. These shares have a book value of £2.7 million, having been bought at an average cost of £11.58 each. The balance of these shares did not move during the year.

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.

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 strengthened against both the US dollar and euro, 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

16 March 2022

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.

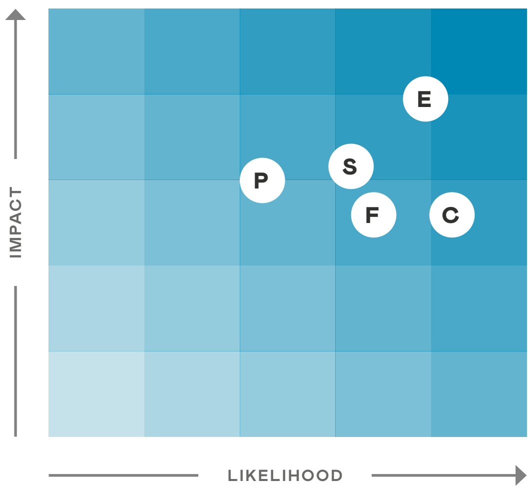
E: Economic environment

C: Competitors

P: People

S: Suppliers

F: Financial risk



Key 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

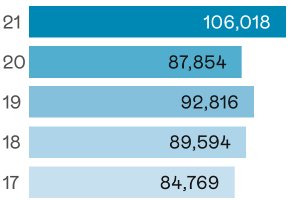
Principal Risks and Uncertainties

Risk	Mitigation	Outlook
Economic environment The Covid-19 pandemic continues to disrupt our sales markets and operations around the world. During 2021, there were further closures of non-essential retail in some of our major markets, with the continued shift to online and omnichannel retail.	The Group sells into more than 70 countries around the world, although the majority of sales are concentrated into three key markets. We continue to monitor the impact of Covid-19 restrictions in these markets and any material disruption to our product supply, key sales markets or people. We remain in close communication with our teams around the world to ensure their health and safety is a priority, and continue to quickly respond to any challenges as they arise. 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 have the necessary digital capabilities in an omnichannel retail environment. **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 ongoing impact of Covid-19 to supply chains has the ability to create inflationary cost increases and disruption through additional lead times.	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.	The Group continues to monitor the impact Covid-19 has made to 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.	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 is cash generative with sufficient headroom within current borrowings facilities, and in 2021 has recovered to pre-Covid profitability levels. 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.	The Group has a net cash balance at the year end and 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)

£106,018



Group revenue increased by 21% in the year and is now 14% ahead of pre-pandemic levels due to strong sales demand in our major markets.

Why we measure it

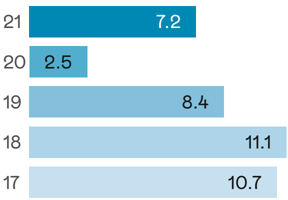
Revenue growth is the key driver of business performance and profit growth.

Link to strategy

1 2 3 4 5

Headline operating profit margin (%)

7.2%



The Group's operating margin rebounded strongly to 7.2% in 2021, despite the ongoing operational inflation and disruption caused by the pandemic.

Why we measure it

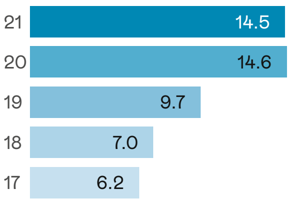
Operating margin compares all operating costs incurred against total revenue, which allows the Group to assess how effective it has been at converting costs into revenue.

Link to strategy

1 2 3 4 5

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

14.5%



The trend for growth in online sales accelerated rapidly during the Covid-19 retail lockdowns, and the Group saw significant growth on both our UK and US websites.

Why we measure it

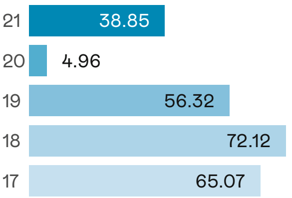
Part of the Group's strategic aim is to grow our own ecommerce platform sales as a percentage of total sales, which translates into both improved gross and operating margins.

Link to strategy

1 2 4 5

Headline basic EPS (p)

38.85p



In 2021, the Group's headline profit before tax recovered strongly to pre-pandemic levels, with a resulting rise in EPS.

Why we measure it

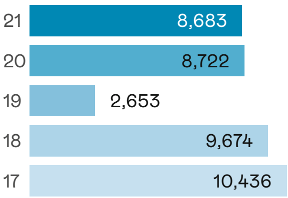
Headline earnings per share is a shorthand measure of profitability, as it divides the post-tax profit in the year by the number of active shares in issue. As a listed business, this allows comparability between the Group and other listed companies.

Link to strategy

1 2 3 4 5

Operating cash generation (£'000)

£8,683



The Group's operating cash generation was strong during the year, with ongoing positive operating cash flows allowing further investment in the business.

Why we measure it

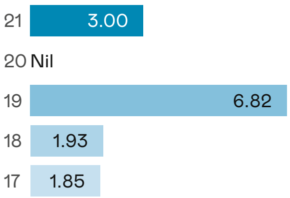
Operating cash generation demonstrates the Group's ability to ensure operating profit is translated into operating cash, and that working capital is appropriately controlled in order to ensure sufficient cash is available to provide a return to shareholders.

Link to strategy

1 2 3 4 5

Dividend cover (x)

3.00



Due to the strong trading performance and cash generation, the Group has proposed a return to dividend payments for the 2021 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

Key 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 cash of £0.7 million (comprising cash and cash equivalents of £7.6 million less borrowings of £6.9 million) and, as disclosed in note 24 on page 92, had unutilised bank facilities with available funding of £15.0 million. Operating cash generation was strong during the year at £8.7 million (2020: £8.7 million).

The Group sells into over 70 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 40% of its products and sources the remainder from a range of third-party suppliers.

Following the negative impact on trading in 2020 caused by the Covid-19 pandemic, the Group's performance rebounded strongly despite ongoing disruption in key sales markets and to supply chain and labour markets. However, the Group is well diversified and retains a strong balance sheet with significant funding headroom available.

The Group has also produced a sensitivity analysis to its cash flow forecast based upon current trading conditions, including the impact of the current war in Ukraine, and to allow for further potential impact of Covid-19; this demonstrated the Group still has sufficient headroom within borrowing facilities.

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.

Outlook

We are pleased with the progress we have made in 2021 – not only navigating the ongoing challenges of Covid-19 as evidenced by our record sales performance but also our continued track record on execution of our long term strategy.

We remain cognisant of ongoing economic uncertainty, in particular the challenges to the consumer of the rising costs of living including energy and fuel costs, and the ongoing impact of the war in Ukraine. Likewise that it will take time for global supply chains and container freight costs to stabilise following Covid-19 and return to some sort of normality. We have long term energy contracts in place until early 2024 that will protect the business in the short term from increased energy costs but are watchful that consumers around the world will require a period of adjustment to the inflationary pressures in everyday spend.

However, we believe our investments in our brands, digital and online presence and increasingly diversified sales channels and geography will enable us to more than offset the aforementioned challenges and continue to grow in 2022 and over the coming years. Our operational investments in 2021 will enable growth in production output and productivity in 2022 which, together with our proven supply chain, should provide a solid foundation for further progress, including opportunities to improve margin.

We have a strong balance sheet, positive cash flow and a clear and focused strategy which we believe will enable us to grow profitably over the short and medium term.

Dick Steele
Non-executive Chairman

Mike Raybould
Chief Executive

16 March 2022

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

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

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

Jacqui Gale

Chief Commercial Officer

Jacqui is responsible for the Group's brand strategies and growth plans for the UK, South Korea & ROW markets. She has been Managing Director of Wax Lyrical Limited, the Group's home fragrance and personal care operation, since 2018. Before joining the Group, Jacqui was Chief Executive Officer for Arran Sense of Scotland, Falk & Ross Group and Crabtree & Evelyn Europe, Middle East and Africa (EMEA) region.

Other appointments
None.

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

President of North America

Bill is responsible for growing the Group's key sales markets in the US and Canada 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

Angela Luger

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, The Hiring Hub Holdings Limited and New Look Retail Holdings Limited. 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

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

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

Moira MacDonald

Group Company Secretary

A Fellow of The Chartered Governance Institute (ICSA). 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

"The Board has ensured that we emerge in a strong position from Covid-19 uncertainty, having continued to drive forward with our strategy, always maintaining good governance."

Dick Steele
Non-executive Chairman

Summary

- Complied with all principles of the QCA Code throughout 2021.
- No significant challenges or changes to our governance arrangements.
- 2021 results demonstrate our clear progress on strategic objectives.

Chairman's introduction

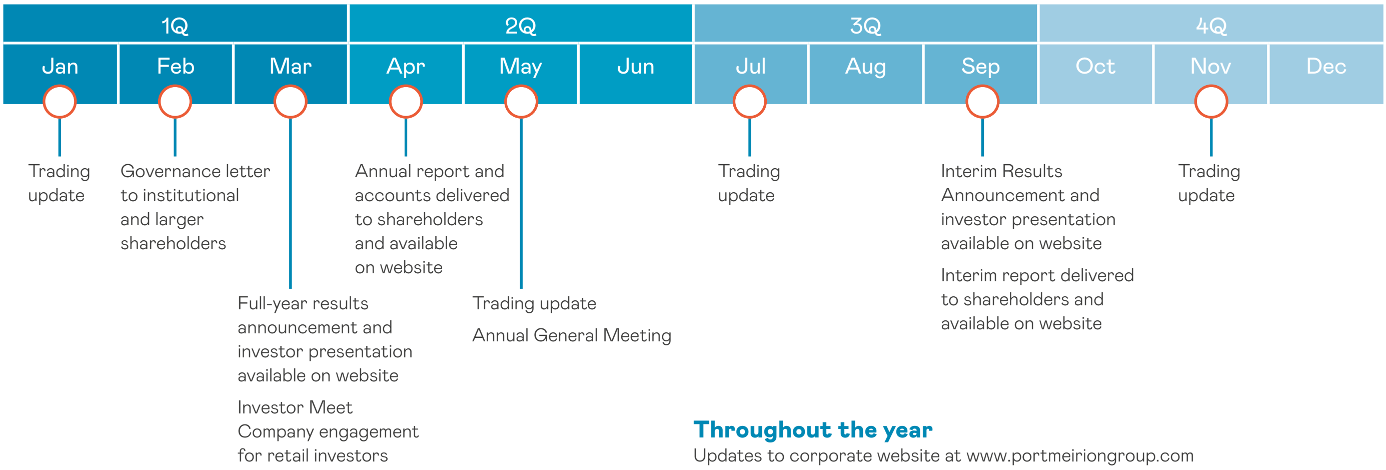
Dear shareholder,

On behalf of the Board, I am pleased to present Portmeirion Group PLC's Corporate Governance Statement for the year ended 31 December 2021. 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.

The Board has ensured that we emerge in a strong position from Covid-19 uncertainty, having continued to drive forward with our strategy, always maintaining good governance. 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.

Investor communications strategy throughout the year



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. 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 pages 24 to 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 have attained Platinum accreditation.

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.

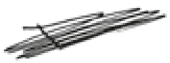
Our governance framework is kept under review. There have been no significant corporate governance challenges in 2021. Whilst Covid-19 has clearly continued to bring operational challenges, the Group and our employees have dealt with these in their characteristically exemplary way and our corporate governance has not faltered.

We are proposing to adopt updated articles of association at the Annual General Meeting (AGM) on 19 May 2022; the main changes are summarised in the appendix to the notice of AGM. The last time our articles were updated was in 2010 and we want to ensure these continue to reflect best practice.

Maintaining a skilled, well-balanced and experienced Board is of fundamental importance to the long-term success of the business. During 2021, there were no changes to the Board.

We currently have four Non-executive Directors alongside five 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.

Our results for 2021 demonstrate the clear progress we have made in the delivery of Portmeirion Group's strategic objectives.



Dick Steele

Non-executive Chairman

16 March 2022

Corporate Governance Statement continued

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.

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.

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 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 2021, 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 2021, 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 continuing challenges of Covid-19. Throughout the year, the Board was committed to ensuring that both shareholders and stakeholders were regularly updated on the Group's progress.

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 to 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. Whilst these site visits were restricted in 2020 and 2021, 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 engages with retail investors through the Investor Meet Company forum.

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 2021 or in 2022 so far. The Non-executive Directors are also offered the opportunity to attend meetings with major shareholders.

The Board recognises the Annual General Meeting (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 25 May 2021, 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 2021 as detailed on page 11.

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 to 25, which forms part of this statement.

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 five Executive Directors and four Non-executive Directors. Biographies of all the Directors appear on 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 has not appointed a Senior Non-executive Director. 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.

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.

Board Committees

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

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 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.

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 to 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 to 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.

Corporate Governance Statement continued

Maintaining a dynamic management framework continued

Independence continued

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.

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 and operational matters.

The following table shows the attendance of the Directors at meetings of the Board during 2021:

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

Notes:

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

● Attended ○ Did not attend

Board evaluation process

Preparation

The Chairman and Company Secretary prepared 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 was circulated to the Board for consideration with time and opportunity for the whole Board to put forward additional areas for inclusion.

Analysis

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

Feedback from shareholder engagement (further detail on page 24) and from corporate brokers collated by Chief Executive.

Action

Combined feedback was discussed by the Board and actions agreed.

Progress on agreed actions monitored throughout the year.

Board evaluation undertaken each year.

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 2020 have been addressed.

As part of the evaluation of 2021 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 2021.

Specific actions arising from the evaluation were:

(i) replacement of Dick Steele as Chair of the Remuneration and Nomination Committees by Clare Askem and Angela Luger respectively;

(ii) commencement of a review of the Group's ESG arrangements and reporting; and

(iii) ensuring that engagement, culture and wellbeing of employees worldwide was monitored regularly, especially in light of Covid-19 implications during 2021.

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 2021.

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.

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 2021, the Board received updated anti-corruption and bribery 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

Non-executive Chairman

16 March 2022

Audit Committee Report

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

Andrew Andrea
Chair of the Audit Committee

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 2021.

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 and half-yearly results, which identify any concerns arising from the auditors’ work undertaken in respect of the half-year review and 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 2021, 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 will be in place for the 2022 audit. Mazars LLP are recommended for reappointment as auditors at the Annual General Meeting on 19 May 2022.

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 84.

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 page 42.

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.

Significant issues considered in 2021

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

- trading conditions following the impact of the Covid-19 pandemic;
- cash flow forecasts and banking facility;
- internal controls;
- defined benefit pension scheme;
- goodwill and intangible assets;
- revenue and income recognition;
- stock valuation; and
- inventory provisions.

Andrew Andrea
Chair of the Audit Committee
16 March 2022

Attendance at Audit Committee meetings	
Total meetings held	●●●
A.A. Andrea (Chair of the Audit Committee)	●●●
C.V. Askem	●●●
A.L. Luger	●●●
R.J. Steele (resigned 1 April 2021)	●

● Attended ○ Did not attend

Nomination Committee Report

"Performance during the period has been strong. We will continue to ensure the Board has the right mix of skills, diversity and experience to enable this growth to continue."

Angela Luger
Chair of the Nomination Committee

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 requirement of the role and capabilities required for the appointment.

Dear shareholder,

I am pleased to present our report for the year ended 31 December 2021 which summarises our membership and activities during the year. I joined the Committee in March 2019 and became Chair of the Committee in January 2021.

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 his/her 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.

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.

Focus during 2021

During the year, the Nomination Committee considered the time required from the Non-executive Directors to perform their duties, the results of the internal Board performance evaluation process that related to the composition of the Board, the need for a Senior Non-executive Director, the election and re-election of Directors and succession planning arrangements. Further details on the Board evaluation process can be found within the Corporate Governance Statement on pages 40 to 45.

Board changes during the year

There were no changes to the Board during 2021. 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.

Looking ahead

The strategy of the Company remains on track and the performance during the period has been strong. We will continue to ensure that the Board has the right mix of skills, diversity and experience to enable this growth to continue.

Angela Luger

Chair of the Nomination Committee

16 March 2022

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 taken into consideration the overall performance of the Group when determining remuneration matters for 2021."

Clare Askem
Chair of the Remuneration Committee

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 2021 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 19 May 2022 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)	●●●●
R.J. Steele (resigned 1 April 2021)	●●●
A.A. Andrea	●●●●
A.L. Luger	●●●●

● Attended ● Did not attend

Dear shareholder,

I replaced Dick Steele as Chair of the Committee on 1 April 2021 and on behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ended 31 December 2021. 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 2021.

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 2021 and 2022. The Group's financial performance in 2021 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 is extremely proud of the Group's achievements in 2021 during a time of unprecedented uncertainty and challenge. As covered in the Chief Executive's Statement on pages 12 to 15, we are reporting a record sales year for the Group and a track record of delivering on our strategy including strong growth in online channels. The Our Strategy in Action section on pages 22 to 23 reports on our progress in delivering sustainable sales growth and improving operating margins.

We are particularly pleased to see this significant progress in our strategic aims and this has been reflected in our discussions and decisions as a Remuneration Committee.

2021 revenue of £106.0 million is an all-time record for the Group. Results like these would not have been achieved without the absolute hard work, determination and commitment of all of our colleagues and our Executive Directors. As a Committee we set challenging annual incentive targets based on a demanding profit before tax and exceptional items target. Our targets have not been softened due to the challenging Covid-19 trading environment and have been maintained at their demanding levels. In early 2021, the Committee set rigorous targets and determined that if those targets were achieved the Executive Directors would have delivered the value to the Group that warranted an incentive payment.

As a result of the Group's outstanding performance the annual incentive paid to Executive Directors for the year ended 31 December 2021 is 35% of basic annual salary. All eligible staff have received an incentive payment related to 2021 profit achievements. Although the Group received a limited amount of government support during 2021, this was insignificant in determining the bonus outcomes. As a Committee, we were pleased to make the awards to recognise achievement after two years of not being in a position to do so.

There have been no structural changes to the Remuneration Policy during 2021.

The Company's existing executive share option plans – The Portmeirion 2012 Unapproved Share Option Plan and The Portmeirion 2012 Approved Share Option Plan – are shortly due to reach the end of their 10-year lives and expire. The Remuneration Committee has decided that replacements to these existing share plans should be put to shareholders for approval at the Company's 2022 AGM.

The new share plans – The Portmeirion Group 2022 Unapproved Share Option Plan and The Portmeirion Group 2022 Approved Share Option Plan – are designed to be materially similar to the existing share option plans. However, the Remuneration Committee has concluded that some amendments should be made to reflect current market practice and good standards of corporate governance. The key changes which have been approved by the Remuneration Committee (subject to shareholder approval of the new share plans) are:

- the introduction of a limit on the size of any option which may be granted under the new share plans to an individual in any financial year. That annual limit is 150% of the individual's base salary (although the Remuneration Committee may grant options in excess of this limit in exceptional circumstances);
- the introduction of malus and clawback provisions which apply for a period of two years after vesting of any option under the new plans, and which apply in specified circumstances such as corporate failure or behaviour which causes injury to the Company's reputation;
- 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; and
- the Remuneration Committee will be permitted to reduce the extent to which any options may vest on a discretionary basis, if it considers it appropriate to do so taking into account overall performance of the Company or the individual option holder or on account of unforeseen circumstances.

A summary of the new share plans is set out in Appendix II to the Company's 2022 Notice of AGM, and can be reviewed by shareholders seeking more detailed information.

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 2021.

Each year, we review how shareholders voted on the Directors' Remuneration Report, together with any feedback received. We were pleased to receive strong support for our Directors' Remuneration Report at the 2021 AGM, where 99.76% 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

16 March 2022

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 available at www.portmeiriongroup.com.

Clare Askem is Chair of the Remuneration Committee and replaced Dick Steele as Chair on 1 April 2021 following his resignation from the Committee. Clare joined the Committee in August 2020 and has experience in this area having been a member of other publicly listed company remuneration committees. 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 2021, 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 2021. 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.

Directors' Remuneration Report continued

Remuneration Policy continued

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 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. Executive Directors are entitled to accept appointments outside the Group providing that the Chairman grants his permission.

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

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 2021 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.	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.	Maximum incentive potential is 100% of basic annual salary.	Based on achievement of a demanding profit before tax and exceptional items target.
Long-term 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.

Remuneration Policy continued

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.	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.	The Portmeirion 2012 Approved Share Option Plan has a limit of £30,000 for any "approved" options in accordance with HMRC limits. Options granted above the £30,000 limit are granted under The Portmeirion 2012 Unapproved Share Option Plan.	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 2021 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.
Pension			
Providing post-retirement benefits. Not offered after 1 January 2022 to any Non-executive Director.	The Group operates defined contribution schemes.	Dependent on the value of the fund at retirement.	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
J.M. Gale	04.08.2020	12 months
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 and benefits 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 19 May 2022.

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.

Application of the Remuneration Policy for the year ended 31 December 2021

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.

Jacqui Gale and Bill Robedee were promoted to the Board in August 2020 and have demonstrated their significant contribution to the Group, demonstrably seen by the increase in online and core market sales in the UK and US. The emoluments table reflects, for the first time, a full year of their salary as agreed on promotion to the Board. Neither received a salary increase in 2021.

In 2019, Mike Raybould was promoted to Chief Executive and David Sproston to Group Finance Director. On these appointments, the Committee put in place development plans which have been recognised in their remuneration in accordance with scaled plans to reflect the increased responsibilities that came with the roles over time.

Mick Knapper's role has grown since 2020, from a ceramics division focus to encompass all Group sourcing, production, information systems and logistics functions as can be seen from his biography on page 38. His salary was increased in 2021 to reflect the wider role.

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 the opportunity in respect of 2021, if profit before tax and exceptional items exceeded carefully determined stretching targets then an incentive became payable. The incentive only became payable at the point where market expectations were met and then increased on a sliding incremental scale as market expectations were exceeded.

Directors' Remuneration Report continued

Application of the Remuneration Policy for the year ended 31 December 2021 continued

Annual incentive payments continued

Due to the significant profit improvement over 2020 and as original market expectations were exceeded by 12.5% despite ongoing Covid-19 disruption and inflationary pressures, an incentive payment of 35% of basic annual salary was paid to Executive Directors. Please refer to my introduction in relation to this payment. The Committee was pleased to pay an incentive in line with scheme parameters after two years of non-payment.

Long-term incentive plan (LTIP)

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).

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.

The Company has two 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"). 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.

The 2012 Plans expire in May 2022 and authority is being sought from shareholders at the 2022 AGM to replace these plans with the proposed 2022 Plans as set out on page 51. Details of the 2022 Plans are included in the Notice of Annual General Meeting.

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.

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 has been aligned to 13% with effect from 1 January 2022. All UK Executive Directors, namely Jacqui Gale, 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 just over 3% of base salary in 2021 to 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 of the Report of the Directors.

Application of the Remuneration Policy for the year ended 31 December 2021 continued

Aggregate Directors' remuneration

The total amounts for Directors' remuneration were as follows:

	2021 £'000	2020 £'000
Emoluments	**1,868**	1,763
Long-term incentive plan (LTIP)	**59**	23
Gains made on exercise of share options	**—**	—
Money purchase pension contributions	**125**	119
	2,052	1,905

Directors' emoluments

	Salary and fees £'000	Taxable benefits £'000	Incentive £'000	LTIP £'000	Gains made on exercise of share options £'000	Pension contributions £'000	Total 2021 £'000	Total 2020 £'000
Executive								
P.E. Atherton(4)	—	—	—	—	—	—	**—**	436
J.M. Gale(1,3,5)	200	18	70	—	—	26	**314**	205
M.J. Knapper(1,2,3,6)	193	9	68	22	—	25	**317**	221
M.T. Raybould(1,2,3,6)	379	17	133	37	—	42	**608**	408
W.J. Robedee(1,3,5,7)	247	25	86	—	—	8	**366**	260
D. Sproston(1,3,6)	150	9	53	—	—	14	**226**	140
Non-executive								
A.A. Andrea	36	—	—	—	—	—	**36**	36
C.V. Askem(8)	36	—	—	—	—	—	**36**	15
L. Bryan(8)	—	—	—	—	—	—	**—**	21
J. Kong(8)	—	—	—	—	—	—	**—**	15
A.L. Luger	36	—	—	—	—	—	**36**	36
R.J. Steele(3)	103	—	—	—	—	10	**113**	112
	1,380	78	410	59	—	125	**2,052**	1,905

Notes:

(1) 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 £21,000 (2020: £24,000) 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.

(2) On 2 June 2021, M.J. Knapper and M.T. Raybould exercised options granted in 2018 under the 2018 Deferred Incentive Plan. The mid-market closing price of the Company's shares on 2 June 2021 was 680.00p. 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 (680.00p) 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 long-term incentive plan section of this report on page 57.

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

(4) P.E. Atherton resigned from the Board on 3 August 2020.

(5) J.M. Gale and W.J. Robedee were promoted to the Board in August 2020 and the above figures represent a full year at the salary agreed for them on promotion in 2020. They did not receive a salary increase in 2021.

(6) M.J. Knapper, M.T. Raybould and D. Sproston received increases in salary during 2021 as part of a two to three year policy of moving up internal promoted candidates over time.

(7) Amounts disclosed above for W.J. Robedee reflect salary, taxable benefits and pension contributions for all of 2020. W.J. Robedee was remunerated in US dollars and his remuneration is translated into sterling at the average exchange rate for the year. In 2021, this was $1.3757/£1 (2020: $1.2836/£1).

(8) C.V. Askem joined the Board on 4 August 2020; above figures reflect a full year. L. Bryan resigned from the Board on 4 August 2020. J. Kong resigned from the Board on 19 May 2020.

Directors' Remuneration Report continued

Application of the Remuneration Policy for the year ended 31 December 2021 continued

Non-executive Directors

The Non-executive Directors do not participate in the Company's annual incentive, share option or long-term incentive schemes.

Directors' share options and long-term 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 two share option plans, the 2012 Approved Plan and the 2012 Unapproved Plan, as described on page 54.

Performance conditions for options granted in 2018 were not met and therefore those options lapsed. Options granted in 2019 were surrendered on 24 March 2021 for no consideration.

As announced on 25 March 2021, the Remuneration Committee determined that the earnings per share performance conditions set for the options granted on 4 May 2020 under the 2012 Plans (the "2020 Options") be rebased to take account of the number of shares in issue at the time of grant in May 2020 rather than the increased number of issued shares as a result of the June 2020 equity raise. The 2020 Options will therefore normally only be 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 two years ending 31 December 2021 and 31 December 2022 is at least 10% higher than that for the year ended 31 December 2019. The number of the Group's shares in issue (excluding treasury shares and shares held in The Portmeirion Employees Share Trust on which dividends are not paid) to be used in the calculations shall be that at the time of grant of the options on 4 May 2020, being 10,642,578 shares.

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 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 using the number of shares in issue (excluding treasury shares and shares held in The Portmeirion Employees Share Trust on which dividends are not paid) immediately following the equity raise completed on 29 June 2020, being 13,739,182 shares.

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

Director	At 01.01.2021	Number of options				At 31.12.2021	Exercise price	Dates on which exercisable	
		Granted	Exercised	Lapsed	Surrendered		p	Earliest	Latest
J.M. Gale	10,000	—	—	—	10,000	—	980.00	09.08.2022	07.08.2029
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
M.J. Knapper	25,000	—	—	25,000	—	—	1,180.00	23.05.2021	21.05.2028
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.T. Raybould	30,000	—	—	30,000	—	—	1,180.00	23.05.2021	21.05.2028
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
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
D. Sproston	7,500	—	—	7,500	—	—	1,180.00	23.05.2021	21.05.2028
D. Sproston	4,600	—	—	—	4,600	—	980.00	09.08.2022	07.08.2029
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

Notes:

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

(2) The Company's share price reached a high of 710.00p and a low of 497.00p during 2021. The average share price during 2021 was 630.14p. The share price on 31 December 2021 was 620.00p.

(3) There have been no changes to the Directors' interests in the shares or options over shares of the Company between 31 December 2021 and 16 March 2022.

Application of Remuneration Policy for the year ended 31 December 2021 continued

Long-term incentive plan

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

		Number of options				Dates on which exercisable	
Director	At 01.01.2021	Granted	Exercised	Lapsed	At 31.12.2021	Earliest	Latest
M.J. Knapper	1,750	—	1,750	—	**—**	22.05.2021	20.08.2021
M.J. Knapper	2,615	—	—	—	**2,615**	09.08.2022	07.11.2022
M.T. Raybould	2,917	—	2,917	—	**—**	22.05.2021	20.08.2021
M.T. Raybould	4,358	—	—	—	**4,358**	09.08.2022	07.11.2022

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.

(2) J.M. Gale, W.J. Robedee and D. Sproston do not hold 2018 Deferred Incentive Plan options as there have been no grants since their appointments.

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 2021 £'000	Total gains on exercise 2020 £'000
M.J. Knapper	02.06.2021	1,750	100.00	680.00	12	**12**	—
M.T. Raybould	02.06.2021	2,917	100.00	680.00	20	**20**	—

Consultations with shareholders and statement of voting at general meeting

At the Annual General Meeting of the Company held on 25 May 2021, a resolution to approve the Directors' Remuneration Report for the year ended 31 December 2020 was passed with 7,440,635 proxy votes lodged, of which 99.76% were in favour and 0.23% voted against.

In February 2022, 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

16 March 2022

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 2021. 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 to 21.

Dividends

Due to the unprecedented uncertainty facing businesses around the world from Covid-19, there was no interim dividend declared on the ordinary share capital for 2021 (2020: £nil). Subject to shareholder approval at the AGM on 19 May 2022, the Board is recommending payment of a final dividend for 2021 of 13.00p per share (2020: £nil), giving total dividends paid and proposed for the year of 13.00p per share (2020: £nil).

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 2021. 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 19 May 2022 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 2021 and 16 March 2022.

Details of Directors' remuneration and share options are provided in the Directors' Remuneration Report on pages 55 to 57.

Details of transactions with Directors and other related parties are to be found in note 30 on pages 95 to 96.

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.

The Directors who held office at 31 December 2021 had the following beneficial interests in the share capital of the Company:

	At 31 December 2021 5p ordinary shares Beneficial	At 31 December 2020 5p ordinary shares Beneficial
A.A. Andrea	**1,000**	1,000
C.V. Askem	**—**	—
J.M. Gale	**—**	—
M.J. Knapper	**5,576**	3,826
A.L. Luger	**3,947**	3,947
M.T. Raybould	**5,548**	2,631
W.J. Robedee	**—**	—
D. Sproston	**1,315**	1,315
R.J. Steele	**30,000**	30,000

Capital structure continued

Details of employee share schemes are set out in notes 26 and 33 on page 94 and pages 101 to 103. Shares held by the Portmeirion Employees' Share Trust abstain from voting.

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 25 May 2021 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 £465,904. Such authority shall expire at the earlier of the next Annual General Meeting of the Company or 30 June 2022.

Substantial shareholdings

On 31 December 2021 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)	10.27%	1,436,195
Ruffer LLP(3)	7.94%	1,110,076
Investec Wealth & Investment Limited(3)	7.77%	1,086,275
Shahrzad Farhadi	4.52%	632,333
AB Traction(3)	4.18%	585,158
Kamrouz Farhadi	4.03%	562,917
Charles Stanley Group PLC(3)	3.89%	543,847
Killik & Co LLP(3)	2.11%	294,997

Notes:

(1) The percentages are of the total shares in issue, excluding treasury shares (13,985,442).

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

(3) Shareholding held indirectly through a nominee.

During the period between 31 December 2021 and 16 March 2022, 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 218,645 treasury shares, purchased at an average cost of 187p 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 2021, 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 16 March 2022.

Annual General Meeting

The Annual General Meeting will be held at the registered office of the Company at London Road, Stoke-on-Trent, on 19 May 2022 at 12:30pm (the "2022 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 to 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 pages 83 and 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.

Report of the Directors continued

Employees continued

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. 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 HR Director (UK & International) 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 (2020: nil).

Post balance sheet events

Subsequent to the year end, the Group agreed an extension to its existing £10,000,000 revolving credit facility until February 2025.

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.

Moira MacDonald

Company Secretary

16 March 2022

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 international accounting standards 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 2021 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 2021 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 Directors' 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 assess and 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;
- performing audit work to assess the reasonableness of the assumptions used by the Directors' in their forecasts;
- assessing Directors ability to accurately forecast with reference to the historical accuracy of forecasts prepared by the Directors;
- verifying that the board have approved the forecasts;
- assessing key assumptions used in management's stress testing response to Covid-19; and
- evaluating the appropriateness of the Directors' disclosures in the financial statements on going concern.

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.

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 75. For Portmeirion Group PLC we see the risk of fraud in revenue recognition as being principally in relation to cut-off – we see the cut off risk being specifically applicable to three scenarios within the Group:	**Our audit work included but were not limited to:** - reviewing the key elements underpinning the trigger points to recognise revenue; - focus on export sales made in December and January and ensured the cut off between sales and stock movements is reflective of the year end position; - reviewing management estimates for rebate provisions. We agreed a sample of these to post year end payments and credit notes. Our work also included a review on historical accuracy of provisions and any correspondence with clients; and - we performed detailed system walkthroughs for online sales and used our knowledge from this to substantively test revenue raised either side of the year end to a level associated with significant risk.

Key Audit Matter	How our scope addressed this matter
Revenue recognition continued **Revenue recognition for export sales** There is a risk that export sales close to the year end could be accounted for incorrectly. There is a risk that revenue is recognised prior to the transfer of the risks and rewards of the stock involved. **Provision for rebates** There is a risk that the provision in place for rebates is under estimated. **Revenue recognised on e-commerce sales** E-commerce has grown significantly over the course of the pandemic and could give rise to different processes that affect how the revenue is recognised.	**Our observations** Based on the work performed, we are satisfied that appropriate cut-off procedures have been applied in line with revenue recognition policies.
Inventory provision Inventory accounts for 52% 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 78. The provision is calculated on a formulaic basis which also considers management's assessment of each stock unit's sales values in the future. This involves a degree of judgement as some of these stock lines are out of season or in less demand. Therefore, there is a risk that the inventory provision is materially misstated and that stock is not being held at the appropriate value. As a result, we consider completeness of stock provision in respect of inventory as a key audit matter.	**Our audit work included but was not limited to:** • reviewing the consistency in application of the provision methodology across the Group; • reviewing in detail the assessments made by management including the application of consistency of approach with added provision methodology and the prior year, and any significant trends or events occurring in the year; • we also challenged the appropriateness of the basis behind the provision as well as confirmed consistency in its application; • we sample tested a number of stock items to post year end sales invoices to validate that the stock is held at the appropriate value; and • our audit work also included reviewing slow moving stock lines as well as any aged/old pattern items. **Our observations** Based on the work performed, the level of provisioning adopted was considered reasonable.

Our application of materiality

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:

Overall Group materiality:	Group; £1,322,000 Parent; £373,000
How we determined it & rationale for the benchmark	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. As an AIM listed Group we started at the bottom of our benchmark at 0.5%. We then overlayed that historically relatively few errors have been found in the Portmeirion audit and management are responsive in correcting for these. So we have increased the materiality benchmark to 1.25%.
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 £859,000 for the Group and capped at £194,000 for the parent.
Reporting threshold	We agreed with the Directors that we would report to them misstatements identified during our audit above £39,000 for the Group and capped at £8,000 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.

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

Our application of materiality continued

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 £462,000 and £19,500.

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 audited 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. 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 its 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; or
- a corporate governance statement has not been prepared by the parent entity.

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities 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 its industry, we identified that the principal risks of non-compliance with laws and regulations related to the non-compliance with required disclosures concerning climate change and sustainability, compliance with the government Covid support grant and tax regulations and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006.

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;
- 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.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as IFRS, AIM Rule 26 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), and significant one-off or unusual transactions.

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.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with 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 for the audit of the financial statements is located 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.

Robert Neate (Senior Statutory Auditor)

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

16 March 2022

Consolidated Income Statement
for the year ended 31 December 2021

	Notes	Year to 31 December 2021 £'000	Year to 31 December 2020 £'000
Revenue	4,5	**106,018**	87,854
Operating costs before exceptionals	6	**(98,375)**	(85,661)
Headline operating profit[1]		**7,643**	2,193
Exceptional items	6		
– **restructuring costs**		**(1,036)**	(1,288)
– **acquisition costs**		**—**	(104)
– **share issue costs**		**—**	(55)
– **Covid-19 costs**		**—**	(176)
– **GMP equalisation**		**(197)**	—
Operating Profit		**6,410**	570
Interest income	9	**12**	13
Finance costs	10	**(580)**	(740)
Profit on sale of fixed assets		**120**	—
Share of results of associated undertakings		**—**	(75)
Headline profit before tax[1]		**7,195**	1,391
Exceptional items	6		
– **restructuring costs**		**(1,036)**	(1,288)
– **acquisition costs**		**—**	(104)
– **share issue costs**		**—**	(55)
– **Covid-19 costs**		**—**	(176)
– **GMP equalisation**		**(197)**	—
Profit/(loss) before tax		**5,962**	(232)
Tax	11	**(2,721)**	(503)
Profit/(loss) for the period attributable to equity holders		**3,241**	(735)
Earnings per share	13		
Basic		**23.58p**	(6.02)p
Diluted		**23.49p**	(6.02)p
Headline earnings per share	13		
Basic		**38.85p**	4.96p
Diluted		**38.71p**	4.95p
Dividends proposed and paid per share	12	**13.00p**	0.00p

All the above figures relate to continuing operations.

(1) Headline operating profit is statutory operating profit of £6,410,000 (2020: £570,000) add exceptional items of £1,233,000 (2020: £1,623,000). Headline profit before tax is statutory profit/(loss) before tax of £5,962,000 (2020: £232,000 loss before tax) add exceptional items of £1,233,000 (2020: £1,623,000).

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2021

	Notes	2021 £'000	2020 £'000
Profit/(loss) for the year		**3,241**	(735)
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of net defined benefit pension scheme liability	31	**2,505**	(3,208)
Deferred tax relating to items that will not be reclassified subsequently to profit or loss	25	**267**	843
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**64**	(525)
Deferred tax relating to items that may be reclassified subsequently to profit or loss	25	**45**	(26)
Other comprehensive income/(loss) for the year		**2,881**	(2,916)
Total comprehensive income/(loss) for the year attributable to equity holders		**6,122**	(3,651)

Consolidated Balance Sheet
31 December 2021

	Notes	2021 £'000	2020 £'000
Non-current assets			
Goodwill	14	**8,978**	8,978
Intangible assets	15	**7,126**	6,976
Property, plant and equipment	16	**14,398**	12,197
Right-of-use assets	17	**6,409**	6,910
Pension scheme surplus	31	**910**	—
Deferred tax asset	25	**—**	119
Total non-current assets		**37,821**	35,180
Current assets			
Inventories	19	**29,224**	27,313
Trade and other receivables	20	**19,243**	15,269
Current income tax asset		**662**	579
Cash and cash equivalents	21	**7,616**	11,590
Total current assets		**56,745**	54,751
Total assets		**94,566**	89,931
Current liabilities			
Trade and other payables	22	**(16,245)**	(12,601)
Lease liabilities	23	**(1,695)**	(2,143)
Borrowings	28	**(1,986)**	(3,972)
Total current liabilities		**(19,926)**	(18,716)
Non-current liabilities			
Pension scheme deficit	31	**—**	(2,721)
Deferred tax liability	25	**(2,609)**	(738)
Lease liabilities	23	**(5,119)**	(5,096)
Borrowings	28	**(4,965)**	(6,951)
Total non-current liabilities		**(12,693)**	(15,506)
Total liabilities		**(32,619)**	(34,222)
Net assets		**61,947**	55,709
Equity			
Called up share capital	26	**710**	710
Share premium account		**18,344**	18,344
Investment in own shares	27	**(3,124)**	(3,140)
Share-based payment reserve		**128**	152
Translation reserve		**1,186**	1,077
Retained earnings		**44,703**	38,566
Total equity		**61,947**	55,709

These financial statements were approved by the Board of Directors and authorised for issue on 16 March 2022.

They were signed on its behalf by:

M.T Raybould
Director

D. Sproston
Director

Company Balance Sheet
31 December 2021

	Notes	2021 £'000	2020 £'000
Non-current assets			
Investment in subsidiaries	18	**23,595**	23,595
Total non-current assets		**23,595**	23,595
Current assets			
Trade and other receivables	20	**3,577**	3,730
Cash and cash equivalents		**—**	—
Total current assets		**3,577**	3,730
Total assets		**27,172**	27,325
Total liabilities		**(35)**	(8)
Net assets		**27,137**	27,317
Equity			
Called up share capital	26	**710**	710
Share premium account		**18,344**	18,344
Other reserves		**197**	197
Investment in own shares	27	**(3,124)**	(3,140)
Share-based payment reserve		**128**	152
Retained earnings		**10,882**	11,054
Total equity		**27,137**	27,317

The Company reported a loss for the financial year ended 31 December 2021 of £244,000 (2020: £235,000).

The financial statements of Portmeirion Group PLC, company registration number 124842, were approved by the Board of Directors and authorised for issue on 16 March 2022.

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 2021

	Share capital £'000	Share premium account £'000	Investment in own shares £'000	Share-based payment reserve £'000	Translation reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2020	555	7,310	(3,146)	87	1,628	41,664	48,098
Loss for the year	—	—	—	—	—	(735)	(735)
Other comprehensive loss for the year	—	—	—	—	(551)	(2,365)	(2,916)
Total comprehensive loss for the year	—	—	—	—	(551)	(3,100)	(3,651)
Unclaimed dividends written back	—	—	—	—	—	4	4
Issue of own shares	155	11,074	—	—	—	—	11,229
Cost of issue of own shares	—	(40)	—	—	—	—	(40)
Increase in share-based payment reserve	—	—	—	86	—	(21)	65
Transfer on exercise or lapse of options	—	—	—	(21)	—	21	—
Shares issued under employee share schemes	—	—	6	—	—	(6)	—
Deferred tax on share-based payment	—	—	—	—	—	4	4
At 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 31 December 2021	**710**	**18,344**	**(3,124)**	**128**	**1,186**	**44,703**	**61,947**

The nature of each reserve is explained in note 2.16 on pages 78 and 79.

Company Statement of Changes in Equity
for the year ended 31 December 2021

	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 2020	555	7,310	197	(3,146)	87	11,291	16,294
Loss for the year	—	—	—	—	—	(235)	(235)
Total comprehensive loss for the year	—	—	—	—	—	(235)	(235)
Unclaimed dividends written back	—	—	—	—	—	4	4
Issue of own shares	155	11,074	—	—	—	—	11,229
Cost of issue of own shares	—	(40)	—	—	—	—	(40)
Increase in share-based payment reserve	—	—	—	—	86	(21)	65
Transfer on exercise or lapse of options	—	—	—	—	(21)	21	—
Shares issued under employee share schemes	—	—	—	6	—	(6)	—
At 1 January 2021	**710**	**18,344**	**197**	**(3,140)**	**152**	**11,054**	**27,317**
Loss for the year	—	—	—	—	—	(244)	(244)
Total comprehensive loss 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 31 December 2021	**710**	**18,344**	**197**	**(3,124)**	**128**	**10,882**	**27,137**

The nature of each reserve is explained in note 2.16 on pages 78 and 79.

Consolidated Statement of Cash Flows
for the year ended 31 December 2021

	Notes	2021 £'000	2020 £'000
Operating profit		6,410	570
Adjustments for:			
Depreciation of property, plant and equipment	16	1,652	1,634
Depreciation of right-of-use assets	17	1,933	2,037
Amortisation of intangible assets	15	698	848
Charge for share-based payments	33	64	65
Charge for GMP equalisation		197	—
Exchange gain/(loss)		36	(100)
Loss on sale of tangible fixed assets		17	12
Operating cash flows before movements in working capital		11,007	5,066
(Increase)/decrease in inventories		(2,071)	171
(Increase)/decrease in receivables		(3,960)	4,398
Increase/(decrease) in payables		3,707	(913)
Cash generated from operations		8,683	8,722
Contributions to defined benefit pension scheme	31	(1,350)	(900)
Interest paid		(368)	(497)
Income taxes paid		(461)	(125)
Net cash inflow from operating activities		6,504	7,200
Investing activities			
Interest received		12	12
Purchase of property, plant and equipment	16	(4,511)	(2,556)
Proceeds from disposal of property, plant and equipment		786	—
Purchase of intangible assets	15	(843)	(196)
Acquisition of subsidiary		—	(541)
Net cash outflow from investing activities		(4,556)	(3,281)
Financing activities			
Equity dividends paid	12	—	—
Issue of own shares		—	11,229
Costs taken directly through reserves		—	(40)
New bank loans raised	28	—	5,000
Principal elements of lease payments		(1,927)	(2,084)
Repayments of borrowings	28	(4,000)	(7,581)
Net cash (outflow)/inflow from financing activities		(5,927)	6,524
Net (decrease)/increase in cash and cash equivalents		(3,979)	10,443
Cash and cash equivalents at beginning of year		11,590	1,151
Effect of foreign exchange rate changes		5	(4)
Cash and cash equivalents at end of year		7,616	11,590

Company Statement of Cash Flows
for the year ended 31 December 2021

	Notes	2021 £'000	2020 £'000
Operating loss		**(244)**	(235)
Adjustments for:			
Charge for share-based payments	33	**64**	65
Operating cash flows before movements in working capital		**(180)**	(170)
Decrease in receivables		**153**	202
Increase in payables		**27**	8
Cash generated from operations		**—**	40
Income taxes paid		**—**	—
Net cash inflow from operating activities		**—**	40
Investing activities			
Capital contribution		**—**	(11,229)
Net cash outflow from investing activities		**—**	(11,229)
Financing activities			
Equity dividends paid	12	**—**	—
Issue of own shares		**—**	11,229
Cost of issue of own shares		**—**	(40)
Shares issued under employee share schemes		**—**	—
Net cash inflow from financing activities		**—**	11,189
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 page 105. 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 international accounting standards 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 cash of £0.7 million (comprising cash and cash equivalents of £7.6 million less borrowings of £6.9 million) and, as disclosed in note 24 on page 92, had unutilised bank facilities with available funding of £15.0 million. Operating cash generation was strong during the year at £8.7 million (2020: £8.7 million).

The Group sells into over 70 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 40% of its products and sources the remainder from a range of third-party suppliers.

Following the negative impact on trading in 2020 caused by the Covid-19 pandemic, the Group's performance rebounded strongly despite ongoing disruption in key sales markets and to supply chain and labour markets. However, the Group is well diversified and retains a strong balance sheet with significant funding headroom available.

The Group has also produced a sensitivity analysis to its cash flow forecast based upon current trading conditions, including the impact of the current war in Ukraine, and to allow for further potential impact of Covid-19; this demonstrated the Group still has sufficient headroom within borrowing facilities.

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 issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period beginning on 1 January 2021.

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 IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest rate benchmark reform – phase 2	1 January 2021
Amendments to IFRS 4 Insurance contracts	1 January 2021
Amendments to IFRS 16 Leases Covid-19 Related rent concessions	30 June 2020

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
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
IFRS 17, 'Insurance contracts'	1 January 2023
Amendments to IFRS 16 Leases Covid-19 Related rent concessions beyond 30 June 2021	1 April 2021
Annual improvements to IFRS 2018 – 2020	1 January 2022
Amendments to IAS 1, Presentation of financial statements' on classification of liabilities	Not yet endorsed
Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies	Not yet endorsed
Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates	Not yet endorsed
Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	Not yet endorsed

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.

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 2021.

2.1 Basis of consolidation

The consolidated financial statements incorporate the financial statements of Portmeirion Group PLC and its subsidiaries. The Group's cost of associated undertakings adjusted for the share of the results are included.

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 and associated undertakings have been prepared for the year ended 31 December 2021.

2.2 Investments

Fixed asset investments for the Company in subsidiaries and associates 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.

Notes to the Financial Statements continued

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 share of results of associated undertakings.

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 gains/losses from disposal of investments. 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.

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 and associates, 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 ten 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.

Notes to the Financial Statements continued

2. Significant accounting policies continued

2.12 Impairment of tangible assets, intangible assets and goodwill continued

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.

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.

2. Significant accounting policies continued

2.16 Equity continued

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.

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 from time to time 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

The Group has received funding from various Governments in relation to Covid-19. Government income is recognised in profit or loss (as a deduction in the related expense) on a systematic basis over the periods in which the Group recognises expenses for the related costs for which the grants are intended to compensate. Where it is not yet considered highly probable that Government funding will not have to be repaid, this element is deferred on the balance sheet within other creditors.

Notes to the Financial Statements continued

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.

Critical judgements 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.

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 asset or 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.

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.

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.

4. Revenue

An analysis of the Group's revenue is as follows:

Continuing operations	2021 £'000	2020 £'000
Sale of goods	**105,827**	87,703
Royalties	**191**	151
	106,018	87,854

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.

	2021			2020		
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	**65,350**	**(5,664)**	**59,686**	56,225	(3,307)	52,918
North America	**46,332**	**—**	**46,332**	35,159	(223)	34,936
	111,682	**(5,664)**	**106,018**	91,384	(3,530)	87,854

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	2021 £'000	2020 £'000
United Kingdom	**32,871**	31,845
United States	**42,492**	33,493
South Korea	**18,680**	13,071
Rest of the World	**11,975**	9,445
	106,018	87,854

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 the share of results of associates, 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 with the exception of interests in associates. Assets used jointly by reportable segments are allocated on the basis of contribution earned by individual reportable segments.

Notes to the Financial Statements continued

5. Segmental analysis continued

Operating profit by origin	2021 £'000	2020 £'000
UK	5,985	1,324
North America	1,658	869
Headline operating profit	7,643	2,193
Unallocated items:		
Exceptional items	(1,233)	(1,623)
Share of results of associated undertakings	—	(75)
Profit on sale of fixed assets	120	—
Interest income	12	13
Finance costs	(580)	(740)
Profit/(loss) before tax	5,962	(232)
Tax	(2,721)	(503)
Profit/(loss) after tax	3,241	(735)

	2021			2020		
Other information	UK £'000	North America £'000	Consolidated £'000	UK £'000	North America £'000	Consolidated £'000
Capital additions	4,659	2,050	6,709	3,088	2,053	5,141
Depreciation and amortisation	2,648	1,635	4,283	2,717	1,802	4,519
Balance sheet:						
Assets						
Non-current segment assets	27,946	9,875	37,821	25,096	10,084	35,180
Other segment assets	34,708	22,037	56,745	38,376	16,375	54,751
Consolidated total assets	62,654	31,912	94,566	63,472	26,459	89,931
Liabilities						
Consolidated total liabilities	21,941	10,678	32,619	25,883	8,339	34,222

All non-current segment assets relate to the UK business other than £9,875,000 (2020: £10,084,000) which relate to the North America business segment.

Reconciliation of earnings before interest, tax, depreciation and amortisation (EBITDA)	2021 £'000	2020 £'000
Operating profit	6,410	570
Add back:		
Depreciation	3,585	3,671
Amortisation	698	848
Earnings before interest, tax, depreciation and amortisation	10,693	5,089

6. Operating costs

	2021 £'000	2020 £'000
Cost of inventories recognised as an expense	**46,902**	41,230
Movement on inventory impairment provision	**(540)**	582
Other external charges	**16,922**	14,366
Staff costs (note 7)	**30,532**	27,324
Covid-19 Government support	**(316)**	(3,475)
Depreciation of property, plant and equipment	**1,652**	1,634
Depreciation of right-of-use assets	**1,933**	2,037
Amortisation of intangible assets	**698**	848
Impairment of trade receivables	**28**	500
Cost of research and development	**570**	538
Net foreign exchange (gains)/losses	**(6)**	77
	98,375	85,661

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.

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 (2020: £3,475,000) and is included as a credit within operating costs.

Exceptional items by type are as follows:

	2021 £'000	2020 £'000
Restructuring costs	**1,036**	1,288
Acquisition costs	**—**	104
Share issue costs	**—**	55
Covid-19 costs	**—**	176
GMP equalisation costs	**197**	—
	1,233	1,623

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. All of these costs are exceptional in nature and non-recurring.

7. Staff numbers and costs

	2021 Number	2020 Number
The average number of persons employed during the year, including Directors:		
Operatives	**496**	491
Support staff	**370**	359
	866	850

The Company had no employees in the current or preceding years. All employee costs are paid for by Group companies.

Notes to the Financial Statements continued

7. Staff numbers and costs continued

	2021 £'000	2020 £'000
Staff costs		
Wages and salaries	**26,086**	22,982
Social security costs	**2,171**	2,036
Other pension costs	**1,398**	1,407
	29,655	26,425
Non-monetary benefits	**877**	899
	30,532	27,324

	2021 £'000	2020 £'000
Directors' emoluments:		
Salary and fees, taxable benefits and incentive	**1,868**	1,860
Long-term incentive plan	**59**	59
Pension contributions	**125**	125
	2,052	2,044

The Directors' emoluments disclosed above reflect emoluments received by the Directors for the period in 2021 during which they were a Director of the Company.

There were no gains made on the exercise of share options in 2021 (2020: £nil).

	2021 Number	2020 Number
Number of Directors who were members of a defined contribution pension scheme during the year	**6**	6
Number of Directors who exercised options over shares in the ultimate parent company	**2**	1

	2021 £'000	2020 £'000
Remuneration of the highest paid Director:		
Salary and fees, taxable benefits and incentive	**529**	391
Long-term incentive plan	**37**	23
Pension contributions	**42**	22
	608	436

8. Auditors' remuneration

	2021 £'000	2020 £'000
Fees payable to the Group's auditors for the audit of the Group's annual accounts	**106**	101
Other audit related services – interim review	**16**	15
The audit of the Company's subsidiaries	**21**	20
Total audit related fees	**143**	136
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**	5
	6	5

The audit fee for the Company was £2,000 (2020: £2,000).

Fees payable to Mazars LLP and their associates for non-audit services to the Company are £nil (2020: £nil). There were no non-audit services provided on a consolidated basis in 2021 (2020: £nil).

9. Interest income

	2021 £'000	2020 £'000
Bank deposits	**12**	12
Net interest income on pension scheme asset (note 31)	**—**	1
	12	13

Interest income relates to amounts received on financial assets and classified as cash and cash equivalents.

10. Finance costs

	2021 £'000	2020 £'000
Interest paid	**361**	561
Interest on lease liabilities	**192**	179
Net interest expense on pension scheme asset (note 31)	**27**	—
	580	740

Interest paid relates to amounts paid on financial liabilities held at amortised cost.

11. Taxation on profit on ordinary activities

	2021 £'000	2020 £'000
Current taxation		
United Kingdom corporation tax at 19% (2020: 19%)	**260**	(40)
Overseas taxation	**107**	(155)
	367	(195)
Deferred taxation		
Origination and reversal of temporary differences	**1,343**	302
Pension scheme	**1,011**	396
	2,354	698
	2,721	503

United Kingdom corporation tax is calculated at 19% (2020: 19%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

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:

	2021 £'000	2020 £'000
Profit/(loss) on ordinary activities before taxation	**5,962**	(232)
Tax on profit/(loss) on ordinary activities at standard rate of 19% (2020: 19%)	**1,133**	(44)
Factors affecting charge for the year:		
Expenses not deductible for tax purposes and other adjustments	**230**	66
Foreign tax charged at higher rates than UK standard rate	**(71)**	2
Adjustments in respect of previous periods	**186**	92
Deferred tax rate change	**1,243**	387
Total tax on profit on ordinary activities	**2,721**	503

Future tax charges will be impacted by any tax rate changes.

Notes to the Financial Statements continued

12. Dividends paid

	2021 £'000	2020 £'000
Final dividend of 0.00p per share paid in respect of the year ended 31 December 2020 (2020: final dividend of 0.00p per share paid in respect of the year ended 31 December 2019)	—	—
Interim dividend of 0.00p per share paid in respect of the year ended 31 December 2021 (2020: interim dividend of 0.00p per share paid in respect of the year ended 31 December 2020)	—	—
Unclaimed dividends written back	—	(4)
Total dividends paid/(received) in the year	—	(4)

The Directors recommend that a final dividend for 2021 of 13.00p (2020: 0.00p) per ordinary share be paid. The final dividend will be paid, subject to shareholder approval, on 26 May 2022, to shareholders on the register at the close of business on 22 April 2022. This dividend has not been included as a liability in these financial statements.

13. Earnings per share

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

	2021			2020		
	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	3,241	13,747,450	23.58	(735)	12,208,723	(6.02)
Effect of dilutive securities:						
– employee share options	—	49,235	—	—	—	—
Diluted earnings per share	3,241	13,796,685	23.49	(735)	12,208,723	(6.02)

	2021			2020		
	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	5,341	13,747,450	38.85	605	12,208,723	4.96
Effect of dilutive securities:						
– employee share options	—	49,235	—	—	8,335	—
Headline diluted earnings per share	5,341	13,796,685	38.71	605	12,217,058	4.95

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

	2021 £'000	2020 £'000
Profit/(loss) for the year attributable to equity holders	3,241	(735)
Add back/(deduct):		
Exceptional items	1,233	1,623
Tax effect of exceptional items	(223)	(283)
Exceptional impact of remeasuring deferred tax balances from 19% to 25%	1,090	—
Headline earnings	5,341	605

14. Goodwill

	Total £'000
Cost	
At 1 January and 31 December 2021	**8,978**

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 1.5% 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 forecast cash flows is 5%.

The Directors performed sensitivity analysis on the estimates of value in use by assuming no growth in cash flow forecasts in one scenario and by increasing the discount rate to 10% in another scenario. It was found that the excess of value in use over the carrying amount would be reduced, but still no impairment would be required.

Goodwill includes £7,229,000 relating to the Global home fragrance division and £1,749,000 relating to the Portmeirion North America division.

15. Intangible assets

	Computer software £'000	Customer lists £'000	Intellectual property £'000	Total £'000
Cost				
At 1 January 2020	984	2,070	8,782	11,836
Additions	196	—	—	196
Recognised on acquisition of a subsidiary	41	—	—	41
Transfer	423	—	—	423
Exchange rate adjustments	—	—	(68)	(68)
At 1 January 2021	1,644	2,070	8,714	12,428
Additions	843	—	—	843
Disposals	(12)	—	—	(12)
Exchange rate adjustments	—	—	20	20
At 31 December 2021	**2,475**	**2,070**	**8,734**	**13,279**
Amortisation				
At 1 January 2020	364	759	3,066	4,189
Charge for the year	147	207	494	848
Transfer	427	—	—	427
Exchange rate adjustments	—	—	(12)	(12)
At 1 January 2021	938	966	3,548	5,452
Charge for the year	231	207	260	698
Exchange rate adjustments	—	—	3	3
At 31 December 2021	**1,169**	**1,173**	**3,811**	**6,153**
Net book value				
At 31 December 2021	**1,306**	**897**	**4,923**	**7,126**
At 31 December 2020	706	1,104	5,166	6,976

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) and the intellectual property of Nambé (purchased July 2019).

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 (2020: £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 £2,425,000 (2020: £2,685,000) and the customer lists had a carrying value of £897,000 (2020: £1,104,000). The remaining amortisation periods are nine years four months and four years four months respectively.

At the year end the Nambé intellectual property had a carrying value of £1,934,000 (2020: £1,917,000). 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.

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 2020	4,833	3,874	1,637	17,877	28,221
Additions	188	—	58	2,310	2,556
Recognised on acquisition of a subsidiary	—	—	4	54	58
Disposals	—	—	—	(229)	(229)
Transfers	—	—	6	(429)	(423)
Exchange rate adjustments	(68)	—	(40)	(134)	(242)
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 31 December 2021	**4,314**	**3,874**	**3,299**	**22,156**	**33,643**
Depreciation					
At 1 January 2020	2,117	327	1,028	13,488	16,960
Charge for the year	144	51	155	1,284	1,634
On disposals	—	—	—	(219)	(219)
Transfers	39	—	4	(466)	(423)
Exchange rate adjustments	(45)	—	(39)	(124)	(208)
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 31 December 2021	**2,386**	**429**	**1,287**	**15,143**	**19,245**
Net book value					
At 31 December 2021	**1,928**	**3,445**	**2,012**	**7,013**	**14,398**
At 31 December 2020	2,698	3,496	517	5,486	12,197

The Long Leasehold property has a peppercorn rent where the lease premium was paid in total on completion of the purchase. At 31 December 2021, there are 134 years remaining on the lease. At 31 December 2021, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £2,761,000 (2020: £1,356,000).

17. Right-of-use assets

	Land & buildings £'000	Other £'000	Total £'000
Cost			
At 1 January 2020	7,234	645	7,879
Additions	2,338	51	2,389
Disposals	(26)	(7)	(33)
Recognised on acquisition of a subsidiary	483	—	483
Exchange rate adjustments	(142)	—	(142)
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 31 December 2021	**10,250**	**604**	**10,854**
Amortisation			
At 1 January 2020	1,494	239	1,733
Charge for the year	1,789	248	2,037
Exchange rate adjustments	(104)	—	(104)
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 31 December 2021	**4,169**	**276**	**4,445**
Net book value			
At 31 December 2021	**6,081**	**328**	**6,409**
At 31 December 2020	6,708	202	6,910

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.

18. Investment in subsidiaries

Company investment in subsidiary undertakings:

	2021 £'000	2020 £'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	**21,375**	21,375
Portmeirion Enterprises Limited	**705**	705
Portmeirion Distribution Limited	**60**	60
	23,595	23,595

No interest is charged on these capital contributions.

Notes to the Financial Statements continued

18. Investment in subsidiaries continued

At 31 December 2021 the Company had the following subsidiary and associated 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 Enterprises Limited(1)	England and Wales	London Road, Stoke-on-Trent ST4 7QQ	Intermediate holding company
Portmeirion Distribution Limited(1)	England and Wales	London Road, Stoke-on-Trent ST4 7QQ	Property company
Portmeirion Services Limited(1)	England and Wales	London Road, Stoke-on-Trent ST4 7QQ	Dormant
Portmeirion Group USA, Inc.(2)	USA	105 Progress Lane, Waterbury, Connecticut, USA 06705	Marketing and distribution of homeware
Portmeirion Group Designs, LLC(3)	USA	105 Progress Lane, Waterbury, Connecticut, USA 06705	Online marketing and distribution of homeware
Nambé LLC.(3)	USA	200 West DeVarges Street, Unit 8, Santa Fe, New Mexico, 87501	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(4)	China	Room A807, Block A, Lianhe Plaza, Futian District, Shenzhen, People's Republic of China	Marketing and distribution of homeware
Lighthouse Holdings Limited(1)	England and Wales	Lindal-in-Furness, Ulverston, Cumbria LA12 0LD	Intermediate holding company
Wax Lyrical Limited(5)	England and Wales	Lindal-in-Furness, Ulverston, Cumbria LA12 0LD	Manufacture, marketing and distribution of home fragrances
Colony Deutschland GmbH(6)	Germany	Unsöldstrasse 2, 80538 Muchen, Germany	Marketing and distribution of homeware
Colony Gift Corporation Limited(6)	England and Wales	Lindal-in-Furness, Ulverston, Cumbria LA12 0LD	Dormant
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 Enterprises Limited.

(3) Wholly owned by Portmeirion Group USA, Inc.

(4) Wholly owned by Portmeirion Group Hong Kong Limited.

(5) Wholly owned by Lighthouse Holdings Limited.

(6) Wholly owned by Wax Lyrical Limited.

19. Inventories

Group

	2021 £'000	2020 £'000
Raw materials and other consumables	**4,067**	3,814
Work in progress	**987**	1,031
Finished goods	**24,170**	22,468
	29,224	27,313

20. Trade and other receivables

Group

	2021 £'000	2020 £'000
Amounts receivable for the sale of goods	**16,823**	13,975
Allowance for doubtful debts	**(292)**	(400)
Trade receivables	**16,531**	13,575
Other receivables	**221**	191
Prepayments and accrued income	**2,491**	1,503
	19,243	15,269

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 doubtful debts 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 £204,000 (2020: £558,000) 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 (2020: 56 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 doubtful debts.

Included in the allowance for doubtful debts are individually impaired trade receivables with a balance of £nil (2020: £170,000), 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 doubtful debts	2021 £'000	2020 £'000
Balance at the beginning of the year	**400**	96
Impairment losses recognised	**28**	500
Amounts written off as uncollectable	**(136)**	(196)
Balance at the end of the year	**292**	400

Company

	2021 £'000	2020 £'000
Amounts owed by subsidiary undertakings	**3,577**	3,730

The Directors consider that the carrying amount of trade and other receivables for the Group and the Company approximates to their fair value.

Notes to the Financial Statements continued

21. Cash and cash equivalents

Group

	2021 £'000	2020 £'000
Cash and cash equivalents	**7,616**	11,590

Cash and cash equivalents comprise cash held by the Group including overdrafts and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates to their fair value.

22. Trade and other payables

Group

	2021 £'000	2020 £'000
Trade payables and accruals	**14,946**	11,580
Other taxation and social security	**816**	706
Other payables	**483**	315
	16,245	12,601

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 45 days (2020: 39 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 £35,000 (2020: £8,000) in relation to a cash-settled share-based payments liability.

23. Lease liabilities

Group

	2021 £'000	2020 £'000
Less than 1 month	**152**	194
1 – 3 months	**455**	554
Over 3 months	**1,088**	1,395
Total lease liability less than one year	**1,695**	2,143
Total lease liability greater than one year	**5,119**	5,096
	6,814	7,239

The cash outflows on leases is £1,927,000 (2020: £2,084,000) and is included in the Consolidated Statement of Cash Flows on page 72.

24. Borrowings

The Group has four facilities:

a) A £5,000,000 overdraft facility available until 30 September 2022. 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 until 4 October 2021. Interest is payable at an average 1.38% above three-month LIBOR. The loan was fully repaid during the financial year and therefore at the year end the outstanding balance was £nil.

c) 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 £7,000,000 which net of deferred facility fee costs of £49,000 left the balance sheet value of £6,951,000 (note 28).

d) A £10,000,000 revolving credit facility available until 26 May 2022. Interest is payable at 1.75% above three-month SONIA. Subsequent to the year end, the Group agreed an extension to the revolving credit facility until February 2025.

These facilities are secured by an unlimited debenture from the Group and the Company and a first charge over the Group's property.

The overdraft was not being utilised at 31 December 2021 (2020: £nil). The revolving credit facilities were not being utilised at 31 December 2021.

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 2020	(620)	70	(8)	(192)	693	(723)	(780)
(Charge)/credit to income	(154)	(396)	(7)	(23)	(121)	3	(698)
Acquired on acquisition of Portmeirion Canada Inc.	—	—	—	—	38	—	38
Credit to equity	—	—	4	—	—	—	4
Charge/(credit) to other comprehensive income	—	843	—	—	(26)	—	817
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
Charge to other comprehensive income	—	267	—	—	45	—	312
At 31 December 2021	**(1,755)**	**(228)**	**(48)**	**(282)**	**534**	**(830)**	**(2,609)**

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:

	2021 £'000	2020 £'000
Deferred tax liability	**(2,609)**	(738)
Deferred tax asset	**—**	119
	(2,609)	(619)

At the balance sheet date, the Group had no unused tax trading losses and no capital losses (2020: £nil) available for offset against future profits.

Temporary differences arising in connection with interests in associates and joint ventures are insignificant.

26. Share capital

	2021		2020	
	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 (2020: 3,096,604).

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 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

Equity-settled share options and cash-settled share options granted to Directors and employees (note 33) and still outstanding at 31 December 2020 were as follows:

	Number of shares	Exercise price per share (p)	Dates on which exercisable	
			Earliest	Latest
2018 Deferred Incentive Plan	8,330	—	22.05.2021	20.08.2021
2018 Deferred Incentive Plan	8,363	—	09.08.2022	07.11.2022
2012 Approved Plan	8,524	1,180.0	23.05.2021	21.05.2028
2012 Unapproved Plan	125,087	1,180.0	23.05.2021	21.05.2028
2012 Approved Plan	12,549	980.0	09.08.2022	07.08.2029
2012 Unapproved Plan	61,751	980.0	09.08.2022	07.08.2029
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	125,884	446.0	05.05.2023	03.05.2030

Options held by the Directors are shown in the Directors' Remuneration Report on pages 56 and 57.

27. Own shares

Treasury shares	2021 £'000	2020 £'000
At 1 January	**425**	431
Shares issued under employee share schemes	**(16)**	(6)
At 31 December	**409**	425

ESOP shares	2021 £'000	2020 £'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	**3,124**	3,140

The Group currently holds 218,645 (2020: 226,975) 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 2021 was 234,523 (2020: 234,523).

28. Notes to the statements of cash flows

Group

	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**

	1 January 2020	Financing(1) cash flows	Other(2) changes	31 December 2020
Current borrowings	4,543	(581)	10	3,972
Non-current borrowings	8,930	(2,000)	21	6,951
Lease liabilities	6,356	(2,084)	2,967	7,239
Total liabilities from financing activities	19,829	(4,665)	2,998	18,162

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 its associates and the Company and its subsidiaries and associates are disclosed below.

Group

The transactions during the year with associated undertakings were:

	Sales 2021 £'000	Sales 2020 £'000	Purchases 2021 £'000	Purchases 2020 £'000
Portmeirion Canada Inc.	**—**	474	**—**	—

Sales to Portmeirion Canada Inc. are made at prices agreed between Portmeirion Group UK Limited and Portmeirion Canada Inc. The sales figure includes management fees for Group services. The sales figure is up to 11 August 2020 before the associate became a subsidiary.

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

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.

Notes to the Financial Statements continued

30. Related party transactions continued

Company

During 2021 net transactions totalling £153,000 were credited (2020: £198,000) 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 and the charge for share-based payments.

During the year there were no changes in the Portmeirion Employees' Share Trust (2020: £nil). The purpose of the Trust is for acquiring shares to satisfy Group share option exercises (note 33). The total outstanding balance is now £2,715,000 (2020: £2,715,000). The ESOP share reserve is disclosed in note 27.

The outstanding balances with subsidiary undertakings at 31 December 2021 and 31 December 2020 are shown in note 20.

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 £1,398,000 (2020: £1,407,000) 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 2021 in accordance with IAS 19 by qualified actuaries.

31. Pensions continued

Valuation and assumptions continued

The major assumptions used by the actuaries were:

	2021	2020
Rate of increase of pensions in payment:		
– Post 06.04.88 GMP	**3.25%**	2.80%
– Post 06.04.97 pension	**3.25%**	2.80%
– Rate of revaluation of pensions in deferment	**2.60%**	2.00%
Rate used to discount scheme liabilities	**1.80%**	1.25%
Inflation assumption:		
– RPI	**3.45%**	2.90%
– CPI	**2.60%**	2.00%
Life expectancy at 65 for a member:		
– Currently aged 65 – male	**21.4**	20.9
– Currently aged 45 – male	**22.7**	22.3
– Currently aged 65 – female	**23.8**	23.3
– Currently aged 45 – female	**25.3**	24.8

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 £1,608,000 (2020: £1,837,000).

If inflation and related assumptions increased by 0.25%, the defined benefit obligation would increase by £230,000 (2020: £264,000).

If life expectancy increased by one year for both men and women, the defined benefit obligation would increase by £2,036,000 (2020: £2,173,000).

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:

	2021 Fair value £'000	2020 Fair value £'000
Scheme assets		
Equities	**7,724**	5,622
Bonds	**9,516**	10,181
Gilts	**—**	11,723
Diversified growth funds	**11,230**	7,305
Liability driven investments	**8,420**	—
Insured pensions	**3,577**	4,175
Cash	**139**	220
Total fair value of assets	**40,606**	39,226
Present value of defined benefit obligations	**(39,696)**	(41,947)
Asset/(deficit) in the scheme	**910**	(2,721)

Notes to the Financial Statements continued

31. Pensions continued

Analysis of the amount charged to profit before tax

	2021 £'000	2020 £'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

	2021 £'000	2020 £'000
Interest on pension scheme assets	492	727
Interest on pension scheme liabilities	(519)	(726)
Amount debited to interest cost/credited to interest income	(27)	1

Amounts recognised in the consolidated statement of comprehensive income

	2021 £'000	2020 £'000
Return on plan assets (excluding amounts included in net interest expense)	553	1,287
Actuarial gains and losses arising from changes in financial assumptions	3,144	(4,202)
Actuarial gains and losses arising from changes in demographic assumptions	(1,445)	113
Actuarial gains and losses arising from experience adjustments	253	(406)
Remeasurement of the net defined benefit pension scheme liability	2,505	(3,208)

The Group has assessed the impact of GMP equalisation on the defined benefit obligation. An amount of £197,000 has been 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 £7,462,000 (2020: £9,967,000).

Analysis of movements in scheme assets and liabilities

Movements in the present value of defined benefit obligations were as follows:

	2021 £'000	2020 £'000
At 1 January	41,947	37,769
Current service cost	—	—
Past service cost	197	—
Interest cost	519	726
Remeasurements (financial assumptions)	(3,144)	4,202
Remeasurements (demographic assumptions)	1,445	(113)
Remeasurements (experience adjustments)	(253)	406
Benefits paid	(1,015)	(1,043)
At 31 December	39,696	41,947

Movements in the fair value of scheme assets were as follows:

	2021 £'000	2020 £'000
At 1 January	39,226	37,355
Interest on assets	492	727
Remeasurement of assets	553	1,287
Contributions by the employer	1,350	900
Benefits paid	(1,015)	(1,043)
At 31 December	40,606	39,226

31. Pensions continued

Pension contributions

The estimated amount of contributions expected to be paid to the scheme during the next financial year is £900,000 (2021: £1,500,000). 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 2021, contributions of £178,000 (2020: £147,000) 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 (2020: £165,000) at 31 December 2021.

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 2020.

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 2021 would decrease by £90,000 (2020: £133,000).

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 place 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.

Notes to the Financial Statements continued

32. Financial instruments continued

Financial risk management objectives continued

Foreign currency risk management continued

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	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Euro	**55**	104	**495**	626
US dollar	**4,091**	2,832	**14,854**	9,260

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	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Loss	**(40)**	(47)	**(378)**	(4)

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.

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 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)	—	—

32. Financial instruments continued

Liquidity and interest risk tables continued

At 31 December 2020	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	24,615	550	—	—	25,165
Other assets	—	—	—	—	64,766	64,766
Total assets		24,615	550	—	64,766	89,931
Shareholders' funds	—	—	—	—	(55,709)	(55,709)
Financial liabilities	—	(11,718)	(110)	(67)	—	(11,895)
Borrowings	2.25	(1,000)	—	(9,923)	—	(10,923)
Other liabilities	—	(648)	(806)	(6,491)	(738)	(8,683)
Pension scheme deficit	—	—	—	—	(2,721)	(2,721)
Total liabilities and shareholders' funds		(13,366)	(916)	(16,481)	(59,168)	(89,931)
Cumulative gap		11,249	10,883	(5,598)	—	—

Categories of financial instruments	2021 £'000	2020 £'000
Financial assets:		
Cash and cash equivalents	**7,616**	11,590
Loans and receivables	**16,530**	13,575
	24,146	25,165
Financial liabilities:		
Amortised cost	**15,429**	11,895

33. Share-based payments

Equity-settled share option schemes

The Group operates two share option schemes ("share schemes") and one long-term incentive plan ("LTIP") for senior managers and Directors.

The Group recognised an expense of £64,000 in 2021 and an expense of £65,000 in 2020. 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:

	2021		2020	
	Number of share options	Total exercise price £	Number of share options	Total exercise price £
Outstanding at 1 January	**16,693**	**6**	23,658	8
Granted during the year	**—**	**—**	—	—
Lapsed during the year	**—**	**—**	(3,558)	—
Surrendered during the year	**—**	**—**	—	—
Exercised during the year	**(8,330)**	**(3)**	(3,407)	(2)
Outstanding at 31 December	**8,363**	**3**	16,693	6
Exercisable at 31 December	**—**	**—**	—	—

Notes to the Financial Statements continued

33. Share-based payments continued

Equity-settled share option schemes continued

The options outstanding at 31 December 2021 had a weighted average remaining contractual life of 0.9 years (2020: 1.2 years). No options were granted in 2021.

The inputs into the Black Scholes pricing model are as follows:

	2021	2020
Weighted average share price at date of grant	—	—
Weighted average exercise price	—	—
Expected volatility	—	—
Expected life	—	—
Risk-free rate	—	—
Expected dividend rate	—	—

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.

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:

	2021		2020	
	Number of share options	Weighted average exercise price £	Number of share options	Weighted average exercise price £
Outstanding at 1 January	382,411	8.062	416,133	10.529
Granted during the year	377,500	6.325	200,500	4.460
Lapsed during the year	(161,111)	10.807	(234,222)	9.361
Surrendered during the year	(74,300)	9.800	—	—
Exercised during the year	—	—	—	—
Outstanding at 31 December	524,500	5.722	382,411	8.062
Exercisable at 31 December	—	—	—	—

The options outstanding at 31 December 2021 had a weighted average remaining contractual life of 8.9 years (2020: 8.5 years).

In 2021, options were granted on 25 March. The aggregate of the estimated fair value of those options is £171,544.

The range of exercise prices for the options outstanding at 31 December is £4.460 to £6.325.

33. Share-based payments continued

Equity-settled share option schemes continued

b) The Portmeirion 2012 Approved and Unapproved Share Option Plans (Share schemes) continued

The inputs into the Black–Scholes pricing model are as follows:

	2021	2020
Weighted average share price at date of grant	**£5.900**	£4.220
Weighted average exercise price	**£6.325**	£4.460
Expected volatility	**27%**	29%
Expected life	**4 years**	4 years
Risk-free rate	**0.05%**	0.05%
Expected dividend rate	**6.36%**	8.89%

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 operates a cash-settled share based payments scheme.

The Group recognised an expense of £27,000 in 2021 and an expense of £8,000 in 2020. This expenditure has been included in the Company Income Statement.

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.

34. Post balance sheet event

Subsequent to the year end, the Group agreed an extension to its existing £10,000,000 revolving credit facility until February 2025.

Five-year Summary

Consolidated income statement information

Years ended 31 December

	2021 £'000	2020 £'000	2019 £'000	2018 £'000	2017 £'000
Revenue	**106,018**	87,854	92,816	89,594	84,769
Profit/(loss) before tax	**5,962**	(232)	7,100	9,714	8,822
Tax	**(2,721)**	(503)	(1,286)	(2,023)	(1,944)
Profit/(loss) attributable to equity holders	**3,241**	(735)	5,814	7,691	6,878
Earnings per share	**23.58p**	(6.02)p	54.66p	72.12p	65.07p
Diluted earnings per share	**23.49p**	(6.02)p	54.58p	71.90p	64.79p
Dividends paid and proposed per share	**13.00p**	0.00p	8.00p	37.50p	34.66p

Consolidated balance sheet information

At 31 December

	2021 £'000	2020 £'000	2019 £'000	2018 £'000	2017 £'000
Assets employed					
Non-current assets	**37,821**	35,180	35,051	25,142	26,301
Current assets	**56,745**	54,751	47,291	42,031	38,992
Current liabilities	**(19,926)**	(18,716)	(18,731)	(14,552)	(13,012)
Non-current liabilities	**(12,693)**	(15,506)	(15,513)	(3,971)	(7,509)
	61,947	55,709	48,098	48,650	44,772
Financed by					
Called up share capital	**710**	710	555	555	554
Share premium account and reserves	**61,237**	54,999	47,543	48,095	44,218
	61,947	55,709	48,098	48,650	44,772

Company Information

Board of Directors

Non-executive Chairman
Dick Steele BCOM FCA CTA

Chief Executive
Mike Raybould BSc ACA

Group Finance Director
David Sproston BSc ACA

Chief Commercial Officer
Jacqui Gale MBA

Group Operations Director
Mick Knapper

President of North America
Bill Robedee JD BA

Non-executive Director
Andrew Andrea BA MA ACA

Non-executive Director
Angela Luger BSc

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Financial Calendar

Annual General Meeting	May
Interim Report	September
Dividends	
Interim announced	September
Final announced	March

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