



# Timeless Design



**PORTMEIRION** GROUP PLC

Interim Statement 2022

Stock code: PMP

Portmeirion Group PLC, the designer, manufacturer and worldwide distributor of high quality homewares under the Portmeirion, Spode, Royal Worcester, Pimpernel, Wax Lyrical and Nambé brands, is pleased to announce its results for the six months ended 30 June 2022.

#### Overview

- 1 Headlines
- 2 Interim Review

#### Financial Statements

- 5 Consolidated Income Statement
- 6 Consolidated Statement of Comprehensive Income
- 7 Consolidated Balance Sheet
- 8 Consolidated Statement of Changes in Equity
- 9 Consolidated Statement of Cash Flows
- 10 Notes to the Interim Financial Information
- BC Company Information



Visit our website at

[portmeiriongroup.com](https://www.portmeiriongroup.com)

Pictured on front cover, inside front cover and inside back cover: Portmeirion Botanic Garden



# Headlines

## Top and bottom line growth building on record 2021 sales year in H1.

### Financial

- Record H1 Group revenue of £45.5 million, an increase of 5% over the prior year (H1 2021: £43.1 million).
- Group sales 30% ahead of pre-pandemic 2019 levels demonstrating significant expansion in our customer base.
- Headline profit before tax<sup>1</sup> grew by 30% to £2.0 million (H1 2021: £1.5 million).
- H1 headline operating profit margin<sup>1</sup> increased from 4.0% to 4.3% as part of our long term ambition to achieve full year operating margin of 13% (FY 2021: 7.2%).
- Maintained strong online channel sales growth achieved during the pandemic despite physical retail reopening. Total online channel sales in our core UK and US sales markets now 55% (H1 2021: 53%). Own ecommerce sales declined by 16% as long term market trends stabilise but remain 111% ahead of pre-pandemic 2019 levels.
- Headline basic earnings per share<sup>1</sup> up to 12.00p per share (H1 2021: 9.12p).
- Strong balance sheet maintained and significant headroom within current borrowing facilities.
- Interim dividends to be resumed with dividend of 3.50p per share (H1 2021: nil).
- Expectation of sales to be at least in line with record sales year in 2021, with profit also ahead of the prior year.

### Operational

- Productivity in Stoke-on-Trent ceramic factory up 5% as we start to obtain the benefits from automation capex.
- Long term energy hedge until Q1/2024 continues to insulate the Group against ongoing volatility in energy prices.
- Nambé brand (acquired in 2019) continues to grow, up 14% over 2021 as we successfully execute on acquisition integration.
- Strategic focus on international markets yields ongoing, encouraging growth from markets including South Korea, Canada and China.
- New product launches continue to represent more than 10% of Group sales, including new collections to celebrate the 50th anniversary of Portmeirion Botanic Garden.
- Our Wax Lyrical factory achieved ISO9001:2015 accreditation, demonstrating the high quality standards in our UK home fragrance facility.
- Post-period end, AromaWorks London brand and intellectual property acquired in August 2022 to add scale and synergies to home fragrance division operations.

<sup>1</sup> Headline profit before tax, headline operating profit margin and headline basic earnings per share excludes exceptional items – see note 3.

### Our Brands



#### PORTMEIRION®

Established in 1960

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

Pictured: Sara Miller London for Portmeirion

[portmeirion.co.uk](http://portmeirion.co.uk)

#### Spode®

Established in 1770

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

Pictured: Spode Creatures of Curiosity

[spode.co.uk](http://spode.co.uk)



#### WAX LYRICAL

ENGLAND

Established in 1980

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

Pictured: Portmeirion Botanic Garden hand care

[waxlyrical.com](http://waxlyrical.com)

#### ROYAL WORCESTER®

ESTABLISHED 1751

Established in 1751

Bringing refined design and heritage to your table.

Pictured: Royal Worcester Wrendale Designs

[portmeirion.co.uk](http://portmeirion.co.uk)



#### pimpernel®

Established in 1945

The premier brand for placemats and coasters.

Pictured: Pimpernel Tropic Fizz design

[portmeirion.co.uk](http://portmeirion.co.uk)

#### nambé®

Established in 1951

Iconic mid-century modern lifestyle brand.

Pictured: Nambé Duet baking range

[portmeirion.co.uk](http://portmeirion.co.uk)





## Interim Review

# Healthy trading in H1 with sales growth of 5% despite macro-economic headwinds

## Trading

Following a record sales performance in 2021, we are pleased to see further growth in H1 2022 despite the well-publicised macro-economic factors driven by ongoing inflation and supply chain disruption and the war in Ukraine, which have disrupted our markets and created significant inflationary pressure on energy costs and labour rates. We remain covered on our own energy prices until Q1/2024 by the long term energy hedge put in place last year.

As retail markets have fully reopened we have maintained our strong online channel sales growth achieved during the pandemic despite physical retail reopening. In our core UK and US markets, 55% of sales went through all online channels (H1 2021: 53%).

We continued to benefit from our efforts to diversify across international markets and saw strong growth in South Korea, Canada and China.

We have continued to invest in and develop new products for our customers and have seen a number of successful launches including a range of collections to celebrate the 50th anniversary of Portmeirion Botanic Garden.

## Financial highlights

Revenue was £45.5 million for the first six months of the year, an increase of 5% over the previous year (H1 2021: £43.1 million).

Our operating performance was encouraging; headline operating profit<sup>1</sup> was £2.0 million which was significantly ahead of the prior year (H1 2021: £1.7 million). This left the Group's operating margin at 4.3% for the first half of the year (H1 2021: 4.0%).

Following the strong revenue and operating performance, headline profit before tax<sup>1</sup> was £2.0 million (H1 2021: £1.5 million).

Headline basic earnings per share<sup>1</sup> was 12.00p per share (H1 2021: 9.12p).

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

## Geographical and online performance

The Group's largest sales market, the US, accounted for 31% of total Group revenue. Sales were 7% behind the first half of 2021, largely due to retailers reducing stock levels following Covid-19 supply chain disruption and fears of a slowdown in consumer spending. Retailer sales to the end consumer have remained robust, and we believe our diversified range of products and sizeable online penetration will result in an improved trading performance in the US market in the second half of the year.

Our second largest market is the UK, which accounted for 25% of total Group sales. Sales were down 13% on the prior year due to a challenging retail environment, particularly due to the impact on disposable income from large inflationary pressures including significant increases in energy prices.

In South Korea, sales grew by 38% as our strategy of stabilisation and diversification of products continued to provide a robust platform for growth. We have continued to introduce new ranges in this market which have performed well and we expect further growth in 2023 with increased penetration of new products.

In our rest of world markets, sales were up 28% over the same period in 2021 as various restrictions around the world ended and economies started to recover from the pandemic. In particular we saw a strong sales rebound in Canada, where sales grew 73% and in China and the Far East, with sales up 100% as we deepen our relationship with our new distributor. Sales in most of our other international markets were at least in line with 2021 levels.

Our own ecommerce sales decreased by 16% in the first half of 2022 as physical retail stores reopened, but remain significantly ahead of pre-pandemic 2019 levels (+111%). Total online sales in our core UK/US markets now account for 55% of sales made in those markets (2021: 53%).

## Profit

In the first half of 2022, the Group made a headline profit before tax<sup>2</sup> of £2.0 million; this compared to a profit before tax of £1.5 million in 2021.

Given the macro-economic events in our main sales markets, it is pleasing to continue to deliver sales and profit growth which is testament to the strength of the Group's brands.

2 Headline profit before tax excludes exceptional items (see note 3).

## Dividend

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

Due to the Group's ability to grow in such a challenging trading environment, and our medium term expectations for profit and cash generation, the Board is declaring an interim dividend of 3.50p per share (2021: nil). The interim dividend will be paid on 21 October 2022. The ex-dividend date will be 22 September 2022 with a record date of 23 September 2022.

The cover for dividends paid and proposed for 2021 was 3.0 times. We remain of a view that a dividend cover level of approximately 3.0 times is in the long-term interest of the Group and shareholders.

## Balance sheet

The Group ended the first half of 2022 with net debt of £6.8 million at 30 June 2022; this compares to net cash of £0.1 million at 30 June 2021 and net cash of £0.7 million at 31 December 2021. In addition to the cash balance of £3.2 million and bank borrowings of £10.0 million, the Group also has unutilised committed bank facilities of £18.4 million.

Our stock balance at 30 June 2022 was £42.6 million compared to £29.3 million at 30 June 2021 and £29.2 million at 31 December 2021. Approximately one third of the inventory increase is driven by cost price inflation, freight rates and the movement in GBP/USD exchange rate which is used to revalue inventory held in our US division. The remaining increase



## Interim Review continued

is driven by forward purchasing of US inventory to avoid third quarter supply chain disruption, which we expect to be timing only and therefore inventory levels will reduce to more normalised levels by the end of the year.

We carry significant goodwill and intangible asset values on our balance sheet of some £16.2 million. These balances largely relate to the acquisitions of Wax Lyrical and Nambé and the carrying value of goodwill is reviewed annually. The intangible assets are amortised over a range of ten and twenty years depending on their nature.

### 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.

The Group continues to drive forward our ESG agenda and assess the materiality of our impacts and make tangible progress towards a more sustainable world. We expect to provide a detailed update to investors in Q4 2022 regarding the scope of this work and a targeted, deliverable strategy.

Our commitment to our people, ethics and governance are unfaltering, supported by our policies and processes. Further details on our corporate culture and its integration within the Group can be found on our website, [www.portmeiriongroup.com](http://www.portmeiriongroup.com), and in the Section 172(1) Statement on Stakeholder Engagement, Our Commitment to ESG and Corporate Governance Statements in our Annual Report and Accounts.

### Strategic areas of focus

Our homeware brands have a combined history of more than 750 years and are much loved around the world.

Our strategy is to drive sustainable long-term sales growth together whilst increasing operating margins to 13%.

We see a significant opportunity to expand our customer base by taking share in existing and new markets through:

1. increasing sales through online channels including our own ecommerce sites;
2. developing rest of world sales markets and new geographies;

3. using new product development to expand share in existing new product categories; and
4. leveraging our brands more effectively by cross selling across customer and sales markets.

We are targeting returning operating margins to historical levels in the medium term and to 13% (2021: 7.2%) over the next five years. We believe growth in operating margins will be delivered by:

1. improved mix as we increase sales through our own ecommerce sites;
2. productivity gains in our two UK factories from capital investments in automation;
3. leveraging our portfolio of brands more effectively by driving higher sales against our fixed cost base; and
4. increasing the scale and profitability of our home fragrance division, Wax Lyrical.

### Accelerate our online transformation

As online sales markets have reverted to their longer term growth trajectory following the reopening of physical retail stores around the world, we are pleased to hold on to the gains we made in online channels over the past 24 months. Total online channel sales in our core UK and US markets were 55% (2021: 53%).

Although sales from our own ecommerce sites reduced by 16% versus 2021, they remain up 111% on pre-Covid 2019 levels. Following a period of stabilisation in 2022 we expect our ecommerce site sales to resume growth in 2023.

We have increased the depth and expertise of our digital marketing and online sales teams over the past two years and continue to deploy investments behind front end systems and direct to consumer warehouse capacity. Following the launch of new US market ecommerce sites in Q4 2020, we have built and launched our new UK ecommerce sites in August 2022 that will enable a much richer brand experience for our customers, improved conversion levels particularly for mobile traffic and enable improved cross-selling.

### Rest of world expansion

The Group sells into more than 70 countries around the world, with more than 85% of these sales made in our three key markets of the US, UK and South Korea. We see a great opportunity to establish our brands

and grow in other markets around the world. We will do this through taking on new distributor relationships and are particularly focused on Asia, Middle East and Europe.

Rest of world market sales grew by 28% over 2021 levels (from £5.0 million to £6.4 million) and by 78% from 2019. Our Canadian sales operation continued to prosper with sales growth of 73% over H1 2021 with strong online channel market growth. We have continued to build with our new Chinese distributor, signed up in 2021, with growth in H1 2022 of 100%.

Our ambition is to double the annual revenue stream from rest of world markets within the next five years.

### New product development

Developing and launching new product is a key driver of sales growth and our ambition is to increase market share through new product development.

We have continued to see an improved contribution with new product launches contributing over 10% of sales in H1 2022.

We have a strong pipeline of product launches for the next 12 months. Our product roadmaps are built around:

- maintaining and building out our key heritage ranges including Portmeirion Botanic Garden, Spode Christmas Tree and Spode Blue Italian; and
- growing share in a younger age demographic through more contemporary product launches.

A list of our current ranges can be found at [www.portmeirion.co.uk](http://www.portmeirion.co.uk), [www.spode.co.uk](http://www.spode.co.uk), [www.waxlyrical.com](http://www.waxlyrical.com) and [www.portmeirion.co.uk/int/](http://www.portmeirion.co.uk/int/). Customers in the United States should go to [www.portmeirion.com](http://www.portmeirion.com) and [www.nambe.com](http://www.nambe.com). Our Canadian website operates under [www.haustopia.com](http://www.haustopia.com).

### Growing our operating margins

Our roadmap to increase automation in our Stoke-on-Trent ceramic factory continues at pace. Productivity (output per labour hour) increased by 5% as recent capital investments came into effect. Further projects are underway for launch in 2023 that together with completed projects will contribute to further improvements in efficiency.

We are on track to launch our new warehouse system and order integration in our US warehouses in early 2023 that will drive both cost and sales order synergies.



## Interim Review continued

### Corporate governance

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

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

In July 2022, Jacqui Gale, our Chief Commercial Officer, stepped down from the Board and left the Group in September 2022. At the same time, the Group was pleased to announce that Bill Robedee, previously on the Board as the President of our North America division, assumed the role of Global Sales Director.

### Strategic acquisitions

The Group remains committed to acquiring businesses where the combination would be earnings enhancing and support our long term strategy.

On 12 August 2022, we announced the acquisition of the AromaWorks London brand, intellectual property and certain stock, trade and assets for a total consideration of £0.44 million. AromaWorks London manufactures a range of home fragrance products using essential oils in the health and wellbeing category with a retailer customer base in the UK and US. This acquisition will add further scale to our existing home fragrance business, Wax Lyrical, and we expect to deliver cost synergies and cross-selling opportunities within the first twelve months.

### Outlook

We are pleased to record continued sales and profit growth in the first half of the financial year building on the back of our record Group sales last year and for the remainder of the year we expect to continue towards another year of growth across the business. This has been despite the significant worsening in consumer sentiment due to the impact of the Ukraine war on energy prices and general cost of living. Our business benefits from increasing sales market diversification and we believe our strategy of developing new geographies, developing online channels and launching compelling new product will enable us to continue to grow market share.

We are cognisant of ongoing and significant input cost price inflation together with challenges of retention and absence levels in labour markets. We have successfully mitigated these in the first half with sales price rises and productivity gains in our factories, allowing us to report continued improvement in operating margins. However, it is clear that, at least in the very short term, these factors will limit the level of operating margin growth we can deliver.

We are pleased to see early signs that in the US, our largest sales market, consumer sentiment is improving and our order books for our key 2022 Christmas trading period in the US are strong and bolstered by range extensions. We also expect to continue to grow in rest of world markets in the second half as we leverage our portfolio of brands more effectively. Our UK sales market is difficult to forecast due to the ongoing impact of cost of living rises and the October energy price cap changes. The UK is 31% of annual Group sales and we remain cautious in this market and expect sales to remain lower in the second half of 2022.

Despite this, we remain confident in our medium and long term aspirations to grow our sales and operating margins. We have made huge progress in strengthening our business over the last two years and our brands have shown their resilience to the macro backdrop with continued growth. For 2022, we expect sales to be at least in line with a record sales year in 2021, with pre-tax profit also ahead of 2021 and operating margin growth of at least 10% on 2021.

The Group benefits from global brands and products with timeless design. We have strong market positions around the world and over 750 years of combined history. We have made and continue to make significant improvements to our business and are committed to our long term sales growth strategy and driving our operating margins by improving efficiencies in everything we do.

**Dick Steele**  
Non-executive Chairman

**Mike Raybould**  
Chief Executive

14 September 2022



Pictured: Sara Miller London for Portmeirion



## Consolidated Income Statement

### Unaudited

	Notes	Six months to 30 June 2022 £'000	Six months to 30 June 2021 £'000	Year to 31 December 2021 £'000
<b>Revenue</b>	2	<b>45,467</b>	43,136	106,018
Operating costs		<b>(43,510)</b>	(41,415)	(98,375)
Headline operating profit <sup>1</sup>		<b>1,957</b>	1,721	7,643
Exceptional items	3			
– restructuring costs		<b>(1,006)</b>	(378)	(1,036)
– GMP equalisation costs		<b>—</b>	—	(197)
<b>Operating profit</b>		<b>951</b>	1,343	6,410
Interest income		<b>—</b>	2	12
Finance costs	4	<b>(212)</b>	(299)	(580)
Other income		<b>265</b>	—	—
Profit on sale of fixed assets		<b>—</b>	120	120
Headline profit before tax <sup>1</sup>		<b>2,010</b>	1,544	7,195
Exceptional items	3			
– restructuring costs		<b>(1,006)</b>	(378)	(1,036)
– GMP equalisation costs		<b>—</b>	—	(197)
<b>Profit before tax</b>		<b>1,004</b>	1,166	5,962
Tax	5	<b>(218)</b>	(233)	(2,721)
<b>Profit for the period attributable to equity holders</b>		<b>786</b>	933	3,241
<b>Earnings per share</b>	7			
Basic		<b>5.72p</b>	6.79p	23.58p
Diluted		<b>5.70p</b>	6.77p	23.49p
<b>Headline earnings per share</b>	7			
Basic		<b>12.00p</b>	9.12p	38.85p
Diluted		<b>11.97p</b>	9.09p	38.71p
<b>Dividends proposed and paid per share</b>	6	<b>3.50p</b>	0.00p	13.00p

All the above figures relate to continuing operations.

1 Headline operating profit is statutory operating profit of £1,957,000 (H1 2021: £1,721,000) before exceptional items of £1,006,000 (H1 2021: £378,000). Headline profit before tax is statutory profit before tax of £2,010,000 (H1 2021: £1,544,000), after adding back the exceptional items.



## Consolidated Statement of Comprehensive Income

### Unaudited

	Six months to 30 June 2022 £'000	Six months to 30 June 2021 £'000	Year to 31 December 2021 £'000
<b>Profit for the period</b>	<b>786</b>	933	3,241
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Remeasurement of net defined benefit pension scheme asset/(liability)	—	3,000	2,505
Deferred tax relating to items that will not be reclassified subsequently to profit or loss	—	(750)	267
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations	<b>2,082</b>	(304)	64
Deferred tax relating to items that may be reclassified subsequently to profit or loss	—	—	45
Other comprehensive income for the period	<b>2,082</b>	1,946	2,881
<b>Total comprehensive income for the period attributable to equity holders</b>	<b>2,868</b>	2,879	6,122





# Consolidated Balance Sheet

## Unaudited

	30 June 2022 £'000	30 June 2021 £'000	31 December 2021 £'000
<b>Non-current assets</b>			
Goodwill	8,978	8,978	8,978
Intangible assets	7,176	6,769	7,126
Property, plant and equipment	16,326	13,212	14,398
Right-of-use assets	6,366	6,328	6,409
Pension scheme surplus	1,360	1,152	910
Deferred tax asset	—	80	—
<b>Total non-current assets</b>	<b>40,206</b>	36,519	37,821
<b>Current assets</b>			
Inventories	42,597	29,259	29,224
Trade and other receivables	13,998	12,329	19,243
Current income tax asset	649	895	662
Cash and cash equivalents	3,189	9,043	7,616
<b>Total current assets</b>	<b>60,433</b>	51,526	56,745
<b>Total assets</b>	<b>100,639</b>	88,045	94,566
<b>Current liabilities</b>			
Trade and other payables	(18,188)	(12,032)	(16,245)
Borrowings	(6,044)	(2,979)	(1,986)
Lease liabilities	(1,842)	(1,595)	(1,695)
<b>Total current liabilities</b>	<b>(26,074)</b>	(16,606)	(19,926)
<b>Non-current liabilities</b>			
Deferred tax liability	(2,562)	(1,774)	(2,609)
Borrowings	(3,977)	(5,959)	(4,965)
Lease liabilities	(4,967)	(5,058)	(5,119)
<b>Total non-current liabilities</b>	<b>(11,506)</b>	(12,791)	(12,693)
<b>Total liabilities</b>	<b>(37,580)</b>	(29,397)	(32,619)
<b>Net assets</b>	<b>63,059</b>	58,648	61,947
<b>Equity</b>			
Called up share capital	710	710	710
Share premium account	18,344	18,344	18,344
Investment in own shares	(3,124)	(3,124)	(3,124)
Share-based payment reserve	160	212	128
Translation reserve	3,268	773	1,186
Retained earnings	43,701	41,733	44,703
<b>Total equity</b>	<b>63,059</b>	58,648	61,947



## Consolidated Statement of Changes in Equity

### Unaudited

	Share capital £'000	Share premium account £'000	Investment in own shares £'000	Share-based payment reserve £'000	Translation reserve £'000	Retained earnings £'000	Total £'000
<b>At 1 January 2021</b>	<b>710</b>	<b>18,344</b>	<b>(3,140)</b>	<b>152</b>	<b>1,077</b>	<b>38,566</b>	<b>55,709</b>
Profit for the period	—	—	—	—	—	933	<b>933</b>
Other comprehensive income for the period	—	—	—	—	(304)	2,250	<b>1,946</b>
<b>Total comprehensive income for the period</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(304)</b>	<b>3,183</b>	<b>2,879</b>
Increase in share-based payment reserve	—	—	—	60	—	—	<b>60</b>
Shares issued under employee share schemes	—	—	16	—	—	(16)	—
<b>At 30 June 2021</b>	<b>710</b>	<b>18,344</b>	<b>(3,124)</b>	<b>212</b>	<b>773</b>	<b>41,733</b>	<b>58,648</b>
Profit for the period	—	—	—	—	—	2,308	<b>2,308</b>
Other comprehensive income for the period	—	—	—	—	413	522	<b>935</b>
<b>Total comprehensive income for the period</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>413</b>	<b>2,830</b>	<b>3,243</b>
Increase in share-based payment reserve	—	—	—	4	—	—	<b>4</b>
Transfer on exercise or lapse of options	—	—	—	(88)	—	88	—
Deferred tax on share-based payment	—	—	—	—	—	52	<b>52</b>
<b>At 31 December 2021</b>	<b>710</b>	<b>18,344</b>	<b>(3,124)</b>	<b>128</b>	<b>1,186</b>	<b>44,703</b>	<b>61,947</b>
Profit for the period	—	—	—	—	—	786	<b>786</b>
Other comprehensive income for the period	—	—	—	—	2,082	—	<b>2,082</b>
<b>Total comprehensive income for the period</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>2,082</b>	<b>786</b>	<b>2,868</b>
Increase in share-based payment reserve	—	—	—	32	—	—	<b>32</b>
Dividends paid	—	—	—	—	—	(1,788)	<b>(1,788)</b>
<b>At 30 June 2022</b>	<b>710</b>	<b>18,344</b>	<b>(3,124)</b>	<b>160</b>	<b>3,268</b>	<b>43,701</b>	<b>63,059</b>



## Consolidated Statement of Cash Flows

### Unaudited

	Six months to 30 June 2022 £'000	Six months to 30 June 2021 £'000	Year to 31 December 2021 £'000
<b>Operating profit</b>	<b>951</b>	1,343	6,410
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment	895	773	1,652
Depreciation of right-of-use assets	1,008	914	1,933
Amortisation of intangible assets	408	403	698
Charge for share-based payments	32	60	64
Charge for GMP equalisation	—	—	197
Exchange (loss)/gain	(193)	(157)	36
Other income	265	—	—
Loss on disposal of intangible fixed assets	264	—	—
Loss on disposal of tangible fixed assets	5	—	17
<b>Operating cash flows before movements in working capital</b>	<b>3,635</b>	3,336	11,007
Increase in inventories	(11,388)	(2,096)	(2,071)
Decrease/(increase) in receivables	6,100	2,864	(3,960)
Increase/(decrease) in payables	754	(465)	3,707
<b>Cash (used by)/generated from operations</b>	<b>(899)</b>	3,639	8,683
Contributions to defined benefit pension scheme	(450)	(900)	(1,350)
Interest paid	(114)	(240)	(368)
Income taxes paid	(179)	(208)	(461)
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(1,642)</b>	2,291	6,504
<b>Investing activities</b>			
Interest received	—	2	12
Proceeds on disposal of property, plant and equipment	—	775	786
Purchase of property, plant and equipment	(2,663)	(2,465)	(4,511)
Purchase of intangible assets	(491)	(228)	(843)
<b>Net cash outflow from investing activities</b>	<b>(3,154)</b>	(1,916)	(4,556)
<b>Financing activities</b>			
Dividends paid	(1,788)	—	—
New bank loans raised	4,060	—	—
Principal elements of lease payments	(1,057)	(897)	(1,927)
Repayments of borrowings	(1,000)	(2,000)	(4,000)
<b>Net cash inflow/(outflow) from financing activities</b>	<b>215</b>	(2,897)	(5,927)
Net decrease in cash and cash equivalents	(4,581)	(2,522)	(3,979)
Cash and cash equivalents at beginning of period	7,616	11,590	11,590
Effect of foreign exchange rate changes	154	(25)	5
<b>Cash and cash equivalents at end of period</b>	<b>3,189</b>	9,043	7,616



# Notes to the Interim Financial Information

## Unaudited

### 1. Basis of preparation

The financial information included in the interim results announcement for the six months to 30 June 2022 was approved by the Board on 14 September 2022.

The interim financial information for the six months to 30 June 2022 has not been audited or reviewed and does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The Company's statutory accounts for the year ended 31 December 2021, were prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

The interim financial information has been prepared in accordance with IFRS on the historical cost basis, except that some derivative financial instruments are stated at their fair value. The same accounting policies, presentation and methods of computation are followed in the interim financial statements as were applied in the Group's last audited financial statements for the year ended 31 December 2021.

Statutory accounts for the year ended 31 December 2021 have been delivered to the Registrar of Companies.

### Going concern

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

Details of the Covid-19 pandemic and Ukraine war impact on the Portmeirion Group and its going concern assessment are included in the Group's statutory financial statements for the year ended 31 December 2021. The Group continues to trade in line with the revised trading conditions and the Directors continue to carefully monitor the impact of the Covid-19 pandemic and Ukraine war on the operations of the Group.

### Critical accounting judgements and key sources of estimation uncertainty

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

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those detailed on page 80 of the Group's 2021 Financial Statements.

### Government grants

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

### 2. Segmental analysis

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

	Six months to 30 June 2022 £'000	Six months to 30 June 2021 £'000	Year to 31 December 2021 £'000
<b>Operating segment</b>			
UK	27,567	26,480	59,686
North America	17,900	16,656	46,332
	45,467	43,136	106,018
<b>Geographical market</b>			
United Kingdom	11,531	13,264	32,871
United States	14,084	15,126	42,492
South Korea	13,443	9,724	18,680
Rest of the World	6,409	5,022	11,975
	45,467	43,136	106,018



## Notes to the Interim Financial Information continued

### Unaudited

#### 3. Exceptional items

	Six months to 30 June 2022 £'000	Six months to 30 June 2021 £'000	Year to 31 December 2021 £'000
Restructuring costs	1,006	378	1,036
GMP equalisation costs	—	—	197
	<b>1,006</b>	378	1,233

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

#### 4. Finance costs

	Six months to 30 June 2022 £'000	Six months to 30 June 2021 £'000	Year to 31 December 2021 £'000
Interest paid	121	190	361
Interest on lease liabilities	91	92	192
Net interest expense on pension scheme	—	17	27
	<b>212</b>	299	580

#### 5. Taxation

Tax for the interim period is charged at 22% (year to 31 December 2021: 20%) representing the best estimate of the weighted average annual corporation tax rate expected for the full year.

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

#### 6. Dividend

An interim dividend of 3.50p (2021: 0.00p) per ordinary share will be paid on 21 October 2022 to shareholders on the register on 23 September 2022. During the period a final dividend of 13.00p per ordinary share was paid in respect of the previous financial year.

#### 7. Earnings per share

	Six months to 30 June 2022 £'000	Six months to 30 June 2021 £'000	Year to 31 December 2021 £'000
<b>Earnings</b>			
Earnings for the purpose of basic and diluted earnings per share, being profit for the period attributable to equity holders	786	933	3,241
<b>Number of shares</b>			
Weighted average number of shares for the purpose of basic earnings per share	13,750,919	13,743,924	13,747,450
Weighted average dilutive effect of conditional share awards	33,507	42,784	49,235
Weighted average number of shares for the purpose of diluted earnings per share	13,784,426	13,786,708	13,796,685



## Notes to the Interim Financial Information continued

### Unaudited

#### 7. Earnings per share continued

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

	Six months to 30 June 2022 £'000	Six months to 30 June 2021 £'000	Year to 31 December 2021 £'000
Profit for the period attributable to equity holders	786	933	3,241
Add back/(deduct):			
Exceptional items	1,006	378	1,233
Tax effect of exceptional items	(142)	(58)	(233)
Exceptional impact of remeasuring deferred tax balances from 19% to 25%	—	—	1,090
Headline earnings	1,650	1,253	5,341

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

	Six months to 30 June 2022 £'000	Six months to 30 June 2021 £'000	Year to 31 December 2021 £'000
Operating profit	951	1,343	6,410
Add back:			
Depreciation	1,903	1,687	3,585
Amortisation	408	403	698
Earnings before interest, tax, depreciation and amortisation	3,262	3,433	10,693

#### 9. Retirement benefit schemes

##### Defined benefit scheme

The defined benefit obligation as at 30 June 2022 is calculated on a year-to-date basis, using the latest actuarial valuation as at 31 December 2021 adjusted for payments to the scheme in line with the Schedule of Contributions.

There have been no significant market fluctuations and significant one-off events, such as plan amendments, curtailments and settlements that have resulted in an adjustment to the actuarially determined pension cost since the end of the prior financial year.

#### 10. Government grants

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

The Group has previously 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 £nil (2021: £312,000).

#### 11. Related party transactions

The Group's related parties are as disclosed in the Report and Accounts for the year ended 31 December 2021. There were no material differences in related parties or related party transactions in the six months ended 30 June 2022 except for transactions with key management personnel.

The most significant of these was on 25 April 2022, under The Portmeirion 2012 Approved and Unapproved Share Option Plans, when 40,000, 25,000, 25,000, 25,000, 25,000 and 11,000 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 £5.70 per share when the market price was £5.70 per share.

In addition, on 25 April 2022, under The Portmeirion Group 2018 Deferred Incentive Share Option Plan, 10,813, 5,506, 4,279, 5,706 and 7,051 share option awards were granted to M Raybould, M Knapper, D Sproston, J Gale and W Robedee respectively at total exercise price of £1 per individual when the market price was £5.70 per share.

#### 12. Post balance sheet events

On 12 August 2022, the Group acquired the AromaWorks London brand, intellectual property and certain stock, trade and assets for a total consideration of £0.44 million. AromaWorks manufactures a range of home fragrance products using essential oils in the health and wellbeing category with a retailer customer base in the UK and US.



# 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

**Group Operations Director**  
Mick Knapper

**Global Sales Director**  
Bill Robedee BA JD

**Non-executive Director**  
Andrew Andrea BA MA ACA

**Non-executive Director**  
Angela Luger BSc

**Non-executive Director**  
Clare Askem BSc MBA

## Company Secretary

Moira MacDonald FCG

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

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## Financial Calendar

<b>Annual report</b>	April
<b>Annual General Meeting</b>	May
<b>Dividends</b>	
Interim announced	September
Final announced	March

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