PORTMEIRIONGROUP PLC

Report and Accounts
for the year ended 31 December 2014

Stock code: PMP

WELCOME

PORTMEIRION GROUP PLC IS A BRITISH COMPANY BASED IN STOKE-ON-TRENT. WE ARE A MARKET LEADER IN HIGH QUALITY AND INNOVATIVELY DESIGNED TABLEWARE, COOKWARE, GIFTWARE AND TABLETOP ACCESSORIES. PORTMEIRION GROUP ENCOMPASSES FOUR WORLD LEADING BRANDS.

Visit **www.portmeiriongroup.com**

OUR PERFORMANCE

OUR GOVERNANCE

OUR FINANCIALS

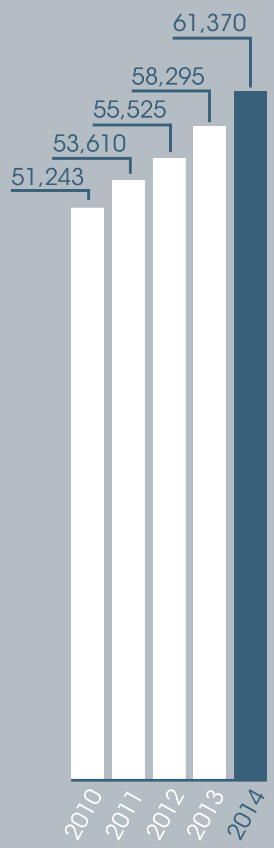
STAKEHOLDER INFORMATION

Pictured on front cover: a selection of product from the Spode Christmas Tree, Sophie Conran for Portmeirion, Portmeirion Botanic Garden and Spode Blue Italian ranges

HIGHLIGHTS

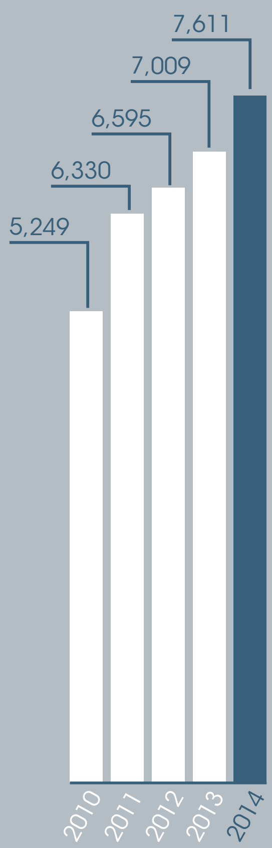
REVENUE
(£'000)

£61,370
+5.3%



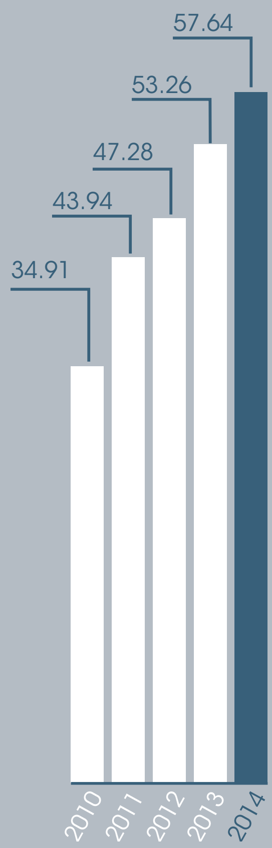
PRE-TAX PROFIT
(£'000)

£7,611
+8.6%



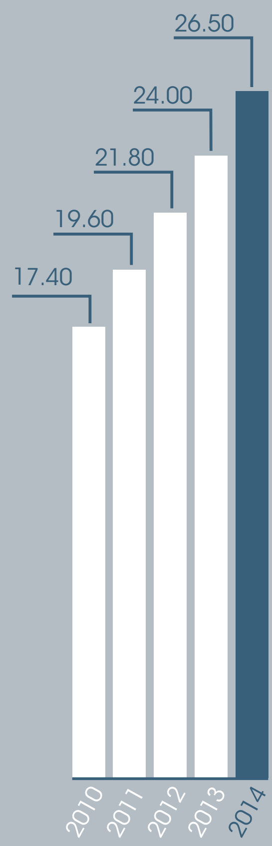
BASIC EPS
(p)

57.64p
+8.2%



DIVIDENDS PAID & PROPOSED (p)

26.50p
+10.4%



FINANCIAL HIGHLIGHTS:

- Sixth consecutive year of record Group revenue with growth of 5.3% to £61.4 million (2013: £58.3 million).
- Profit before tax increased 8.6% to a record £7.6 million (2013: £7.0 million).
- Total dividend paid and proposed for 2014 increased by 10.4% to a record 26.50p (2013: 24.00p).
- Revenue growth in key markets of USA, UK and South Korea.
- Strong revenue growth of over 25% in other export markets.

OPERATIONAL HIGHLIGHTS:

- Approved £1.5 million investment in a new kiln and other equipment which will increase manufacturing capacity in the UK by over 50%.
- Growth in online revenue of over 70% to £2.0 million (2013: £1.1 million).
- Record production levels with 17% increase to 150,000 best pieces per week (2013: 128,000).
- Exciting new ceramic range with Ted Baker announced.
- 80 new jobs created.

OUR BRANDS

Pictured: Ted Baker Portmeirion Casual Collection

Pictured: Spode Winter's Scene

Portmeirion®

Portmeirion is recognised worldwide for producing unique designs that sit comfortably with everyday life; an approach perfectly epitomised by its best-selling and iconic Botanic Garden range. The diverse, unique and high quality products within the Portmeirion brand deliver both beautiful designs and practicality for modern day living.

2015 is host to two stunning new collections born from Portmeirion and Ted Baker's innovative collaboration. The Ted Baker Portmeirion Fine Collection, Rosie Lee, is a comprehensive tableware range featuring pretty florals and is hand gilded with 22 carat gold. Ted Baker's signature prints are also threaded into the Ted Baker Portmeirion Casual Collection which makes a sensational giftware range.

The multi award-winning Sophie Conran for Portmeirion range has been refreshed with a new collection, Sophie Blue. Inspired by traditional English spongeware techniques, Sophie Blue features beautiful surface patterns in a deep blue colourway set on Sophie Conran for Portmeirion's best-selling, rippled silhouette. A new colour, 'pebble', also joins the range alongside white and glass line extensions.

Visit **www.portmeirion.co.uk**

Spode®

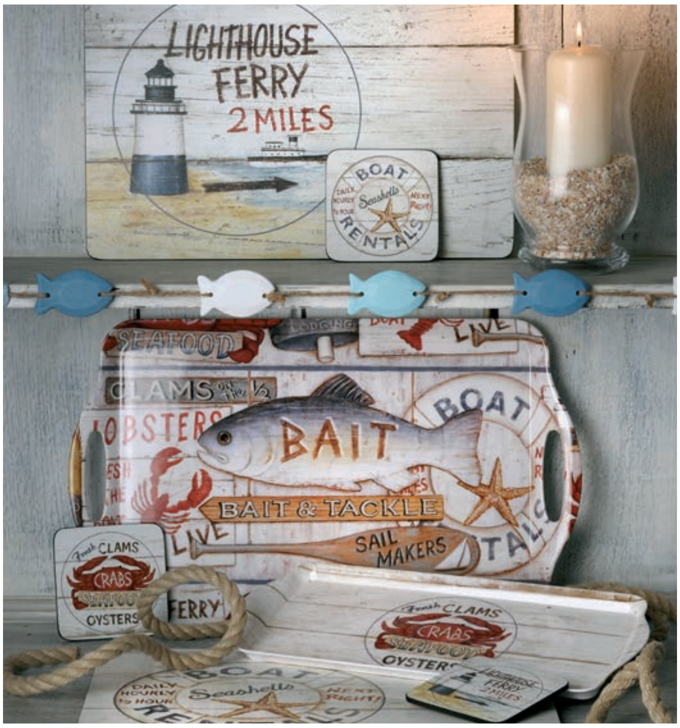
Renowned for its rich heritage and timeless designs, Spode's product portfolio appeals across the generations and includes celebrated British designs such as Blue Italian, Blue Room and Christmas Tree. These classic and intricately detailed designs have stood the test of time with Spode being widely regarded as one of Great Britain's iconic brands.

Winter's Scene joined the brand's portfolio in 2014. Originating from Spode's vast archive collection, Winter's Scene is a beautiful interpretation of classic Spode artwork prints. An eye-catching red border of holly leaves and acorns adorns each item in the tableware collection with key pieces featuring a charming winter's day scene.

Christmas Tree continues to be a best-selling festive pattern with new product introductions ensuring its popularity and relevance. Delamere Rural is going from strength to strength and a number of new items, all being made at Portmeirion Group's factory in Stoke-on-Trent, add to the range.

Visit **www.spode.co.uk**

Pictured: Royal Worcester Wrendale Designs



Pictured: Pimpernel Coastal Signs

ROYAL WORCESTER®

Founded in 1751, Royal Worcester has a rich and diverse design heritage. The brand offers a wide spectrum of quality products from fashionable fine bone china mugs and sophisticated, competitively priced tableware sets to the unique and opulent Painted Fruit collection.

Royal Worcester's Wrendale Designs licensed collection has proven very successful since it was launched in 2013. Building on the popularity of this range, new characters designed by Hannah Dale join the fine bone china mug collection in 2015 including a dog, cat, pig and rabbit. A new giftware collection featuring a variety of the captivating animal illustrations has also been introduced including key giftware pieces such as a tea-for-one and egg cups.

The winning design from Portmeirion Group's 'Fired Up' Design Competition made its debut in 2015. Inspired by the Stoke-on-Trent skyline, Up, Up and Away bursts with pinks, blues and oranges, and features hot air balloons floating over an industrial landscape.

Visit **www.royalworcester.co.uk**

pimpernel.

With its unrivalled reputation for quality products, Pimpernel, the premier brand for placemats, coasters, trays and accessories, continues to build on its holistic solution for the tabletop with the introduction of a wealth of new and exclusive designs.

Pimpernel's globally successful placemat and coaster portfolio has been extended to include three new designs in 2015. The seaside inspired Coastal Signs placemats and coasters are reminiscent of rugged seashores and maritime resorts, whilst the Puppy Club and Kitty Club coaster sets feature cute sepia images of canines and felines. New additions to the extensive Wrendale Designs collection include round placemats, coasters and worktop savers that complement this licensed range.

Visit **www.pimpernelinternational.co.uk**

TIMELINE OF EVENTS 2014

UK e-shop sale launched to push online revenue to new high. Online sales in May 2014 exceeded £300,000 and helped drive UK online sales growth to over 50% in the first half of the year. Full year online sales growth for the UK and US sites combined was over 70% for the Group.

New products showcased at the Spring Fair in Birmingham, Ambiente in Frankfurt and the New York tabletop show. These included Ambiance, Coast, new lines in the Sophie Conran for Portmeirion cookware collection and a Christmas pattern in the classic Sophie Conran for Portmeirion range.

FEBRUARY **APRIL** **JUNE**

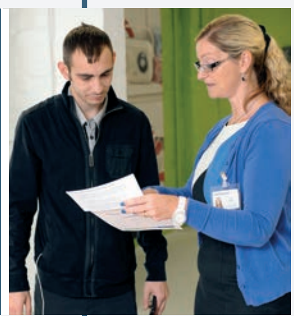
JANUARY **MARCH** **MAY**

Hosted the prestigious John Lewis Tabletop Conference in our UK showroom, with over 100 in attendance.

Agreed collaboration with UK fashion house Ted Baker, working together on a 41-piece vintage floral bone china dinnerware set and a 22-piece porcelain giftware range.

Finalised strategic review of manufacturing operation. Board approves £1.5 million investment in new kiln and other equipment which will increase the capacity of our UK factory by over 50%.

Two recruitment days held at UK site attracted over 200 applicants for 30 temporary and permanent positions in the manufacturing facility in Stoke-on-Trent.



AUGUST

OCTOBER

DECEMBER

JULY

SEPTEMBER

NOVEMBER

Announced 2014 interim results with revenue 3% ahead of 2013 and profit before tax growing by 42% to £1.2 million.

Relocation of Swindon retail store to larger premises with revamped modern appearance.

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2014


LAWRENCE F. BRYAN
Chief Executive

RICHARD J. STEELE
Non-executive Chairman

The Directors present their Strategic Report for the Group for the year ended 31 December 2014

"OUR AIM IS FOR OUR COMPANY TO BE AS **SUCCESSFUL AND AS PROFITABLE AS POSSIBLE.** TO ACHIEVE THIS WE NEED TO CONDUCT OURSELVES IN AN EFFICIENT MANNER TO **MAINTAIN HIGH LEVELS OF CUSTOMER SERVICE**, AND DRIVE FORWARD **TARGETED PRODUCT DEVELOPMENT** TO GROW OUR SALES. WE NEED TO HAVE A FOCUSED COMMITMENT TO **OPERATIONAL EXCELLENCE, INNOVATION** AND **QUALITY** AND WORK TOWARDS OUR VISION WITH **ENERGY, INTEGRITY** AND A **SENSE OF PURPOSE.**"

Business Model and Strategy
Portmeirion Group is an AIM listed company which sells ceramic tableware, cookware and giftware, glassware and associated products to a worldwide marketplace, our key markets are discussed on page 8. Portmeirion manufactures ceramics in a factory based in Stoke-on-Trent, England, where our head office and one of our warehouses are also based. We have a showroom and office in New York, a warehouse in Connecticut USA and a warehouse in Guangdong, China.

Guiding Principles
Underlying everything that we do are the guiding principles of nurturing our brands, continuing product development, assured quality, conservative financing and the drive to improve dividends.

Income
Portmeirion's revenue is generated through a variety of channels, marketplaces and currencies. Products are sold directly to consumers in our own UK shops, via the internet, through a network of agents and distributors throughout the world and directly to retailers. We also enjoy some royalty income from our important intellectual property imbedded in our brands, in-house patterns and designs. Our continued emphasis on customer attentive product development has delivered a sixth successive year of growth in revenues in 2014.

Profitability
The business profitability and cash generation depends on sales volumes and prices, manufacturing levels, sourcing costs, overhead costs and levels of working capital. Growing sales and controlling costs help drive healthy operating margins and cash balances.

Sales volumes and prices, which are supported by product innovation, are carefully measured and our progress in key markets is constantly monitored by

1.5
MILLION GBP TO BE INVESTED IN NEW KILN

50
PER CENT INCREASE IN UK PRODUCTION CAPACITY

customer feedback with especial focus on new product launches. We remain committed to product development; in the last twelve months we have launched over 600 new products including the new Ted Baker Portmeirion ranges, Sophie Conran Christmas and Sophie Blue.

Brands
Much of the value of Portmeirion Group lies with its four strong brands and the patterns which underpin these. Our brands are described in detail on pages 2 and 3.

Portmeirion has been an innovative brand since 1960; within the Portmeirion catalogue is Botanic Garden which is a traditional casual pattern with worldwide appeal; first manufactured in 1972, Botanic Garden is a brand in itself and is one of the most sought after, recognisable and valuable tableware patterns in the world. The Sophie Conran for Portmeirion ranges are more contemporary and also have significant export appeal.

The Spode and Royal Worcester brands were acquired in 2009, their heritage goes back as far as the mid eighteenth century. Spode Christmas Tree is an important North American pattern for us and has been selling well since 1938. Spode Blue Italian owes its design to Josiah Spode the Younger who introduced it to the market in 1816.

Our expenditure on maintaining and building our brands and patterns is significant and our future success as a business depends on it. On average, some 40,000 individual items are sold every day carrying one of our prestigious brand names on it, given the longevity of our product it can be seen that our brands have presence.

Portmeirion remains keen to acquire and develop other related brands, we review many opportunities against strict selection criteria of strategic fit, value and growth opportunities.

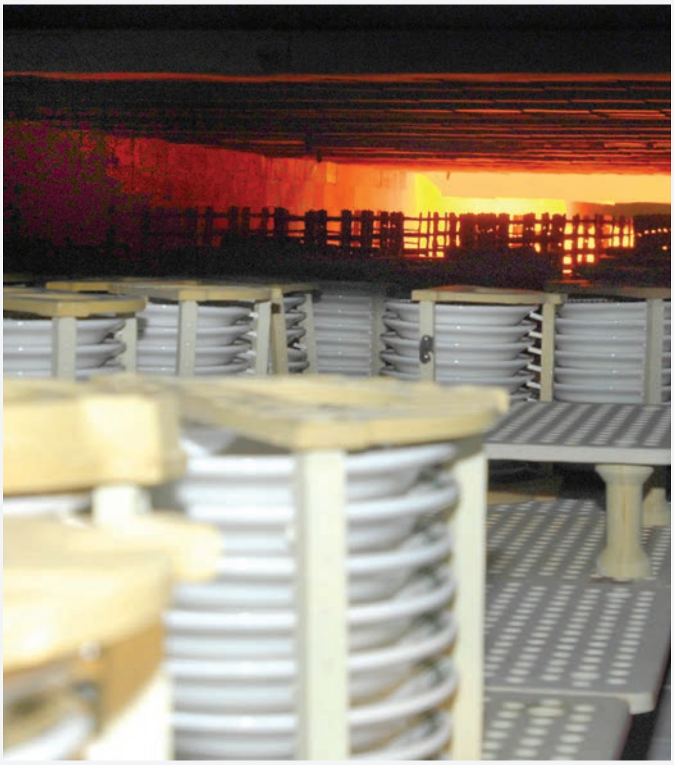
NEW KILN FOR 2015

50
PER CENT INCREASE IN FACTORY CAPACITY

FOLLOWING AN EXTENSIVE STRATEGIC REVIEW OF THE UK MANUFACTURING SITE IN RESPONSE TO INCREASED DEMAND FOR UK MADE PRODUCT, THE BOARD HAS APPROVED A £1.5 MILLION INVESTMENT IN A NEW GLOST KILN AND OTHER EQUIPMENT THAT WILL INCREASE THE CAPACITY OF THE UK FACTORY BY OVER 50%.

To meet demand from a number of export markets including South Korea, the USA, India and the Far East, we increased production output during 2014 by 17% from 128,000 to 150,000 best pieces per week.

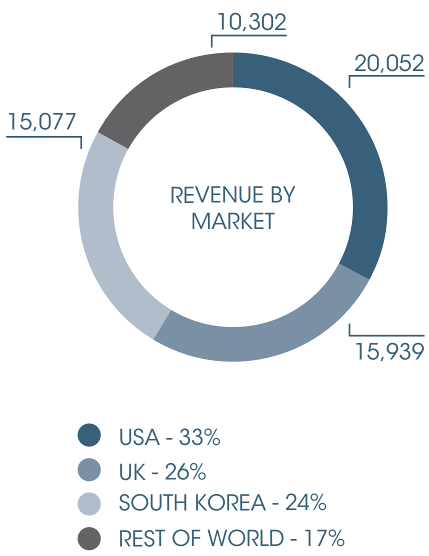
This unprecedented demand broke all previous records. Forecasts showed sufficient growth in demand over the forthcoming years to warrant expansion, targeting some 250,000 best pieces per week. Further capacity increases will be possible with additional investment.



Pictured: Plates being fired through our existing glost kiln

STRATEGIC REPORT CONTINUED

REVENUES WERE £61.4 MILLION FOR THE YEAR, AN INCREASE OF 5.3%. THIS REPRESENTS A **SIXTH SUCCESSIVE YEAR** OF RECORD REVENUES FOR THE GROUP.



Funding

The Group is listed on the Alternative Investment Market (AIM) and our shares are actively traded. The AIM gives us access to equity capital should we so require.

Funding for the business is provided via our own cash resources and a £4 million overdraft and revolving credit bank facility provided by Lloyds Bank plc; this ensures that short term borrowing requirements are adequately covered. The third quarter of the calendar year has a significant working capital requirement as we build stocks and then debtors to meet the increased retail demand over our important final fourth quarter which includes Christmas.

Portmeirion is cash generative, having generated some £23.8 million from operating profits over the last six years, and aims to provide a return to shareholders primarily through a progressive dividend policy, increasing dividends where profitability, cash generation and forecasts allow.

Review of the business

Portmeirion enjoyed a sixth successive year of record sales in 2014 with revenues and earnings being driven to their highest ever levels. This outcome, together with our confidence for the future, has enabled us to increase our dividend for the sixth successive year. We have improved our sales in the United States but have continued to be adversely impacted in Europe with the ongoing Anti-Dumping Duty. Our diversified product range, supply base and wide markets have enabled us to maintain our steady progress.

Dividends

The Board is recommending a final dividend of 21.00 pence per share bringing the total paid and proposed for the year to 26.50 pence per share, an increase of 10.4% over the total amounts paid in respect of 2013 and a 10.5% increase over the final dividend for 2013.

The final dividend will be paid, subject to shareholders' approval at the AGM on 19 May 2015, on 27 May 2015 to shareholders on the register on 24 April 2015.

The dividends paid and proposed for 2014 are covered 2.2 times by earnings (2013: 2.2 times). The Board continues to consider that a level of dividend being twice covered is an appropriate and sustainable level for the business.

Over the last six years we have increased our total dividends by an average of 10.3% per annum compound and our total dividend is now 80% higher than it was in 2008.

We listed on the London Stock Exchange 27 years ago in 1988; the issue price of our shares at flotation was £1.80 each. Our share price has grown nearly fivefold since 1988 and our total dividends have amounted to £3.41 per share during that period. We have never cut or withheld our dividend as a listed company.

The Board is committed to a progressive dividend policy; we believe that this is what our shareholders expect of us, why they bought Portmeirion shares and why they continue to hold them. We aim to maintain a sustainable and fair level of dividend cover and to increase our dividends whenever our results, cash balances and prudent views of future trading and business investment needs allow us so to do. Our consistent policy is to increase the interim dividend each year by the same percentage as the final dividend of the preceding year, subject of course to prevailing conditions.

Revenues

Revenues were £61.4 million for the year, an increase of 5.3% over the previous year (2013: £58.3 million). This represents a sixth successive year of record revenues for the Company. At a constant US dollar exchange rate our revenue increase would have been even higher at 7.6%.

Our largest market remains the United States, which represents nearly a third of our sales. We finished the year 1.0% above last year in translated figures in the United States, but by 6.4% in local currency. Better rates of employment and lower fuel costs continue to improve our prospects in the United States.

The United Kingdom remains our second largest market accounting for just over a quarter of our revenues; here we increased sales by 3.3% over 2013. At just under a quarter of our sales, South Korea had another good year for us with a sales increase of 2.0%.

Sales growth in the rest of the world was an impressive 25.3% during the year, with a starring performance in India which grew by 84% to take that market to our fourth largest at nearly 4% of sales. We supply our products to over sixty countries throughout the world.

Online sales, principally to United Kingdom and United States customers, were £2.0 million and are included in the sales figures quoted above. This was an excellent increase at 74% above 2013. The increase in the United States, which commenced online sales in the second half of 2013, was 178%; we increased United Kingdom online sales by 36%. This route to market currently shows no signs of cooling.

We continue to be well served by our diversified strategy encompassing widely differing geographies, products, customers and routes to market. These strategies enable us to pursue opportunities as and when they appear.

Profits

Earnings before interest, taxation, depreciation and amortisation (EBITDA) increased by 7.4% to £8.9 million in the year (2013: £8.3 million). Profit before taxation was £7.6 million, an increase of 8.6% over the comparative year (2013: £7.0 million). Both of these figures represent another record year for Portmeirion.

Basic earnings per share increased by 8.2%, dividends have been increased by 10.4%; dividend cover is fractionally below last year but still well within comfort levels.

EBITDA and profit growth continue to be ahead of revenue growth, albeit only marginally as we are increasingly nudging against manufacturing inefficiencies.

We continue to suffer from the imposition of Anti-Dumping Duty which has been forced on some of our European sales. The cost to the business in 2014 was approximately £0.8 million.

Nearly all of our corporate profits are subject to taxation in either the United Kingdom or the United States. We do not engage in any exotic tax planning exercises. The corporate taxation which we paid in 2014 amounted to £1.5 million.

Balance Sheet

High inventories have been a factor this year; as we have struggled to achieve the stock deliveries demanded by our customer base, our stock receipts, balances and controls have been less than optimum with peak stocks in 2014 hitting £17.3 million; these were reduced to £15.5 million by the year end, £3.8 million above 2013. This is an area for further management focus in 2015. Our stock provisioning policies are unchanged and rigorous.

Cash balances finished the year at £5.9 million, being £0.3 million below 2013 year end. Stronger stock controls would have added more cash from our stock balances, but at the expense of revenue and profits. Cash balances remain strong even after paying dividends of £2.6 million, corporate taxation of £1.5 million and capital investments of £0.9 million during 2014.

The pension scheme deficit on the defined benefit scheme which we closed sixteen years ago increased to £4.2 million from £2.4 million at the year end predominantly because of the discount rates used to evaluate the liabilities. £0.8 million of cash contributions were made to this scheme in 2014; there was no trading benefit to Portmeirion Group from the payment.

We have used treasury shares with a book value of £37,834 to satisfy share options exercised during the year, these treasury shares were originally bought at an average price of £1.87 each. We have 282,388 treasury shares remaining on the balance sheet which will be used to satisfy share options where appropriate. We have also acquired a further 95,671 shares for an employee benefit trust during the year. Our balance of such employee benefit trust shares now stands at 189,671, these will also be used to satisfy share options.

Products and Brands

We have four brand names – Portmeirion, Spode, Royal Worcester and Pimpernel. It is in our brands that much of the value of Portmeirion Group lies. The long and illustrious history of our brands stretches back to the mid eighteenth century with

SOCIAL MEDIA AND ONLINE

10K

10,000 NEW TWITTER FOLLOWERS

FURTHER INVESTMENT IN THE UK AND US WEBSITES HELPED DRIVE ONLINE REVENUE TO £2.0 MILLION, OVER 70% HIGHER THAN 2013.

Visit **www.twitter.com/byportmeirion**
www.facebook.com/PortmeirionUK

During 2014, the Group expanded its online capabilities and now operates websites in Austria, Belgium, France, Germany, Ireland, Luxembourg, The Netherlands, Portugal and Spain.

Our digital focus continued with investment in social media activity. @byportmeirion was trending in Manchester which means that our #blackfriday promotion was having a large impact on engagement – the first four promotional prizes provided a total reach of 1.3 million people alone.

Following on from that success, the @byportmeirion Twitter account exceeded 10,000 followers in December 2014 demonstrating our enhanced online brand awareness.

STRATEGIC REPORT CONTINUED

Spode and Royal Worcester. Some of our major tableware patterns are also brand names in their own rights.

Portmeirion Botanic Garden is a major pattern with a worldwide following. Since its launch in 1972 it has continued to evolve and grow. Sales last year were over £28 million, a conservative estimate would be that over 50 million pieces of Botanic Garden are still in use and on display all over the world. Other companies have tried to imitate the success of Botanic Garden and we are alert to any infringement of our intellectual property. Botanic Garden remains at the heart of our future prosperity.

Spode Christmas Tree is our second largest pattern, its main market is in North America where it consistently achieves sales in excess of $10 million per annum. From shortly after its launch in 1938 Christmas Tree has been a dominant Christmas tableware pattern; we also have other Christmas patterns such as The Holly and The Ivy, Sophie Conran for Portmeirion Christmas and Christmas Wish.

Our oldest continuous pattern is Spode Blue Italian, a traditional cobalt blue on finest English earthenware. In 2016 Blue Italian will have enjoyed 200 years of sales and we plan to celebrate this anniversary.

We have just launched Ted Baker Portmeirion tableware patterns, we have high hopes for these ranges and early responses are encouraging.

Product development remains key to our future. We continue to develop, extend, refresh and refine our existing patterns, and to launch new patterns and products, so as to retain and improve customer appeal. Central to our product development work is commercial reality; innovation is important but it is subordinate to profit. The Ted Baker Portmeirion launch in 2015 is a great example of new pattern development (albeit drawing heavily on a shape that we first introduced fifty years ago).The forty new SKUs introduced into Botanic Garden in 2014 clearly show the continuing development of existing patterns.

A list of our current patterns can be found at www.portmeirion.co.uk, www.spode.co.uk, www.royalworcester.co.uk and www.pimpernelinternational.co.uk.

Production and Sourcing

Whether our sales are of United Kingdom manufactured product or overseas sourced product is determined by the products being demanded. Our Stoke-on-Trent factory produces finest English earthenware, it does not produce bone china or porcelain which are different clay mixes and have different firing temperatures. Irrespective of the place of production all of our products are manufactured to our exacting quality standards and carry our reputation on the backstamp.

The mix between own manufactured and sourced product was 48:52 in 2014, whereas in 2013 it was 44:56 and in 2012 it was 41:59. With steadily increasing sales overlaid on this trend it is clear that our own production is rising. Our factory has been at the forefront of our results for 2014 as greater production volumes have continued to be driven out, albeit at some cost to production and working capital efficiencies.

Average weekly production of best quality pieces is a reasonable proxy for production volume; in 2014 we achieved 150,000 per week, in 2013 it was 128,000 per week and in 2012 115,000 per week. In January 2015 we announced an extensive expansion of our production capacity in Stoke-on-Trent. By the last quarter of 2015 we will have commissioned a new tunnel kiln and other associated production equipment at a cost of £1.5 million which will be met from our current cash facilities. This expansion will enable us to drive our UK production to 250,000 per week; as demand increases we will be able to meet it.

Despite a 16% increase in sales of own manufactured products in 2014, energy costs only increased by 2.6% as we continued to drive firing efficiencies and benefited from energy price reductions.

People

We created 80 new jobs in 2014; the average number of employees during the year increased from 578 to 631. We anticipate further job creation in 2015. Average sales per employee were £97,258 in 2014, a marginal fall on 2013 reflecting, in part, the inherent inefficiencies that we met as production levels were driven closer to capacity constraints. EBITDA per employee was £14,059, also showing a marginal reduction on 2013 for similar reasons to sales.

We are the first company in the UK to receive the Investment in Young People award. This award recognises the practical support and considerable time and effort we have committed towards the development of employability skills and identification of potential career options of local young people.

Staff costs are the biggest item of expense in our business. Most of our people are in the United Kingdom, and the majority are based at our Stoke-on-Trent factory and warehouse sites. We employ 36 people in the United States, mainly at our Connecticut warehouse, but also in our Manhattan office and showroom.

Total staff costs were £17.9 million in 2014, an increase of 10.8% over 2013 compared to a 9.2% increase in staff numbers. Average staff cost per head is £28,331.

We operate a non-contractual annual incentive scheme; for 2014 most of our people received a payment under this scheme by way of thanks for their contribution to the continuing success of Portmeirion.

The Environment

We recognise our environmental responsibilities and strive for more efficient use of resources and elimination of waste with considerable success. For example, we have achieved a reduction of 16.7% in our ‘Primary Specific Energy Consumption’, a measure of energy efficiency under our Climate Change Agreement, for the period from 2013 to 2014.

Risks

Page 12 lists the principal risks to which we consider the business is subject; five of these risks merit a little more discussion here:

Currency risks remain broadly covered as our US dollar receivables from our US sales are matched by our US dollar payables for our purchases from the Far East. Other foreign exchange net exposures are managed as appropriate.

Political and regulatory decisions are often unforeseen. The recent Anti-Dumping Duty problems from Brussels were not on the horizon until three years ago, similarly we have to worry about carbon tax measures when compared to other economic areas. The 1997 political decision about pension schemes was completely unforeseen but the impact continues. We remain as alert as possible to these dangers and mitigate them as best we can.

Energy costs are a major item of expenditure for us. Recent energy pricing has proved favourable and we will maintain our aggressive stance on energy conservation.

We have a diversified approach to product sourcing, from our own factory and other sources in the UK and overseas. This diversification increases the likelihood of problems occurring, but also increases our ability to deal with those problems.

Our long closed defined benefit pension scheme continues to absorb cash. In 2014 we paid in £0.8 million with no future economic benefit for the business, however this does not affect reported profits by this amount. We continue to take action to de-risk this scheme.

Corporate Governance

We are an AIM listed company and so are not subject to the full panoply of listing requirements and corporate governance rules which apply to companies on the main market. Nevertheless, we recognise and welcome the benefits of many of these corporate governance requirements which are not mandated upon us and we implement them enthusiastically when we can see tangible shareholder benefit.

We consider our approach to be forward looking in a number of areas, in particular in seeking annual re-election of all directors and in the strenuous efforts which we make to get shareholders to engage with us.

We will continue to be energetic but practical in our pursuit of effective and efficient corporate governance relative to our size, markets and business structure. The guidance provided by the Quoted Companies Alliance is a vital yardstick for companies of our size.

Key Performance Indicators

Indicator:	**2014**	2013	2012
Revenue	**£61.4m**	£58.3m	£55.5m
Return on sales	**12.3%**	12.1%	12.0%
New products launched	**604**	540	360
Earnings per share	**57.64p**	53.26p	47.28p
Dividend cover	**2.2x**	2.2x	2.1x

Revenue growth is key, in existing markets and in new markets. 2014 was our sixth successive year of revenue growth.

Return on sales expresses operating profit as a percentage of revenue. Because of our high fixed cost base increases in revenue growth can have great effect on return on sales.

New products launched include new ranges and extensions to existing ranges; these are essential to help drive revenue growth in future years and so in many ways represent expenditure today for benefit tomorrow. Portmeirion have a strong track record of launching new products.

Earnings per share is a shorthand measure of profitability, it takes all the revenue and costs from the year and divides the after tax profit arising by the number of active shares in issue. It is a measure which helps determine the amount of dividend which can be declared and paid and, as such, together with dividend cover, summarises the final annual output for shareholders. Dividend cover shows the extent to which profits exceed dividends paid.

EMPLOYEE RECOGNITION

25+ YEARS OF SERVICE

OUR LONG SERVICE AWARDS IS A PRESTIGIOUS ANNUAL EVENT WHICH RECOGNISES EMPLOYEES WHO HAVE ACHIEVED AT LEAST 25 YEARS OF SERVICE FOR THE GROUP.

The occasion is marked by a formal lunch with the Board of Directors for the employee and their chosen guest and an additional paid day off to fully enjoy the event.

Each employee can select a gift of their choice to mark the special milestone.

Pictured: Staff at our annual Long Service Award celebration

STRATEGIC REPORT CONTINUED

Principal risks and uncertainties

The Group Board considers the risks to the business at every Board meeting. It formally reviews and documents the principal risks to the business at least annually.

The principal risks inherent in the Group's business model include the following:

Economic environment

Whilst there is renewed optimism regarding the general world economy and hope for an economic recovery, retail conditions remain challenging, particularly in the Eurozone, and further adverse conditions in the retail sector would have a detrimental impact on trading.

The Group monitors and maintains close relationships with its key customers and suppliers to be able to identify signs of financial difficulties early 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 sales declining.

The general economic factors affecting the Group during the period are discussed further in the review of the business on pages 8 to 11.

Competitors

The Group faces strong competition in most of the major markets in which it operates, which presents a risk of losing market share, revenue and profit.

This 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.

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.

Existing staff are provided with relevant training 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. Management also seeks to ensure that key personnel are appropriately remunerated to ensure that good performance is recognised.

Suppliers

The Group's purchasing activities could expose it to overreliance on certain key suppliers or markets and, as a result, inflationary pricing pressure. Production is split between our UK factory and outsourced supply, which allows the Group to mitigate some of the risk presented by suppliers.

For the manufacturing process conducted in the UK, the Group ensures that key raw materials are available from more than one source to ensure continuity of supplies.

For the sourcing process, suppliers are carefully selected and the Group seeks to maintain a sufficient breadth in its supplier base such that the risk remains manageable. The Group also ensures that all intellectual property rights are retained and easily transferable should an alternative supplier be required.

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 losses caused by default, reduction in profitability due to currency fluctuations and insufficient funds to complete the daily business function and consequent threat to the going concern basis of the organisation.

Details of the Group's approach to management of these risks and the systems in place to mitigate them are covered in the financial risk management objectives in note 29 on pages 58 to 60.

Corporate and social responsibility

Environmental policy

The Group recognises the importance of its environmental responsibilities and monitors its impact on the environment. It designs and implements policies to reduce damage that might be caused by the Group's activities.

Efficient use of resources is important to the Group. Products are designed and production processes formulated to target high manufacturing yields thus optimising the utilisation of resources.

Initiatives designed to reduce the Group's impact on the environment include the recycling of manufacturing waste, reducing its carbon emissions and utilisation of recyclable packaging materials. In addition the Group's products are designed to achieve a long 'Product Life Cycle' so that they need only be replaced after a lengthy period of time.

Other measures include the safe disposal of manufactured waste, energy recycling and reduction of energy consumption. The Group will continue to recycle its main waste streams, scrap product, plaster of Paris moulds and cardboard, as appropriate.

Portmeirion's commitment to reducing its carbon emissions is evidenced by having been subject to a Climate Change Agreement since 2000. During 2014, compared to 2013, the Group reduced its Primary Specific Energy Consumption (kWh/tonne) by 16.7%.

Employees

The Group recognises that our people are our greatest asset and that the Group's performance and its success within our marketplace is directly related to the effectiveness of our people, who deliver the high quality products and exceptional service that Portmeirion is renowned for. The Group aims to attract, retain and motivate the highest calibre of employees within a structure that encourages their development to maximise their contribution to our customers and the Group.

The Group has established people centred policies which are communicated to staff and updated via our new internal noticeboards and our virtual noticeboard on our intranet. Employee engagement is measured by our annual employee opinion survey. In 2014, 72.6% of employees who responded said that they were happy to be working for the Group.

Recognition

In 2014 the Group introduced a scheme that enables managers to reward staff when they exceed expectations. We select one individual to be our Employee of the Month who is formally presented with their award. We use this scheme to reinforce employee actions which support company values, foster a sense of belonging and a recognition culture.

Training
The Group provides a number of training opportunities across all areas of the business to ensure staff are competent to perform their role. Within our manufacturing and distribution centres we aim to train all of our employees to be multi-skilled so they can work across the factory and warehouse. The Group also provides access to a variety of development initiatives including National Vocation Qualifications, First Aid training and other specific job related training courses.

Reward strategy
Our reward strategy aims to provide a package that offers competitive pay and distinctive benefits. As part of a review that was conducted during 2014 all employees now receive free access to a health cash plan along with free life cover. Our people are also offered membership of our Group personal pension plan which provides an employer contribution for all members.

Health & Safety
The Group promotes a positive health and safety culture throughout the Company to ensure all of our people consider health, safety and welfare issues while at work and make an effective contribution towards maintaining and improving health and safety standards. By using this approach the Group aims to reduce accidents and provide a healthy workplace and working environment.

Recruitment
Youth unemployment remains one of the biggest social issues that the UK faces. During 2014 we have provided seven apprenticeship placements and fifteen work experience programmes as part of our commitment to developing young people. Giving people the opportunities to succeed is at the heart of our ethos and we recognise the value young people can bring in building a dynamic and productive workforce. In 2014 the Group's commitment to the development of employability skills and identification of potential career options for young people was recognised when it received the Investment in Young People Award.

As a result of continued growth and demand for product manufactured at our Stoke-on-Trent site, 80 new jobs were created in 2014. As part of the recruitment drive, we hosted two recruitment days on-site. Over the two days 215 people visited and registered their interest in working for us.

Wellbeing
Investment in our people stretches beyond careers to their wellbeing which is just as important for our success as a business. For example, our annual Health and Wellbeing Day allows employees to receive free advice on healthy eating and exercise, smoking cessation, cancer awareness, further education, alcohol and drug awareness, and pension support.

The Group has recently invested in upgrading our on-site cafe facilities at our Head Office which provide a relaxed seating area and an excellent choice of food at a subsidised cost.

This year has also seen the introduction of uniforms for all of our retail teams. We have plans to roll this out to other areas of the business in 2015 to further promote teams and teamwork.

AWARDS

During 2014, the Group was shortlisted for two awards:

- Spode Delamere Rural was shortlisted in the Best Tableware category at the House Beautiful awards; and
- Sophie Conran for Portmeirion was shortlisted in the Best Cookware category at the same awards.

Spode Delamere Rural has also been shortlisted in The Giftware Association's Gift of the Year awards 2015, Made in the UK category.

02

AWARD SHORTLIST CATEGORIES IN 2014

THE NOMINATIONS WERE TESTAMENT TO THE GROUP'S CONTINUED DRIVE FOR INNOVATION AND QUALITY AND FURTHER UNDERLINED THE SUCCESS OF THE SOPHIE CONRAN COOKWARE COLLECTION, WHICH HAD PREVIOUSLY WON AN EXCELLENCE IN HOUSEWARES AWARD IN THE EXCELLENCE IN COOKWARE CATEGORY.

Pictured: Spode Delamere Rural

STRATEGIC REPORT CONTINUED

Community
Helping the community is important to us and to this end we aim to provide assistance where possible to our community partners. Most of our financial contributions to charities come from the effort and personal involvement of our staff and the Group, with support from the Board.

The Group is supportive of staff being involved with their local communities and charitable concerns. Staff charitable fundraising initiatives are encouraged, including collection events held in staff canteens and sales to staff of discontinued stock and samples.

Where relevant and where business needs allow, employees are encouraged to work closely with local schools and colleges providing tailored work experience programmes, involvement in business enterprise schemes and tutoring lectures.

Ethics and human rights
The Group aims to conduct its business with honesty, integrity and openness, respecting human rights and the interests of its employees, customers and third parties.

The Group advocates high ethical standards in carrying out its business activities and has policies for dealing with gifts, hospitality, bribery, corruption, whistle-blowing, conflicts of interest and inside information.

Relations with suppliers, partners and contractors
The Group expects its suppliers to adhere to business principles consistent with the Group's own. Suppliers are expected to adopt and implement acceptable health & safety, environmental, product quality, labour, human rights, social and legal standards in line with the Group's Supplier Code of Conduct.

The selection of new suppliers will continue to be subject to them meeting high international standards of compliance. Conformance to these standards is assessed by on-site audits at the supplier's premises. All suppliers are requested to complete pre-prepared compliance declarations.

The Group will continue to test all products for compliance with international standards in relation to quality and technical performance. Supplier compliance requirements cover both:

- a Code of Conduct: covering social and ethical treatment of workforce, minimum age of workforce, health & safety and working conditions and environmental waste control; and
- Quality of Goods: quality must meet or exceed international quality, technical performance and safety standards.

The Group aims to use contractors that are, as a minimum, appropriately qualified and ideally experienced in the ceramics industry. New contractors undergo health and safety inductions. Risk assessments are carried out on all major jobs and contractors are required to provide method statements for major works.

The Group will either agree terms of payment with suppliers and contractors at the start of business or ensure that the supplier or contractor is aware of the Group's payment terms. Payment will be made in accordance with contractual or other legal obligations.

Pictured: Royal Worcester Up Up and Away

DESIGN COMPETITION

400

ENTRIES FROM HIGHER EDUCATION STUDENTS

WITH THE WINNER ANNOUNCED IN JANUARY 2014, THE PORTMEIRION DESIGN COMPETITION ATTRACTED A LARGE NUMBER OF ENTRIES FROM LOCAL STUDENTS.

Visit **www.royalworcester.co.uk**

In order to attract the next generation of talented designers, the competition was open to individuals who were enrolled and attending a university or other higher education establishment.

A shortlist was judged by a team of leading industry experts.

The prize was £1,000 and an offer of a paid three month internship at Portmeirion Group.

The winning entry, Up Up and Away, by Jemma Moore, was launched during the year.

Relations with customers

The Group is committed to providing safe, value for money, high quality products and to developing and maintaining positive relationships with its customers.

All employees are expected to behave respectfully and honestly in all their dealings with customers and the general public.

The Group encourages feedback from its customers through trade account managers and engagement with individual customers through social media such as Facebook and Twitter.

Going concern basis

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 review of the business on pages 8 to 11. In addition, note 29 to the accounts 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 cash balances of £5.9 million and, as disclosed in note 20, had unutilised bank facilities with available funding of £4 million.

Operating cash generation was strong during the year at £3.8 million (2013: £5.5 million). Overall cash reduced by only £0.3 million despite the £3.5 million increase in inventory.

The Group sells into over 60 countries worldwide and has a spread of customers within its major UK and US markets with adequate credit insurance cover in export markets where required. The Group manufactures approximately 48% of its products and sources the remainder from a range of third party suppliers.

After making enquiries and reviewing budgets and forecasts for the Group, the Directors have a reasonable expectation that the Company and 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

Our business is worldwide for revenues and for supplies; our ranges have longevity and our brands have a value far above the figures ascribed to them in our balance sheet.

Our strategy and core values remain unchanged; we believe in attentive design, assured quality, a professional sales approach, nurtured brands, prudent financing and progressive dividends. The greatest of these is dividends, and they depend on the others.

We continue to seek out acquisition opportunities to match our demanding criteria.

Trading in the first two months of the current year is ahead of the comparative period in 2014. However, as we have become increasingly second-half weighted, sales in these months are low in comparison to the rest of the year. We remain confident in our business model for the short and long terms.

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

RICHARD J. STEELE
Non-executive Chairman

Lawrence Bryan

LAWRENCE F. BRYAN
Chief Executive
11 March 2015

BOARD OF DIRECTORS

LAWRENCE F. BRYAN
Chief Executive

Lawrence Bryan has been a Director since 2000 and Chief Executive since 2001. As the Chief Executive he oversees all the Group's business and is responsible for formulating the Group's objectives and strategy. In addition, all operations in the United States report directly to him as President of Portmeirion Group USA, Inc.

Lawrence has extensive experience in the glass, ceramics and gift industry. He was previously the Vice President, Sales of Waterford Wedgwood USA, President, Waterford Wedgwood USA Retail and President of International China Company. He is a Fellow of the Royal Society of Arts.

BRETT W.J. PHILLIPS
Group Finance Director and Company Secretary

Brett Phillips was appointed to the Board in 1988 and is responsible for all aspects of financial control, information systems, human resources, legal and company secretarial matters, production and logistics. He is Managing Director of Portmeirion Group UK Limited, the Group's main operating company, and sits on all subsidiary Boards.

Brett is a Chartered Accountant. He is Chairman of the Board of Furlong Mills Limited, an associated undertaking of the Group, and is also a Non-executive Director of The Stafford Railway Building Society.

PHILIP E. ATHERTON
Group Sales and Marketing Director

Philip Atherton was appointed to the Board in 2013 and is responsible for the Group's sales, marketing, design and sourcing.

Before joining the Group, Philip spent 12 years in the drinks industry working in a number of commercial roles with Remy & Associates (UK) Limited, The Gaymer Group Limited and Allied Domecq PLC where he gained extensive experience of working with premium brands. From 1999 until February 2013, Philip was the Sales and Marketing Director of the Home Textiles Division of the John Cotton Group Limited.

09

PER CENT INCREASE IN PROFIT BEFORE TAX

25

PER CENT GROWTH IN SALES IN OTHER EXPORT MARKETS

RICHARD J. STEELE

Non-executive Chairman

Dick Steele is responsible for leading the Board and ensuring that it operates in an effective manner whilst 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. He is a Non-executive Director of the Quoted Companies Alliance and Non-executive Chairman of two private equity backed businesses: ASL and Country Baskets.

JANIS KONG OBE

Non-executive Director

Janis Kong OBE is a Non-executive Director of Kingfisher PLC, Bristol Airport, Copenhagen Airports A/S, Network Rail and Tui Group. Formerly, she held positions as Non-executive Director of the Royal Bank of Scotland Group PLC and Visit Britain, Executive Chairman of Heathrow Airport Limited, Chairman of Heathrow Express Limited and as a member of the BAA plc Board. She holds an honorary Doctorate with the Open University.

LADY JUDGE CBE

Non-executive Director

Lady Judge has previously been a lawyer, international banker and entrepreneur. She is currently the Non-executive Chairman of the UK Pension Protection Fund, an arm's length UK governmental body. Formerly she was Chairman of the UK Atomic Energy Authority, Deputy Chairman of the UK Financial Reporting Council and a Commissioner of the United States Securities and Exchange Commission.

BOARD COMMITTEES

AUDIT COMMITTEE

R.J. Steele (Chairman)
J. Kong
Lady Judge

NOMINATION COMMITTEE

R.J. Steele (Chairman)
J. Kong
Lady Judge
L.F. Bryan

REMUNERATION COMMITTEE

R.J. Steele (Chairman)
J. Kong
Lady Judge

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 2014. The Corporate Governance Statement set out on pages 29 to 31 forms part of this report.

The Company is a public limited company, registered in England and Wales and listed on the Alternative Investment Market (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.

A full review of the performance of the Group for the year is given in the Strategic Report on pages 6 to 15. Current trading and the future are commented on in the “Outlook” section of the Strategic Report on page 15.

Information about the use of financial instruments by the Company and its subsidiaries is given in note 29 on pages 58 to 60.

Dividends
On 1 October 2014 an interim dividend of 5.50p (2013: 5.00p) per share was paid on the ordinary share capital. The Directors recommend that a final dividend of 21.00p per share be paid (2013: 19.00p), making a total for the year of 26.50p (2013: 24.00p) per share. The final dividend will be paid, subject to shareholders’ approval, on 27 May 2015 to shareholders on the register at the close of business on 24 April 2015.

Research and development
The Group continues to research into methods of tackling the environmental issues facing it as a ceramics manufacturer whilst improving manufacturing efficiency. The development of innovative new products and designs is a key part of the Group’s strategy.

Directors and their interests
The Directors of the Company are listed on pages 16 and 17 together with biographical and committee membership details. All Directors have served throughout the year.

In accordance with our commitment to good corporate governance practice that is relevant to our business, the Board has decided this year to adopt voluntarily the practice that all Directors stand for re-election on an annual basis in line with recommendations of the UK Corporate Governance Code 2014. All Directors will therefore retire at the Annual General Meeting to be held on 19 May 2015 and being eligible, are offering themselves for re-election. The Board has formally reviewed the performance of each Director and concluded that they remain effective and are committed to their roles at Portmeirion Group PLC.

Further details on the composition of the Board and appointment of Directors are given in the Corporate Governance Statement on pages 29 to 31.

With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Association, the Companies Act 2006 and related legislation. The Articles themselves may be amended by special resolution of the shareholders. The powers of Directors are described in the Corporate Governance Statement on pages 29 to 31.

The Directors who held office at 31 December 2014 had the following beneficial interests in the share capital of the Company:

	At 31 December 2014 5p ordinary shares Beneficial	At 31 December 2013 5p ordinary shares Beneficial
L.F. Bryan	236,236	320,177
Lady Judge	5,000	5,000
J. Kong	5,000	5,000
B.W.J. Phillips	106,309	99,807
R.J. Steele	22,000	22,000

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 2014 and 11 March 2015.

Details of Directors’ share options are provided in the Directors’ Remuneration Report on pages 27 and 28.

Details of transactions with Directors and other related parties are to be found in note 27 on page 55.

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.

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 23 on pages 53 and 54. The Company has one class of ordinary shares which carry no right to fixed income. Each share carries the right to one vote at general meetings of the Company.

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

Details of employee share schemes are set out in notes 23 and 30 on pages 53 and 54 and 61 to 63.

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

Substantial shareholdings

On 31 December 2014 the Company had been notified, in accordance with chapter 5 of the Disclosure 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	Number of ordinary shares
Investec Wealth & Investment Limited[4]	29.04%	3,108,804
Euan Cooper-Willis	6.21%	664,612
Shahrzad Farhadi	5.91%	632,333
Kamrouz Farhadi	5.26%	562,917
Marlborough Fund Managers Limited[3]	5.18%	555,000
Henderson UK Equity Income Fund[3]	3.48%	372,500

Notes:

(1) The percentages are of the total shares in issue, excluding treasury shares (10,705,766).

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

(3) Shareholding held indirectly through a nominee.

(4) Client holdings registered in the name of nominee companies 100% owned by Investec Wealth & Investment Limited. This holding includes 1,436,195 (13.42%) shares held by Trustees of Caroline Fulbright Settlement and 356,077 (3.33%) shares held by Trustees of Second Caroline Fulbright Settlement.

(5) L.F. Bryan, Chief Executive, held 236,236 (2.21%) shares as at 31 December 2014 and at 11 March 2015.

During the period between 31 December 2014 and 11 March 2015, the Company did not receive any notifications under chapter 5 of the Disclosure and Transparency Rules.

Annual General Meeting

The Annual General Meeting will be held at the offices of Eversheds LLP, One Wood Street, London, EC2V 7WS on 19 May 2015 at 11.00 a.m. (the "2015 AGM"). All ordinary and special resolutions to be proposed at that meeting are detailed in the Notice of Annual General Meeting. As special business at the 2015 AGM, the following resolutions will be proposed together with the resolution described below regarding market purchases of the Company's shares:

- Authority to allot shares – under section 551 of the Companies Act 2006, the Directors of a Company may only allot unissued shares or any rights to subscribe for or to convert any security into shares in the Company if authorised to do so. The resolution giving authority to allot shares, if passed, will continue to provide flexibility for the Directors to act in the best interests of shareholders, when opportunities arise, by issuing new shares, and replaces the authority given at the Annual General Meeting of the Company held on 15 May 2014. The authority will allow the Directors to allot new shares up to a nominal value of £178,429, approximately equal to a third of the present issued share capital excluding treasury shares as at 11 March 2015. The Directors have no current intention of exercising this authority except in relation to the allotment of shares under the share option schemes.
- Disapplication of pre-emption rights – if equity securities are to be allotted for cash, section 561(1) of the Companies Act 2006 requires that those equity securities are offered first to existing shareholders in proportion to the number held by them at the time of the offer and otherwise in compliance with the technical requirements of that Act. Those pre-emption provisions also apply to the sale of treasury shares by the Company. However, it may be in the interests of the Company for the Directors to allot shares and/or sell treasury shares other than to shareholders in proportion to their existing holdings or otherwise than strictly in compliance with those requirements. This resolution would allow the Directors, pursuant to section 570 and section 573 of the Companies Act 2006, to allot shares and to sell treasury shares for cash without first offering them to shareholders in accordance with that Act. The authority is limited to the issue of equity securities and/or sale of treasury shares for cash up to a maximum nominal amount of £53,528, which is approximately equal to 10% of the present issued share capital excluding treasury shares as at 11 March 2015, and allotments of equity securities and/or sale of treasury shares in connection with a rights issue or other in proportion offer to shareholders.

REPORT OF THE DIRECTORS CONTINUED

Acquisition of the Company's own shares

The Company did not purchase any of its own shares during the year. The Company holds 282,388 treasury shares, purchased at an average cost of 187p per share. At the end of the year, the Directors had authority, under a shareholders' resolution of 15 May 2014, to purchase through the market 1,066,953 of the Company's ordinary shares. This authority expires on 30 June 2015.

The Directors believe that it is in the interests of the Company and its members to continue to have the flexibility to purchase its own shares and resolution 13 of the 2015 AGM seeks authority from members to allow the Company to make market purchases, subject to the restrictions set out in the Notice of Annual General Meeting, and in particular to the maximum number of ordinary shares that may be purchased being 1,070,576, approximately equal to 10% of the present issued share capital of the Company excluding treasury shares as at 11 March 2015. The Directors intend to renew this authority annually but only to exercise the authority where, after considering market conditions prevailing at the time, the investment needs of the Company, its opportunities for expansion and its overall financial position, they believe the effect of such exercise would be to increase the earnings per share and be in the best interests of shareholders generally.

The Portmeirion Employees' Share Trust (the "Trust") was set up in 2013 to encourage and facilitate the acquisition and holding of shares in the Company by and for the benefit of the employees of the Group.

The Trust purchased 95,671 ordinary shares of 5p each in the Company on 29 April 2014 representing approximately 0.89% of the issued share capital of the Company excluding treasury shares as at 29 April 2014. The shares are held in the Trust to provide for an award under an employee share option scheme. The 95,671 shares purchased on 29 April 2014 were acquired from L.F. Bryan at market value (745p). The Trust holds a total of 189,671 shares.

Employees

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 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.

The Group recognises the importance of good communications with its employees and considers that the most effective form of communication regarding its activities, performance and plans is by way of informal daily discussions between management and other employees. During 2014, to complement these discussions, the Group has continued communicating information from Board level to all employees on a regular basis via a programme of team briefings and by use of the Company's intranet and noticeboards.

Share option and profit related incentive schemes are operated to encourage the involvement of employees in the Group's performance. Portmeirion Group UK Limited, the employer of the Group's UK based employees, is an Investor in People and has received the Investment in Young People Award. The Directors are committed to the continuing development of the Group's employees through the principles of Investors in People. Details of staff numbers and costs are set out in note 7 on page 46.

Political contributions

There were no political contributions during the year.

Auditors

Each of the persons who is a Director 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.

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

B.W.J. PHILLIPS
Company Secretary
11 March 2015

DIRECTORS' REMUNERATION REPORT

This report is on the activities of the Remuneration Committee for the year ended 31 December 2014 and sets out the remuneration policy and remuneration details for the Executive and Non-executive Directors of the Company. As a company listed on the Alternative Investment Market (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 2012 (the "Code"). 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 on 19 May 2015 at which approval of the financial statements will be sought.

Statement by the Chairman of the Remuneration Committee

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ended 31 December 2014.

Portmeirion Group has continued to deliver sustainable returns and growth for our shareholders as shown by our record results on page 1. This is not achieved without the commitment and determination of our employees and senior management team. Performance of our Executive Directors is assessed against a range of financial and operational measures ensuring value is delivered to shareholders.

There have been no structural changes to the remuneration policy during 2014 nor are any proposed for 2015.

Annual incentive payments are based on a demanding profit before tax and exceptional items target. The annual incentive paid to Executive Directors for the year ended 31 December 2014 is 28.7% of base salary. Details of the Directors' shareholdings are detailed on page 18.

In accordance with our commitment to good corporate governance policies relevant to our business, we have decided this year to adopt voluntarily the practice that all Directors stand for re-election on an annual basis in line with recommendations of the Code.

We are committed to maintaining an open and transparent dialogue with shareholders. The objective of this report is to communicate clearly how much our Executive Directors are earning and how this is strongly linked to performance. I welcome any comments from shareholders regarding Directors' remuneration.

R.J. STEELE
Chairman of the Remuneration Committee
11 March 2015

DIRECTORS' REMUNERATION REPORT CONTINUED

REMUNERATION COMMITTEE

The members of the Remuneration Committee during 2014 are set out on page 17. The terms of reference of the Remuneration Committee are available at www.portmeiriongroup.com.

R.J. Steele is Chairman of the Remuneration Committee. The Board considers it appropriate that R.J. Steele, with his experience in this area, chairs this committee. There have been no changes in the composition or chairmanship of the Remuneration Committee during the year. None of the Committee 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 to undertake the following actions:

- Review the market competitiveness of the remuneration policy and the remuneration of the Executive Directors;
- 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.

During 2014, the Committee held three scheduled meetings. In addition, the Committee held meetings at other times throughout the year 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 2014. In determining the Directors' remuneration for the year, the Committee consulted L.F. Bryan, Chief Executive, about its proposals.

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

- Basic salary and benefits;
- Annual incentive payments;
- Share option incentives;
- Long-term incentives; and
- Pension arrangements.

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. 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.

The Committee operates the variable 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 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. B.W.J. Phillips holds directorships outside the Group which are detailed on page 16. B.W.J. Phillips retains earnings in respect of his directorship at The Stafford Railway Building Society.

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 elsewhere within the Group.	Salaries for the year ended 31 December 2014 are set out on page 26. 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 up to 4x 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.	Dependant 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 salary.	Based on achievement of a demanding profit before tax and exceptional items target.
Deferred Incentive Plan			
Incentivising and retaining Executive Directors whilst aligning their interests with those of shareholders through delivery and retention of shares.	Discretionary award over shares not exceeding a market value of 20% of the gross annual incentive payment earned by the Executive Director in respect of the previous financial year.	Maximum award is 20% of the prior year's gross annual incentive payment.	Options under the plan can only be granted to the extent performance targets relating to the annual incentive arrangements are met.
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.	Growth in earnings per share targets as detailed on page 25.

DIRECTORS' REMUNERATION REPORT CONTINUED

Key aspects of the Remuneration Policy for the 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 2014 are set out on page 26. 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 if the Non-executive Director does not opt out of the auto enrolment process.	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
P. E. Atherton	22.11.2012	12 months
L.F. Bryan	08.11.2002	12 months
B.W.J. Phillips	15.03.2000	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 he 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 Directors are proposed for re-election at the next Annual General Meeting on 19 May 2015.

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.

ANNUAL REPORT ON REMUNERATION
APPLICATION OF REMUNERATION POLICY FOR THE YEAR ENDED 31 DECEMBER 2014

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 Group.

Each Executive Director is provided with healthcare benefits, critical illness cover, life insurance and a car.

Annual incentive payments

Each Executive Director's remuneration package includes an annual incentive payment. If the profit before tax and exceptional items exceeds an annual target, then an incentive will be paid. The incentive is a percentage of the Executive Director's basic salary which is linked to the amount by which profit before tax and exceptional items exceeds the target. The maximum incentive payable is 100% of basic salary. Demanding budgets and targets are established by the Board and reviewed at the end of each year to determine the degree of successful achievement.

For the year ended 31 December 2014, the profit target was met and the Executive Directors achieved an incentive payment of 28.7% of basic salary.

Share options

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 three Executive Share Option Plans: The Portmeirion 2002 Share Option Scheme (the "2002 Share Option Scheme"), The Portmeirion 2012 Approved Share Option Plan (the "2012 Approved Plan") and The Portmeirion 2012 Unapproved Share Option Plan (the "2012 Unapproved Plan"). These are all discretionary schemes, enabling the grant of options over ordinary shares in the Company to selected employees of the Portmeirion Group, with flexibility for the grant of tax-favoured options. For all schemes, earnings per share has been selected as a measure of performance as it directly reflects operational performance and is also a significant factor in determining the market's view of the Group's value.

Options granted in 2012, 2013 and 2014 can normally only be exercised 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 beginning with the financial year in which the option was granted is at least 13% higher than that for the year before the option was granted.

Basic 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.

As of 20 May 2012, no further options are permitted to be granted under the 2002 Share Option Scheme.

Long-term incentive schemes

The Portmeirion Group 2010 Deferred Incentive Share Option Plan (the "2010 Deferred Incentive Plan") was established to incentivise and retain Executive Directors and encourage them to acquire and retain shares in the Company. The Plan operates in conjunction with the Group's existing annual incentive arrangements.

The 2010 Deferred Incentive Plan permits the grant of an option to a participant in any year over shares with a market value not exceeding 20% 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 2010 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).

Options under the 2010 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 2010 Deferred Incentive Plan, are not, therefore, subject to the satisfaction of performance targets.

DIRECTORS' REMUNERATION REPORT CONTINUED

Pensions

P.E. Atherton, B.W.J. Phillips and R.J. Steele are members of the Portmeirion Group UK Limited Group Personal Pension Plan, a money purchase pension scheme. L.F. Bryan receives pension contributions for a money purchase pension operated by the Group in the United States. Annual performance related incentives are not subject to contributions by the Group to the money purchase pension arrangements maintained for the Directors. Details of contributions paid by the Group for the benefit of the Directors are shown in the Directors' emoluments table that follows.

On 31 October 2002 the Portmeirion Potteries Pension Plan, a contracted-in money purchase occupational pension plan, closed. B.W.J. Phillips was a member of the plan at that time and holds preserved benefits.

On 5 April 1999, the Group's defined benefit UK pension scheme was frozen, i.e. closed to new entrants and to future accrual. B.W.J. Phillips was a member of the scheme at that time and holds preserved benefits. He became an active pensioner on 31 March 2014 and has received pension payments from that date. During 2014, B.W.J. Phillips received a lump sum on retirement of £97,000 and a gross pension of £10,000.

Non-executive Directors

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

Aggregate Directors' remuneration

The total amounts for Directors' remuneration were as follows:

	2014 £'000	2013 £'000
Emoluments	1,089	971
Long term incentive plan (LTIP)	284	394
Gains made on exercise of share options	–	450
Money purchase pension contributions	64	63
	1,437	1,878

Directors' emoluments

	Salary & fees £'000	Taxable benefits[1] £'000	Incentive £'000	LTIP[2] £'000	Pension contributions £'000	2014 Total £'000	2013 Total £'000
Executive							
P.E. Atherton	173	16	50	–	19	258	197
L.F. Bryan[3]	319	18	91	187	17	632	731
M. Haynes[4]	–	–	–	–	–	–	173
B.W.J. Phillips	207	11	59	97	28	402	639
Non-executive							
Lady Judge	30	–	–	–	–	30	28
J. Kong	30	–	–	–	–	30	28
R.J. Steele	85	–	–	–	–	85	82
	844	45	200	284	64	1,437	1,878

Notes:

(1) The taxable benefits shown above arise from the provision of a company car, critical illness and private medical insurance. Life assurance provided is not a taxable benefit.

(2) On 15 April 2014 options granted in 2011 under the 2010 Deferred Incentive Plan vested. The mid market closing price of the Company's shares on 15 April 2014 was 785.0p. L.F. Bryan and B.W.J. Phillips exercised options granted in 2011 on 15 April 2014. 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 (787.5p) 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 schemes section of this report on page 28.

(3) L.F. Bryan is remunerated in US dollars and his remuneration is translated into sterling at the average exchange rate for the year. In 2014, this was $1.6476 /£ (2013: $1.5641 /£).

(4) M. Haynes resigned from the Board on 12 February 2013.

(5) There were no options exercised under the Executive Share Option Plans.

Directors' share options and long-term incentives

Aggregate emoluments disclosed on page 26 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 three share option plans, the 2002 Share Option Scheme, the 2012 Approved Plan and the 2012 Unapproved Plan as described on page 25. Details of options held under these schemes by Directors who served during the year are as follows:

	At 01.01.2014	Number of options Granted	Number of options Exercised	At 31.12.2014	Exercise price (pence)	Dates on which exercisable Earliest	Dates on which exercisable Latest
P.E. Atherton	30,000	–	–	30,000	610.0	03.05.2016	01.05.2023
P.E. Atherton	–	30,000	–	30,000	740.0	01.05.2017	29.04.2024
L.F. Bryan	15,000	–	–	15,000	487.5	21.04.2015	19.04.2022
L.F. Bryan	45,000	–	–	45,000	610.0	03.05.2016	01.05.2023
L.F. Bryan	–	45,000	–	45,000	740.0	01.05.2017	29.04.2024
B.W.J. Phillips	10,000	–	–	10,000	487.5	21.04.2015	19.04.2022
B.W.J. Phillips	30,000	–	–	30,000	610.0	03.05.2016	01.05.2023
B.W.J. Phillips	–	30,000	–	30,000	740.0	01.05.2017	29.04.2024

Notes:

(1) The performance criteria attaching to share options are detailed on page 25.

(2) The Company's share price reached a high of 922.5p and a low of 707.5p during 2014. The average share price during 2014 was 808.0p. The share price on 31 December 2014 was 875.0p.

(3) There have been no changes to the Directors' interests in the shares or options over shares of the Company between 31 December 2014 and 11 March 2015.

DIRECTORS' REMUNERATION REPORT CONTINUED

Long-term incentive schemes

Details of options held under the 2010 Deferred Incentive Plan by Directors who served during the year are as follows:

Director	At 01.01.2014	Number of options Granted	Number of options Exercised	At 31.12.2014	Dates on which exercisable Earliest	Dates on which exercisable Latest
P.E. Atherton	–	392	–	392	16.04.2017	14.07.2017
L.F. Bryan	11,730	–	(11,730)	–	15.04.2014	13.07.2014
L.F. Bryan	7,369	–	–	7,369	21.04.2015	19.07.2015
L.F. Bryan	2,106	–	–	2,106	20.04.2016	18.07.2016
L.F. Bryan	–	833	–	833	16.04.2017	14.07.2017
B.W.J. Phillips	6,502	–	(6,502)	–	15.04.2014	13.07.2014
B.W.J. Phillips	4,239	–	–	4,239	21.04.2015	19.07.2015
B.W.J. Phillips	1,197	–	–	1,197	20.04.2016	18.07.2016
B.W.J. Phillips	–	509	–	509	16.04.2017	14.07.2017

Notes:

(1) The exercise price payable by the option holder to acquire shares upon the exercise of a 2010 Deferred Incentive Plan option is £1 in respect of all of the shares under option for that particular award.

Details of the options exercised under the 2010 Deferred Incentive Plan during the year are as follows:

Director	Date of exercise	Number of options exercised	Total exercise price (pence)	Market price on exercise per share (pence)	Gains on exercise £'000	Total gains on exercise 2014 £'000	Total gains on exercise 2013 £'000
L.F. Bryan	15.04.2014	11,730	100.0	787.5	92	92	90
B.W.J. Phillips	15.04.2014	6,502	100.0	787.5	51	51	51

Consultations with shareholders and statement of voting at general meeting

At the Annual General Meeting of the Company held on 15 May 2014, a resolution to approve the Directors' Remuneration Report for the year ended 31 December 2013 was passed with 5,341,359 proxy votes lodged of which 96.3% were in favour, 3.6% gave discretion and 0.1% were against.

In February 2015, the Chairman wrote to significant institutional shareholders offering a meeting to discuss corporate governance matters. The Chairman is in regular contact with all other significant shareholders in the Company.

APPROVAL

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

B.W.J. PHILLIPS
Company Secretary
11 March 2015

CORPORATE GOVERNANCE STATEMENT

As a company listed on the Alternative Investment Market (AIM) the Company is not required to adhere to the UK Corporate Governance Code September 2012 (the "Code"). The Company has regard to the Code as best practice guidance and has sought to comply with a number of its provisions in so far as it considers them to be appropriate to a company of its size, however, we have not sought to comply with the full Code.

The Board

The Company is controlled by the Board of Directors. The Board comprises three Executive and three Non-executive Directors. The Board considers, after careful review, that the Non-executive Directors bring an independent judgement to bear notwithstanding their length of service. The Board has considered the need for progressive refreshing of the Board in formulating this view. 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 Annual General Meeting. The Company's Articles of Association require that all Directors retire no later than at the third Annual General Meeting of the Company after the general meeting at which he/she was appointed or last reappointed. The Board has decided this year to adopt voluntarily the practice that all Directors stand for re-election on an annual basis in line with recommendations of the Code. All Directors undergo a performance evaluation before being proposed for re-election to ensure their performance continues to be effective, that where appropriate they maintain their independence and that they are demonstrating continued commitment to the role.

R.J. Steele, the Non-executive Chairman, is responsible for the running of the Board and L.F. Bryan, the Chief Executive, has executive responsibility for running the Group's business and implementing Group strategy. 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, Chief Executive, Group Finance Director or the other two Non-executive Directors. The Board meets at least five times each year and has a formal schedule of matters reserved to it. It is responsible for overall Group strategy, approval of major capital expenditure projects, approval of the annual and interim results, annual budgets, dividend policy, and Board structure. It monitors the exposure to key business risks and reviews the strategic direction of all trading subsidiaries, their annual budgets, their performance in relation to those budgets and their capital expenditure.

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 UK subsidiary are circulated to the Group Board 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 following table shows the attendance of the Directors at meetings of the Board and its principal committees during 2014:

	Board	Audit Committee	Remuneration Committee	Nomination Committee
Total meetings held[(1)]	**5**	**3**	**3**	**1**
Meetings attended				
R.J. Steele (Non-executive Chairman)	5	3	3	1
L.F. Bryan (Chief Executive)	5	3[(2)]	3[(2)]	1
P.E. Atherton (Group Sales and Marketing Director)	5	3[(2)]	n/a	n/a
Lady Judge (Non-executive)	4	2	2	1
J. Kong (Non-executive)	5	3	3	1
B.W.J. Phillips (Group Finance Director and Company Secretary)	5	3[(2)]	n/a	n/a

Notes

(1) During the year additional Board and Remuneration Committee meetings were held and attended by a duly authorised committee of members of the Board principally to discuss share option matters.

(2) Meetings which the Director attended, in whole or in part, by invitation.

During the year the Board carried out an evaluation of its own performance, taking into account guidance included in the Financial Reporting Council's Guidance on Board Effectiveness. The Board concluded that it had performed effectively. During the year appraisals were carried out with the Directors. The Group Finance Director and Group Sales and Marketing Director were appraised by the Chief Executive who, in turn, was appraised by the Chairman. Additionally, the Chairman appraised the Non-executive Directors. The Non-executive Directors appraised the Chairman's performance without the Chairman being present.

CORPORATE GOVERNANCE STATEMENT CONTINUED

Nomination Committee

The Nomination Committee is chaired by R.J. Steele and comprises all the Non-executive Directors and the Chief Executive. It overviews the process and makes recommendations to the Board on all new Board appointments. Where new Board appointments are considered, the search for candidates shall be conducted, and appointments made, on merit, against objective criteria and with due regard for the benefits of diversity on the Board, including gender. The Nomination Committee meets at least once a year and also considers the re-election of Directors retiring by rotation and succession planning. The Company's Articles of Association require that each Director, including Executive Directors, shall submit himself/herself for re-election every three years. In addition, the Board has voluntarily taken the decision that all Directors will be subject to annual re-election.

Remuneration Committee

The Remuneration Committee is chaired by R.J. Steele and comprises all the Non-executive Directors. The Board considers it appropriate that R.J. Steele, with his experience in this area, chairs this committee. The Remuneration Committee is responsible for making recommendations to the Board in relation to all aspects of remuneration for Executive Directors. 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. In framing its policy the Remuneration Committee takes into account any factors which it deems necessary, including industry standard executive remuneration, differentials between executive and employee remuneration and differentials between executives. When designing schemes of performance related remuneration the Remuneration Committee considers the provisions in Schedule A to the Code. The remuneration of the Non-executive Directors is determined by the Executive Directors.

Audit Committee

The Audit Committee is chaired by R.J. Steele and comprises all the Non-executive Directors. The Board considers it appropriate that R.J. Steele, with his experience and expertise in this area, chairs this committee. The Audit Committee meets at least three times each year. It considers any matter relating to the financial affairs of the Group and to the Group's external audit that it determines to be desirable. In particular the Committee overviews the monitoring of the adequacy of the Group's internal controls, accounting policies and financial reporting and provides a forum through which the Group's external auditors report to the Non-executive Directors.

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.

Internal control

The Board acknowledges that it is responsible for the Group's overall approach to risk management and internal control and for reviewing the effective application of risk management and internal control systems.

An ongoing process for identifying, evaluating and managing or mitigating the principal risks faced by the Group has been in place throughout the financial year and has remained in place up to the approval date of the report and accounts. That process is regularly reviewed by the Board and accords with the principals in The Financial Reporting Council's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting published in September 2014.

The Board intends to keep its risk control procedures under constant review particularly with regard to the need to embed internal control and risk management procedures further into the operations of the business, both in the UK and overseas, and to deal with areas of improvement which come to management's and the Board's attention.

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

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. All significant capital expenditure decisions are approved by the Board as a whole.

The Group's principal risks, together with the relevant control and monitoring procedures, are subject to regular review to enable the Board to assess the effectiveness of the system of internal control. The adequacy of internal controls with regard to the risks identified are reviewed at every Board meeting. The Board has also specifically reviewed the effectiveness of the Group's internal financial controls. These regular reviews allow the Board to re-evaluate the risks and adjust controls effectively in response to changes in attitude to risk, in our business or in the external environment. During the course of its reviews the Board has not identified nor been advised of any failings or weaknesses which it has determined to be significant.

The Board 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 Board will review this on a regular basis.

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 can only provide reasonable and not absolute assurance against material misstatement or loss.

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 policy is that the Group does 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 47.

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 Audit Committee confirming that, in their opinion, they are independent.

Conflicts of interest

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 the potential for these interests to conflict with their duties as a Director of the Company. All such notifications are regularly reviewed by the Board.

Relations with shareholders

The Group encourages two way communications with both its institutional and private investors and responds quickly to all queries received. The Chairman talks regularly with the Group's major shareholders and ensures that their views are communicated fully to the Board. The Chairman wrote to significant institutional shareholders in February 2015 offering a meeting to discuss corporate governance matters. The Non-executive Directors are offered the opportunity to attend meetings with major shareholders. All shareholders receive notice of the Annual General Meeting ("AGM") at which the chairmen of all committees will be available for questions.

The Board recognises the AGM as an important opportunity to meet private shareholders. At its AGM, which is chaired by the Chairman, the Company complies with the provisions of the Code relating to the notice period required, disclosure of proxy votes, the separation of resolutions and the attendance of committee chairmen. The Directors are available to listen to the views of shareholders informally immediately following the AGM.

Financial reporting

The Board seeks to present a balanced and understandable assessment of the Group's position and prospects. Details are given in the Strategic Report on pages 6 to 15.

R.J. STEELE
Non-executive Chairman
11 March 2015

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's financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

International Accounting Standard 1 requires that IFRS financial statements present fairly for each financial year the Group's 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 IFRS as adopted by the European Union 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 applicable UK Accounting Standards 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 AUDITORS' REPORT

Independent auditors' report to the members of Portmeirion Group PLC

We have audited the financial statements of Portmeirion Group PLC for the year ended 31 December 2014 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the Company Reconciliation of Movements in Shareholders' Equity and the related notes. The financial reporting framework that has been applied in the preparation of the Group's financial statements is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of Directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 32, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. 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.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2014 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

Stephen Eames

STEPHEN EAMES
(Senior Statutory Auditor)
for and on behalf of Mazars LLP,
Chartered Accountants and Statutory Auditors
45 Church Street
Birmingham
11 March 2015

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 £'000	2013 £'000
Revenue	4, 5	**61,370**	58,295
Operating costs	6	**(53,811)**	(51,233)
Operating profit		**7,559**	7,062
Interest income	9	**16**	52
Finance costs	10	**(152)**	(246)
Share of profit of associated undertakings		**188**	141
Profit before tax		**7,611**	7,009
Tax	11	**(1,538)**	(1,400)
Profit for the year attributable to equity holders		**6,073**	5,609
Earnings per share	13	**57.64p**	53.26p
Diluted earnings per share	13	**57.30p**	52.84p
Dividends paid and proposed per share	12	**26.50p**	24.00p

All the above figures relate to continuing operations.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	**2014 £'000**	2013 £'000
Profit for the year		**6,073**	5,609
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of net defined benefit pension scheme liability	28	**(2,455)**	1,947
Deferred tax relating to items that will not be reclassified subsequently to profit or loss	22	**491**	(660)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**368**	(156)
Deferred tax relating to items that may be reclassified subsequently to profit or loss	22	**45**	(28)
Other comprehensive income for the year		**(1,551)**	1,103
Total comprehensive income for the year attributable to equity holders		**4,522**	6,712

CONSOLIDATED BALANCE SHEET

31 DECEMBER 2014

	Notes	2014 £'000	2013 £'000
Non-current assets			
Intangible assets	14	**1,177**	1,419
Property, plant and equipment	15	**9,168**	9,285
Interests in associates	16	**1,854**	1,778
Deferred tax asset	22	**832**	222
Total non-current assets		**13,031**	12,704
Current assets			
Inventories	17	**15,544**	11,713
Trade and other receivables	18	**10,772**	10,889
Cash and cash equivalents	19	**5,905**	6,205
Total current assets		**32,221**	28,807
Total assets		**45,252**	41,511
Current liabilities			
Trade and other payables	21	**(6,856)**	(6,465)
Current income tax liabilities		**(1,196)**	(1,141)
Total current liabilities		**(8,052)**	(7,606)
Non-current liabilities			
Pension scheme deficit	28	**(4,153)**	(2,404)
Total non-current liabilities		**(4,153)**	(2,404)
Total liabilities		**(12,205)**	(10,010)
Net assets		**33,047**	31,501
Equity			
Called up share capital	23	**549**	548
Share premium account		**6,456**	6,375
Investment in own shares	24	**(1,814)**	(1,139)
Share-based payment reserve		**292**	742
Translation reserve		**1,012**	599
Retained earnings		**26,552**	24,376
Total equity		**33,047**	31,501

These financial statements were approved by the Board of Directors and authorised for issue on 11 March 2015.

They were signed on its behalf by:

L.F. BRYAN
B.W.J. PHILLIPS } *Directors*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2014

	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 2013	541	5,802	(767)	601	783	19,887	26,847
Profit for the year	–	–	–	–	–	5,609	5,609
Other comprehensive income for the year	–	–	–	–	(184)	1,287	1,103
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**(184)**	**6,896**	**6,712**
Dividends paid	–	–	–	–	–	(2,376)	(2,376)
Increase in share-based payment reserve	–	–	–	141	–	–	141
Shares issued under employee share schemes	7	573	202	–	–	(60)	722
Purchase of own shares	–	–	(574)	–	–	(3)	(577)
Deferred tax on share-based payment	–	–	–	–	–	32	32
At 1 January 2014	**548**	**6,375**	**(1,139)**	**742**	**599**	**24,376**	**31,501**
Profit for the year	–	–	–	–	–	6,073	6,073
Other comprehensive income for the year	–	–	–	–	413	(1,964)	(1,551)
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**413**	**4,109**	**4,522**
Dividends paid	–	–	–	–	–	(2,587)	(2,587)
Increase in share-based payment reserve	–	–	–	194	–	–	194
Transfer on exercise or lapse of options	–	–	–	(644)	–	644	–
Shares issued under employee share schemes	1	81	38	–	–	(34)	86
Purchase of own shares	–	–	(713)	–	–	(3)	(716)
Deferred tax on share-based payment	–	–	–	–	–	47	47
At 31 December 2014	**549**	**6,456**	**(1,814)**	**292**	**1,012**	**26,552**	**33,047**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2014

	2014 £'000	2013 £'000
Operating profit	**7,559**	7,062
Adjustments for:		
Depreciation of property, plant and equipment	**1,001**	906
Amortisation of intangible assets	**311**	289
Contributions to defined benefit pension scheme	**(800)**	(800)
Charge for share-based payments	**194**	141
Exchange (loss)/gain	**(20)**	37
Profit on sale of tangible fixed assets	**-**	(9)
Operating cash flows before movements in working capital	**8,245**	7,626
Increase in inventories	**(3,506)**	(200)
Decrease/(increase) in receivables	**332**	(1,369)
Increase in payables	**316**	771
Cash generated from operations	**5,387**	6,828
Interest paid	**(59)**	(30)
Income taxes paid	**(1,525)**	(1,261)
Net cash from operating activities	**3,803**	5,537
Investing activities		
Interest received	**16**	76
Proceeds on disposal of property, plant and equipment	**16**	46
Purchase of property, plant and equipment	**(860)**	(4,579)
Purchase of intangible assets	**(69)**	(99)
Net cash outflow from investing activities	**(897)**	(4,556)
Financing activities		
Equity dividends paid	**(2,587)**	(2,376)
Shares issued under employee share schemes	**86**	722
Purchase of own shares	**(716)**	(577)
Net cash outflow from financing activities	**(3,217)**	(2,231)
Net decrease in cash and cash equivalents	**(311)**	(1,250)
Cash and cash equivalents at beginning of year	**6,205**	7,450
Effect of foreign exchange rate changes	**11**	5
Cash and cash equivalents at end of year	**5,905**	6,205

NOTES TO THE CONSOLIDATED 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 70. The nature of the Group's operations and its principal activities are set out in the Strategic Report on pages 6 to 15.

These accounts have been prepared in accordance with accounting standards adopted for use in the European Union (International Financial Reporting Standards (IFRS)) and the Companies Act 2006 applicable to companies reporting under IFRS.

The going concern basis has been considered in the Strategic Report on page 15.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates. 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 IFRSs and a new Interpretation issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on 1 January 2014. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

The following new and revised Standards and Interpretations have also been adopted in the current year. Their adoption has not had any significant impact on the amounts reported in these financial statements but may impact the accounting for future transactions and arrangements:

IFRS 10, IFRS 12 and IAS 27 (amended)	*Investment Entities*
IAS 32 (amended)	*Offsetting Financial Assets and Financial Liabilities*
IAS 36 (amended)	*Recoverable Amount Disclosures for Non-Financial Assets*
IAS 39 (amended)	*Novation of Derivatives and Continuation of Hedge Accounting*
IFRIC 21	*Levies*

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

IFRS 9	*Financial Instruments*
IFRS 11 (amendments)	*Accounting for Acquisitions of Interests in Joint Operations*
IFRS 15	*Revenue from Contracts with Customers*
IAS 16 and IAS 38 (amendments)	*Clarification of Acceptable Methods of Depreciation and Amortisation*
IAS 16 and IAS 41 (amendments)	*Agriculture: Bearer Plants*
IAS 19 (amendments)	*Defined Benefit Plans: Employee Contributions*
IAS 27 (amendments)	*Equity Method in Separate Financial Statements*
IFRS 10 and IAS 28 (amendments)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
Annual Improvements to IFRSs: 2010-2012 Cycle	
Annual Improvements to IFRSs: 2011-2013 Cycle	
Annual Improvements to IFRSs: 2012-2014 Cycle	

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

2. Significant accounting policies

The accounting policies which follow set out those policies which were applied in preparing the financial statements for the year ended 31 December 2014.

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.

2.1 Basis of consolidation

The consolidated financial statements incorporate the financial statements of Portmeirion Group PLC and its subsidiaries. The Group's share of the results and retained earnings of associated undertakings is included.

Subsidiary undertakings are consolidated on the basis of the acquisition method of accounting. 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 2014 except for the accounts of Portmeirion Canada Inc. which have a year end of 30 June 2014. The Group accounts include interim financial information to 31 December 2014 for Portmeirion Canada Inc.

2.2 Investment in associated undertakings ("associates")

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results, assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted by post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments.

Where a Group company transacts with an associate of the Group, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

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.

Sales of goods are recognised when goods are delivered and title has passed.

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.

2.4 Operating leases

Rentals payable or receivable under operating leases are charged or credited to income on a straight-line basis over the term of the relevant lease.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the term of the lease.

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.

2. Significant accounting policies continued

2.5 Foreign currencies continued

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 below 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 and share of profit of associated undertakings.

2.7 Group pension schemes

Payments to defined contribution retirement schemes are charged as an expense as they fall due.

For defined benefit schemes, the cost of providing benefits is determined using the defined accrued benefit 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 immediately to the extent that the benefits are already vested, and otherwise are amortised on a straight-line basis over the average period until the benefits become vested. The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and as reduced by the fair value of scheme assets.

2.8 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. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

2. Significant accounting policies continued

2.9 Property, plant and equipment

Freehold 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	– 6% to 33% per annum

2.10 Intangible assets

Purchases of intellectual property are included at cost and written off in equal annual instalments over their estimated useful economic life of between five and ten 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.

2.11 Impairment of tangible and intangible assets

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

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

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

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.

2.12 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.

2.13 Research and development

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally generated intangible asset arising from the Group's development activities is recognised only if all of the following conditions are assessed and met:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

2. **Significant accounting policies** continued

2.13 Research and development continued

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which is it incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Amortisation is recognised on a straight-line basis over their estimated useful lives, which is five years.

2.14 Purchase of own shares

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.

2.15 Financial instruments

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

Derivative financial instruments

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

Changes in the fair value of derivative financial instruments that are designated and are effective as hedges of future cash flows are recognised directly in equity and the ineffective portion is recognised immediately in the income statement. Amounts deferred in equity are recognised in the income statement in the same period in which the hedged item affects net profit or loss.

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.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs.

Receivables

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are categorised as loans and receivables. These are measured at amortised cost using the effective interest method, less any impairment.

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 29.

2.16 Share-based payments

Equity-settled share-based payments to employees 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 30.

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.

NOTES TO THE CONSOLIDATED 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.

Impairment of inventory

Provision is made for the impairment of slow-moving and obsolete inventory based on historical and forecast sales and estimates of net realisable value. The carrying value of inventory at the year end was £15,544,000 (2013: £11,713,000).

Defined benefit pension scheme

The valuation of the Group's defined benefit pension scheme assets and liabilities under IAS 19 *Employee Benefits* requires assumptions to be made regarding inflation, discount rates, mortality, salary and pension increases. The carrying value of the scheme liability at the year end was £4,153,000 (2013: £2,404,000).

4. Revenue

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

	2014 £'000	2013 £'000
Continuing operations		
Sale of goods	**61,145**	57,931
Royalties	**225**	364
	61,370	58,295

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 the UK and US operations. The Directors are of the opinion that only one class of business is being undertaken, that of the manufacture and sale of ceramics and associated homeware.

		2014			2013	
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
United Kingdom	**46,402**	**(4,898)**	**41,504**	42,590	(3,900)	38,690
United States	**19,866**	**–**	**19,866**	19,605	–	19,605
	66,268	**(4,898)**	**61,370**	62,195	(3,900)	58,295

Included in revenues arising from the United Kingdom are revenues of £15,077,000 (2013: £14,783,000) which arose from sales to the Group's largest customer in South Korea.

5. Segmental analysis continued

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

Revenue	2014 £'000	2013 £'000
United Kingdom	15,939	15,435
United States	20,052	19,854
South Korea	15,077	14,783
Rest of the World	10,302	8,223
	61,370	58,295

Operating profit by origin	2014 £'000	2013 £'000
United Kingdom	6,565	6,746
United States	994	316
Operating profit	7,559	7,062
Unallocated items:		
Share of profit of associated undertakings	188	141
Interest income	16	52
Finance costs	(152)	(246)
Profit before tax	7,611	7,009
Tax	(1,538)	(1,400)
Profit after tax	6,073	5,609

		2014			2013	
Other information	United Kingdom £'000	United States £'000	Con-solidated £'000	United Kingdom £'000	United States £'000	Con-solidated £'000
Capital additions	846	83	929	4,486	192	4,678
Depreciation and amortisation	1,141	171	1,312	1,031	164	1,195
Balance sheet						
Assets						
Non-current segment assets	9,674	671	10,345	9,971	733	10,704
Other segment assets	23,605	9,136	32,741	20,996	7,672	28,668
Total segment assets	33,279	9,807	43,086	30,967	8,405	39,372
Interests in associates			1,854			1,778
Other assets			312			361
Consolidated total assets			45,252			41,511
Liabilities						
Segment liabilities	10,894	1,311	12,205	8,676	1,334	10,010

There are no unallocated corporate liabilities in 2014 and 2013.

Reconciliation of earnings before interest, tax, depreciation and amortisation (EBITDA)	2014 £'000	2013 £'000
Operating profit	7,559	7,062
Add back:		
Depreciation	1,001	906
Amortisation	311	289
Earnings before interest, tax, depreciation and amortisation	8,871	8,257

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

6. Operating costs

	2014 £'000	2013 £'000
Cost of inventories recognised as an expense	23,869	23,993
Movement on inventory impairment provision	412	(316)
Other external charges	10,045	9,794
Staff costs (note 7)	17,877	16,130
Depreciation of property, plant and equipment	1,001	906
Amortisation of intangible assets	311	289
Impairment of trade receivables	36	37
Cost of research and development	261	265
Net foreign exchange (gains)/losses	(1)	154
Government grants	–	(19)
	53,811	51,233

7. Staff numbers and costs

	2014 Number	2013 Number
The average number of persons employed during the year, including Directors:		
Operatives	395	341
Salaried employees	236	237
	631	578

	£'000	£'000
Staff costs:		
Wages and salaries	15,171	13,524
Social security costs	1,237	1,177
Defined contribution pension costs	1,081	1,052
Non-monetary benefits	388	377
	17,877	16,130

The Company had no employees throughout 2014 or 2013.

	£'000	£'000
Directors' emoluments:		
Salary and fees, taxable benefits and incentive	1,089	971
Gains made on exercise of share options	–	450
Long term incentive plan	284	394
Pension contributions	64	63
	1,437	1,878

	2014 Number	2013 Number
Number of directors who were members of a defined contribution pension scheme during the year	4	4

	£'000	£'000
Remuneration of the highest paid director:		
Salary and fees, taxable benefits and incentive	428	373
Gains made on exercise of share options	–	158
Long term incentive plan	187	183
Pension contributions	17	17
	632	731

8. Auditors' remuneration

	2014 £'000	2013 £'000
Fees payable to the Group's auditors for the audit of the Group's annual accounts	49	47
Other audit related services – interim review	6	6
Total audit related fees	55	53
Fees payable to the Group's auditors and their associates for other services to the Group		
Tax compliance services	–	8
Other taxation advisory services	22	7
All other services	–	4
Total non-audit fees	22	19
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	4	4
	4	4

The audit fee for the Company was £1,600 (2013: £1,600).

Fees payable to Mazars LLP and their associates for non-audit services to the Company are not required to be disclosed because the consolidated financial statements are required to disclose such fees on a consolidated basis.

9. Interest income

	2014 £'000	2013 £'000
Bank deposits	16	24
Realised gains on financial derivatives	–	28
	16	52

10. Finance costs

	2014 £'000	2013 £'000
Interest paid	43	43
Realised losses on financial derivatives	3	7
Unrealised losses on financial derivatives	12	–
Defined benefit pension scheme – other finance costs	94	196
	152	246

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

11. Taxation on profit on ordinary activities

	2014 £'000	2013 £'000
Current taxation		
United Kingdom corporation tax at 21.5% (2013: 23.25%)	1,195	1,346
Overseas taxation	370	116
	1,565	1,462
Deferred taxation		
Origination and reversal of temporary differences	(168)	(61)
Pension scheme	141	(1)
	(27)	(62)
	1,538	1,400

UK Corporation tax is calculated at 21.5% (2013: 23.25%) 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:

	2014 £'000	2013 £'000
Profit on ordinary activities before taxation	7,611	7,009
Tax on profit on ordinary activities at standard rate of 21.5% (2013: 23.25%)	1,636	1,630
Factors affecting charge for the year:		
Expenses not deductible for tax purposes and other adjustments	(261)	(245)
Small companies tax relief	–	(2)
Foreign tax charged at higher rates than UK standard rate	170	41
Differences relating to associates tax charge	(7)	(24)
Total tax on profit on ordinary activities	1,538	1,400

12. Dividends paid

	2014 £'000	2013 £'000
Final dividend of 19.00p per share paid in respect of the year ended 31 December 2013 (2013: final dividend of 17.30p per share paid in respect of the year ended 31 December 2012)	2,008	1,842
Interim dividend of 5.50p per share paid in respect of the year ended 31 December 2014 (2013: interim dividend of 5.00p per share paid in respect of the year ended 31 December 2013)	579	534
Total dividends paid in the year	2,587	2,376

The Directors recommend that a final dividend for 2014 of 21.00p (2013: 19.00p) per ordinary share be paid, making a total for the year of 26.50p (2013: 24.00p) per share. The final dividend will be paid, subject to shareholders' approval, on 27 May 2015, to shareholders on the register at the close of business on 24 April 2015. 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:

	2014 Earnings £'000	**2014 Weighted average number of shares**	**2014 Earnings per share (pence)**	2013 Earnings £'000	2013 Weighted average number of shares	2013 Earnings per share (pence)
Basic earnings per share	**6,073**	**10,535,950**	**57.64**	5,609	10,531,715	53.26
Effect of dilutive securities:						
employee share options	**–**	**62,308**	**–**	–	82,372	–
Diluted earnings per share	**6,073**	**10,598,258**	**57.30**	5,609	10,614,087	52.84

14. Intangible assets

	Development costs £'000	Computer software £'000	Intellectual property £'000	Total £'000
Cost				
At 1 January 2013	–	563	2,693	3,256
Additions	41	58	–	99
Disposals	–	(100)	–	(100)
At 1 January 2014	41	521	2,693	3,255
Additions	18	51	–	69
Disposals	–	(16)	–	(16)
At 31 December 2014	**59**	**556**	**2,693**	**3,308**
Amortisation				
At 1 January 2013	–	328	1,319	1,647
Charge for the year	4	68	217	289
On disposals	–	(100)	–	(100)
At 1 January 2014	4	296	1,536	1,836
Charge for the year	10	84	217	311
On disposals	–	(16)	–	(16)
At 31 December 2014	**14**	**364**	**1,753**	**2,131**
Net book value				
At 31 December 2014	**45**	**192**	**940**	**1,177**
At 31 December 2013	37	225	1,157	1,419

Included within intellectual property are the rights to certain intellectual property and the trade names of Spode and Royal Worcester, purchased in April 2009. At the year end this had a carrying value of £940,000 (2013: £1,157,000). The remaining amortisation period is four years and four months.

At 31 December 2014, the Group had entered into contractual commitments for the acquisition of intangible assets amounting to £nil (2013: £nil).

An impairment review of intellectual property has been carried out based on anticipated revenue and no indications of impairment have been identified.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

15. Property, plant and equipment

	Land and buildings				
	Freehold £'000	Leasehold £'000	Leasehold improvements £'000	Plant and vehicles £'000	Total £'000
Cost					
At 1 January 2013	3,857	–	1,281	13,307	18,445
Additions	–	3,874	14	691	4,579
Disposals	–	–	–	(1,079)	(1,079)
Exchange rate adjustments	–	–	(10)	(21)	(31)
At 1 January 2014	3,857	3,874	1,285	12,898	21,914
Additions	–	–	8	852	860
Disposals	(2)	–	–	(598)	(600)
Exchange rate adjustments	–	–	33	58	91
At 31 December 2014	**3,855**	**3,874**	**1,326**	**13,210**	**22,265**
Depreciation					
At 1 January 2013	1,682	–	646	10,455	12,783
Charge for the year	70	21	89	726	906
On disposals	–	–	–	(1,042)	(1,042)
Exchange rate adjustments	–	–	(6)	(12)	(18)
At 1 January 2014	1,752	21	729	10,127	12,629
Charge for the year	70	51	87	793	1,001
On disposals	(1)	–	–	(583)	(584)
Exchange rate adjustments	–	–	16	35	51
At 31 December 2014	**1,821**	**72**	**832**	**10,372**	**13,097**
Net book value					
At 31 December 2014	**2,034**	**3,802**	**494**	**2,838**	**9,168**
At 31 December 2013	2,105	3,853	556	2,771	9,285

At 31 December 2014, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £699,000 (2013: £nil).

16. Interests in associates

Associated undertakings	**2014 £'000**	2013 £'000
Furlong Mills Limited		
2,080 ordinary shares of £1 each, representing 27.58% of the issued share capital		
Share of net assets	**1,223**	1,171
Discount on acquisition	**(13)**	(13)
Impairment of investment in Furlong Mills Limited	**(154)**	(309)
	1,056	849
Portmeirion Canada Inc.		
100 common shares representing 50% of the issued share capital		
Share of net assets	**798**	929
	1,854	1,778

16. Interests in associates continued

Aggregated amounts relating to associates	2014 £'000	2013 £'000
Profit or loss from continuing operations	108	638

A list of the significant investments in subsidiaries and associates, including the name, country of incorporation and proportion of ownership interest is given in note c to the Company's separate financial statements on pages 66 and 67.

Portmeirion Canada Inc. has been accounted for as an associate as it is independently managed from Canada, and with a 50% share of ownership the Directors consider that the Group asserts significant influence but not joint control.

17. Inventories

	2014 £'000	2013 £'000
Raw materials and other consumables	1,819	1,588
Work in progress	595	610
Finished goods	13,130	9,515
	15,544	11,713

18. Trade and other receivables

	2014 £'000	2013 £'000
Amounts receivable for the sale of goods	9,924	9,924
Allowance for doubtful debts	(196)	(272)
Trade receivables	9,728	9,652
Amounts owed by associated undertakings	287	494
Other receivables	6	27
Prepayments and accrued income	751	716
	10,772	10,889

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 debtors with a carrying amount of £1,613,000 (2013: £1,538,000) 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 51 days (2013: 51 days).

Ageing of past due but not impaired receivables	2014 £'000	2013 £'000
31–60 days	1,328	1,248
61–90 days	170	227
91+ days	115	63
Total	1,613	1,538

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

18. Trade and other receivables continued

Movement in the allowance for doubtful debts	2014 £'000	2013 £'000
Balance at the beginning of the year	272	249
Impairment losses recognised	36	37
Amounts written off as uncollectable	(112)	(14)
Balance at the end of the year	196	272

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.

Ageing of individually impaired trade receivables	2014 £'000	2013 £'000
120+ days	62	122

Included in the allowance for doubtful debts are individually impaired trade receivables with a balance of £3,000 (2013: £20,000) 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.

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

19. Cash and cash equivalents

	2014 £'000	2013 £'000
Cash and cash equivalents	5,905	6,205

Cash and cash equivalents comprise cash held by the Group 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.

20. Borrowings

The Group has two facilities:

a) A £2,000,000 overdraft facility available until 29 May 2015. Interest is payable at 2.25% on the net pooled fund balance, plus bank base rate on net sterling borrowings.

b) A £2,000,000 revolving credit facility available until 30 June 2016. Interest is payable at 2.3% above three month LIBOR.

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

Neither of these facilities were being utilised at 31 December 2014.

21. Trade and other payables

	2014 £'000	2013 £'000
Trade payables and accruals	5,731	5,041
Amounts owed to associated undertakings	79	128
Other taxation and social security	133	489
Other payables	913	807
	6,856	6,465

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 35 days (2013: 36 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.

22. Deferred tax

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	Total £'000
At 1 January 2013	(574)	1,140	154	(318)	414	816
Credit/(charge) to income	57	1	(127)	41	90	62
Credit to equity	–	–	32	–	–	32
Charge to other comprehensive income	–	(660)	–	–	(28)	(688)
At 1 January 2014	(517)	481	59	(277)	476	222
(Charge)/credit to income	(2)	(141)	(1)	–	171	27
Credit to equity	–	–	47	–	–	47
Credit to other comprehensive income	–	491	–	–	45	536
At 31 December 2014	**(519)**	**831**	**105**	**(277)**	**692**	**832**

Certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2014 £'000	2013 £'000
Deferred tax liabilities	**(796)**	(794)
Deferred tax assets	**1,628**	1,016
	832	222

At the balance sheet date, the Group had no unused tax trading or capital losses (2013: £nil) available for offset against future profits.

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

23. Share capital

	2014 Number '000	**2014 £'000**	2013 Number '000	2013 £'000
Allotted, called up and fully paid share capital: ordinary shares of 5p each	**10,988**	**549**	10,972	548

The market price of the Company's shares at 31 December 2014 was 875.0p per share. During the year the price ranged between 707.5p and 922.5p per share.

The Company has one class of ordinary shares which carry no right to fixed income.

During the year the Company issued 16,000 new ordinary shares of 5p each for a total of £76,000 in order to satisfy the exercise of share options.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

23. Share capital continued

Options granted to Directors and employees (note 30) to acquire ordinary shares of 5p in the Company and still outstanding at 31 December 2014 were as follows:

	Number of shares	Exercise price per share (p)	Dates on which exercisable Earliest	Latest
2002 Share Option Scheme	43,000	487.5	21.04.2015	19.04.2022
2010 Deferred Incentive Plan	11,608	–	21.04.2015	19.07.2015
2010 Deferred Incentive Plan	3,303	–	20.04.2016	18.07.2016
2010 Deferred Incentive Plan	1,734	–	16.04.2017	14.07.2017
2012 Approved Plan	28,902	610.0	03.05.2016	01.05.2023
2012 Unapproved Plan	118,098	610.0	03.05.2016	01.05.2023
2012 Approved Plan	11,194	740.0	01.05.2017	29.04.2024
2012 Unapproved Plan	135,806	740.0	01.05.2017	29.04.2024

Options held by the Directors are shown in the Directors' Remuneration Report on pages 27 and 28.

24. Own shares

Treasury shares	2014 £'000	2013 £'000
At 1 January	565	767
Shares purchased	–	–
Shares issued under employee share schemes	(38)	(202)
At 31 December	527	565
ESOP shares		
At 1 January	574	–
Shares purchased	713	574
Shares issued under employee share schemes	–	–
At 31 December	1,287	574
Total at 31 December	1,814	1,139

The Group currently holds 282,388 (2013: 302,620) ordinary shares of 5p each in treasury.

The ESOP shares 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 30). The number of ordinary shares held by the Employees' Share Trust at 31 December 2014 was 189,671 (2013: 94,000).

25. Commitments

Operating lease arrangements

Operating lease payments represent rentals payable by the Group for certain of its UK retail outlets, its UK and US warehouses, certain UK motor vehicles and its New York offices and showroom. Leases are negotiated on an individual basis.

The Group as lessee

	2014 £'000	2013 £'000
Lease payments under operating leases recognised as an expense in the year	1,175	1,334

25. Commitments continued

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2014 £'000	2013 £'000
Within one year	**1,156**	1,203
In the second to fifth years inclusive	**2,787**	3,541
After five years	**191**	469
	4,134	5,213

The Group as lessor

At the balance sheet date, the Group had contracted with a tenant for the following future minimum lease receipts:

	2014 £'000	2013 £'000
Within one year	**88**	117
In the second to fifth years inclusive	**–**	88
	88	205

26. Contingent liabilities

The Group has given a guarantee of up to $900,000 to the landlord of the premises of Portmeirion Group USA, Inc. located in Connecticut, USA.

27. 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 are disclosed below. Transactions between the Company and its subsidiaries and associates are disclosed in note g of the Company's financial statements on page 68.

The transactions during the year with associated undertakings were:

	Purchases 2014 £'000	Purchases 2013 £'000	**Sales 2014 £'000**	Sales 2013 £'000
Portmeirion Canada Inc.	**–**	–	**2,315**	2,247
Furlong Mills Limited	**782**	720	**–**	–

The outstanding balances at 31 December 2014, with associated undertakings were:

	Debtor 2014 £'000	Debtor 2013 £'000	**Creditor 2014 £'000**	Creditor 2013 £'000
Portmeirion Canada Inc.	**287**	494	**–**	–
Furlong Mills Limited	**–**	–	**79**	128

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.

Purchases from Furlong Mills Limited are made at prices agreed between Portmeirion Group UK Limited and Furlong Mills Limited. Portmeirion Group UK Limited receives a rebate related to its level of purchases from Furlong Mills Limited. The purchases figure includes a credit for management fees.

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 £1,000 for any Director in the year or in the prior year.

During the year The Portmeirion Employees' Share Trust purchased 95,671 shares from L.F. Bryan at market value.

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 46.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

28. Pensions

The Group operates a group personal pension plan in the UK and a discretionary money purchase scheme in the US.

The total cost charged to income of £1,081,000 (2013: £1,052,000) 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.

For the defined benefit scheme, the most recent triennial valuation was at 5 April 2011. The main actuarial assumptions used in the valuation were:

- RPI of 3.65% per annum and CPI of 3.15% per annum.
- Pre-retirement valuation rate of interest of 6.55% per annum.
- Post-retirement valuation rate of interest of 5.05% per annum.
- Increases to pensions in payment of 5.00% per annum on benefits in excess of the guaranteed minimum pension (GMP) earned prior to 6 April 1997 and 3.50% per annum on pensions earned after 6 April 1997.
- Mortality experience based upon PCA00 tables with improvements based on year of birth with medium cohort improvements, subject to a minimum level of improvement of 1% per annum.

At the date of the last valuation on 5 April 2011 the market value of the scheme assets was £21,760,000 and the scheme had a deficiency of £3,028,000.

The actuarial valuation of the scheme was updated at 31 December 2014 in accordance with IAS 19 by qualified actuaries.

The major assumptions used by the actuaries were:

	2014	2013
Rate of increase of pensions in payment:		
Post 06.04.88 GMP	**3.00%**	3.00%
Pre 06.04.97 excess over GMP	**5.00%**	5.00%
Post 06.04.97 pension	**3.20%**	3.50%
Rate of revaluation of pensions in deferment	**2.20%**	2.60%
Rate used to discount scheme liabilities	**3.60%**	4.70%
Inflation assumption		
RPI	**3.30%**	3.70%
CPI	**2.20%**	2.60%
Life expectancy at 65 for a member:		
Currently aged 65 – male	**22.4**	21.4
Currently aged 45 – male	**24.1**	23.3
Currently aged 65 – female	**24.6**	24.0
Currently aged 45 – female	**26.5**	25.8

The most significant actuarial assumption for the determination of the defined benefit obligation is the discount rate. If the discount rate was 0.1% higher, the defined benefit obligation would reduce by £650,000 (2013: £410,000).

28. **Pensions** continued

The amount included in the balance sheet arising from the Group's obligations in respect of its defined benefit scheme is as follows:

	2014 Fair value £'000	2013 Fair value £'000
Scheme assets		
Equities	**4,036**	3,886
Bonds	**5,895**	4,918
Gilts	**8,348**	6,783
Diversified growth funds	**3,833**	3,637
Insured pensions	**6,185**	5,878
Cash	**51**	106
Total fair value of assets	**28,348**	25,208
Present value of defined benefit obligations	**(32,501)**	(27,612)
Deficit in the scheme	**(4,153)**	(2,404)

Analysis of the amount charged to operating profit:

	2014 £'000	2013 £'000
Current service cost	**–**	–
Past service cost	**–**	–
	–	–

Analysis of the amount included in the income statement:

	2014 £'000	2013 £'000
Interest on pension scheme assets	**1,178**	1,015
Interest on pension scheme liabilities	**(1,272)**	(1,211)
Amount charged to other finance costs	**(94)**	(196)

Amounts recognised in the Consolidated Statement of Comprehensive Income:

	2014 £'000	2013 £'000
Return on plan assets (excluding amounts included in net interest expense)	**2,261**	639
Actuarial gains and losses arising from changes in financial assumptions	**(5,124)**	1,308
Actuarial gains and losses arising from changes in demographic assumptions	**(193)**	–
Actuarial gains and losses arising from experience adjustments	**601**	–
Remeasurement of the net defined benefit pension scheme liability	**(2,455)**	1,947

The cumulative amount of actuarial gains and losses recognised in the Consolidated Statement of Comprehensive Income since adoption of IFRS is a loss of £4,962,000 (2013: loss of £2,507,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

28. Pensions continued

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

	2014 £'000	2013 £'000
At 1 January	27,612	28,613
Service cost	–	–
Interest cost	1,272	1,211
Remeasurements (financial)	5,124	(1,308)
Remeasurements (member data)	(601)	–
Remeasurements (demographic)	193	–
Benefits paid	(1,099)	(904)
At 31 December	**32,501**	27,612

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

	2014 £'000	2013 £'000
At 1 January	25,208	23,658
Interest on assets	1,178	1,015
Remeasurement of assets	2,261	639
Contributions by the employer	800	800
Benefits paid	(1,099)	(904)
At 31 December	**28,348**	25,208

The estimated amount of contributions expected to be paid to the scheme during the current financial year is £937,000 (2014: £800,000).

At 31 December 2014, contributions of £442,000 (2013: £232,000) 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 £100,000 (2013: £124,000) at 31 December 2014.

29. 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 manages its 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 capital structure of the Group consists of cash and cash equivalents, borrowings and equity attributable to equity holders, comprising capital, reserves and retained earnings.

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 bad and doubtful debts 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 18.

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's maximum exposure to credit risk.

29. Financial instruments continued

Foreign currency risk management

The Group has exposure to foreign currency risk arising from its net investments in and cash flows from overseas subsidiaries and associates. 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 the UK subsidiary to the US subsidiary. 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 forward contracts for US dollars, and subsequent to the year end the Group placed additional forward contracts for US dollars, and an average rate option in US dollars to manage the risk arising from the retranslation of profit made in the USA.

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.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets	
	2014 £'000	2013 £'000	**2014 £'000**	2013 £'000
Euro	**211**	31	**252**	606
US dollar	**3,756**	1,671	**3,600**	4,712
Canadian dollar	**–**	–	**80**	317
Swedish krona	**5**	4	**143**	78
Norwegian krone	**2**	3	**55**	40

Foreign currency sensitivity analysis

The Group is mainly exposed to the currencies of euro, US dollar, Canadian dollar, Swedish krona and Norwegian krone.

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		Canadian dollar impact		Swedish krona impact		Norwegian krone impact	
	2014 £'000	2013 £'000	**2014 £'000**	2013 £'000	**2014 £'000**	2013 £'000	**2014 £'000**	2013 £'000	**2014 £'000**	2013 £'000
Profit or loss	**(4)**	(52)	**7**	(192)	**(7)**	(29)	**(13)**	(7)	**(5)**	(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, by monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

29. Financial instruments continued

Liquidity and interest risk tables

The following tables detail the Group's expected maturity for its assets and liabilities. The tables have been drawn up based on the undiscounted contractual maturities of the financial assets and liabilities including interest that will be earned on those assets except where the Group anticipates that the cash flow will occur in a different period.

At 31 December 2014	**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	–	4,807	5,208	–	–	10,015
Other assets	–	–	–	–	29,332	29,332
Cash and cash equivalents	0.5	5,905	–	–	–	5,905
Total assets		10,712	5,208	–	29,332	45,252
Shareholders' funds	–	–	–	–	(33,047)	(33,047)
Financial liabilities	–	(5,714)	(932)	(210)	–	(6,856)
Other liabilities	–	(231)	(250)	(715)	–	(1,196)
Pension scheme deficit	–	–	–	–	(4,153)	(4,153)
Total liabilities and shareholders' funds		(5,945)	(1,182)	(925)	(37,200)	(45,252)
Cumulative gap		4,767	8,793	7,868	–	–

At 31 December 2013	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	–	4,981	5,165	–	–	10,146
Other assets	–	–	–	–	25,160	25,160
Cash and cash equivalents	0.5%	6,205	–	–	–	6,205
Total assets		11,186	5,165	–	25,160	41,511
Shareholders' funds	–	–	–	–	(31,501)	(31,501)
Financial liabilities	–	(5,481)	(718)	(266)	–	(6,465)
Other liabilities	–	(407)	–	(734)	–	(1,141)
Pension scheme deficit	–	–	–	–	(2,404)	(2,404)
Total liabilities and shareholders' funds		(5,888)	(718)	(1,000)	(33,905)	(41,511)
Cumulative gap		5,298	9,745	8,745	–	–

30. Share-based payments

Equity-settled share option schemes

The Group operates three share option schemes and one long-term incentive scheme for senior managers and Directors.

The Group recognised total expenses of £194,000 and £141,000 related to equity share-based payment transactions in 2014 and 2013 respectively.

a) The Portmeirion 2002 Share Option Scheme

Options are exercisable at a price equal to the average quoted market price of the Company's shares on the three trading days 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:

	2014		2013	
	Number of share options	**Weighted average exercise price £**	Number of share options	Weighted average exercise price £
Outstanding at 1 January	**61,000**	**4.842**	292,500	3.770
Granted during the year	**–**	**–**	–	–
Lapsed during the year	**–**	**–**	(17,500)	4.884
Surrendered during the year	**–**	**–**	–	–
Exercised during the year	**(18,000)**	**4.763**	(214,000)	3.373
Outstanding at 31 December	**43,000**	**4.875**	61,000	4.842
Exercisable at 31 December	**–**	**–**	2,000	3.745

The options outstanding at 31 December 2014 had a weighted average remaining contractual life of 7.3 years (2013: 8.0 years).

All options outstanding at 31 December have an exercise price of £4.875.

No options were granted in the current or prior years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

30. Share-based payments continued

b) The Portmeirion Group 2010 Deferred Incentive Share Option Plan

Options are granted to Executive Directors in a year over shares with a market value not exceeding 20% 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:

	2014		2013	
	Number of share options	Total exercise price £	Number of share options	Total exercise price £
Outstanding at 1 January	33,143	£6	64,103	£8
Granted during the year	1,734	£3	3,303	£2
Lapsed during the year	–	–	(2,365)	–
Surrendered during the year	–	–	–	–
Exercised during the year	(18,232)	£2	(31,898)	£4
Outstanding at 31 December	16,645	£7	33,143	£6
Exercisable at 31 December	–	–	–	–

The options outstanding at 31 December 2014 had a weighted average remaining contractual life of 1.0 years (2013: 1.1 years). In 2014, options were granted on 15 April. The aggregate of the estimated fair value of those options is £12,321. In 2013, options were granted on 19 April. The aggregate of the estimated fair value of those options is £17,855.

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

	2014	2013
Weighted average share price at date of grant	£7.800	£6.050
Weighted average exercise price	Nil	Nil
Expected volatility	17%	30%
Expected life	3.125 years	3.125 years
Risk-free rate	1.22%	0.42%
Expected dividend rate	3.08%	3.60%

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.

30. Share-based payments continued

c) The Portmeirion 2012 Approved and Unapproved Share Option Plans

Options are exercisable at a price equal to the average quoted market price of the Company's shares on the three trading days 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:

	2014		2013	
	Number of share options	**Weighted average exercise price £**	Number of share options	Weighted average exercise price £
Outstanding at 1 January	**151,000**	**6.100**	–	–
Granted during the year	**151,000**	**7.400**	155,000	6.100
Lapsed during the year	**(8,000)**	**6.750**	(4,000)	6.100
Surrendered during the year	**–**	**–**	–	–
Exercised during the year	**–**	**–**	–	–
Outstanding at 31 December	**294,000**	**6.750**	151,000	6.100
Exercisable at 31 December	**–**	**–**	–	–

The options outstanding at 31 December 2014 had a weighted average remaining contractual life of 8.8 years (2013: 9.3 years).

In 2014, options were granted on 30 April. The aggregate of the estimated fair value of those options is £165,776. In 2013, options were granted on 2 May. The aggregate of the estimated fair value of those options is £235,132.

The range of exercise prices for the options outstanding at 31 December is from £6.100 to £7.400.

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

	2014	2013
Weighted average share price at date of grant	**£7.350**	£6.050
Weighted average exercise price	**£7.400**	£6.100
Expected volatility	**24%**	38%
Expected life	**4 years**	6.5 years
Risk-free rate	**2.20%**	0.98%
Expected dividend rate	**3.27%**	3.60%

Expected volatility was determined by calculating the historical volatility over the previous 4 years. The expected life used in the model is based upon management's best estimate of life using historic experience as a benchmark.

COMPANY BALANCE SHEET

31 DECEMBER 2014

	Notes	2014 £'000	2014 £'000	2013 £'000	2013 £'000
Fixed assets					
Investment in subsidiary undertakings	c		**1,455**		1,455
Current assets					
Cash		**12**		–	
Debtors: amounts owed by subsidiary undertakings falling due within one year		**182**		40	
Debtors: amounts which fall due after more than one year	d	**10,911**		10,911	
Creditors: amounts falling due within one year	e	**(40)**		(45)	
Net current assets			**11,065**		10,906
Net assets			**12,520**		12,361
Capital and reserves					
Called up share capital	f		**549**		548
Share premium account	f		**6,456**		6,375
Other reserves	f		**197**		197
Investment in own shares	f		**(1,814)**		(1,139)
Share-based payment reserve	f		**292**		742
Retained earnings	f		**6,840**		5,638
Shareholders' funds			**12,520**		12,361

The financial statements of Portmeirion Group PLC, company registration number 124842, were approved by the Board of Directors and authorised for issue on 11 March 2015. They were signed on its behalf by:

L.F. BRYAN
B.W.J. PHILLIPS } *Directors*

COMPANY RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2014

	2014 £'000	2013 £'000
Opening balance	12,361	11,214
Profit for the financial year	3,182	3,237
Dividends paid	(2,587)	(2,376)
Shares issued under employee share schemes	86	722
Purchase of own shares	(716)	(577)
Increase in share-based payment reserve	194	141
Closing balance	12,520	12,361

Equity comprises share capital, share premium, equity reserves, own shares and retained earnings.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

a. Significant accounting policies

Basis of accounting

The separate financial statements of the Company are presented as required by the Companies Act 2006. They have been prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards and law. The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

Investments

Fixed asset investments in subsidiaries and associates are shown at cost less provision for impairment.

Cash flow statement

The Company has taken advantage of the exemption available under FRS 1 (revised) not to prepare a cash flow statement as the Company is a member of a group and a consolidated cash flow statement is published.

Going Concern

The going concern basis for the Company and the Group has been considered in the Strategic Report on page 15.

Purchase of own shares

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.

b. Profit for the year

As permitted by section 408 of the Companies Act 2006 the Company has elected not to present its own profit and loss account for the year. The Company reported a profit for the financial year of £3,182,000 (2013: £3,237,000). The auditors' remuneration for audit and other services is disclosed in note 8 to the consolidated financial statements.

c. Fixed asset investment

Subsidiary undertaking:

	2014 £'000	2013 £'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

c. Fixed asset investment continued

At 31 December 2014 the Company had the following subsidiary and associated undertakings:

	Country of operation and incorporation	Nature of business
Subsidiary undertakings		
Portmeirion Group UK Limited	England and Wales	Ceramic manufacturer, marketing and distribution of homeware
Portmeirion Enterprises Limited*	England and Wales	Intermediate holding company
Portmeirion Distribution Limited*	England and Wales	Property company
Portmeirion Services Limited*	England and Wales	Dormant
Portmeirion Group USA, Inc.†	USA	Marketing and distribution of homeware
Portmeirion Group Designs, LLC^	USA	Online marketing and distribution of homeware
Portmeirion Group Hong Kong Limited*	Hong Kong	Intermediate holding company
Portmeirion (Shenzhen) Trading Company Limited~	China	Marketing and distribution of homeware
Associated undertakings		
Portmeirion Canada Inc.	Canada	Marketing and distribution of homeware
Furlong Mills Limited	England and Wales	Suppliers of clay and glaze

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, 50% of the ordinary share capital of Portmeirion Canada Inc. and 27.58% of the ordinary share capital of Furlong Mills Limited. Furlong Mills Limited supplies Portmeirion Group UK Limited with all of its clay and most of its glaze raw materials.

* Wholly owned by Portmeirion Group UK Limited.

† Wholly owned by Portmeirion Enterprises Limited.

^ Wholly owned by Portmeirion Group USA, Inc.

~ Wholly owned by Portmeirion Group Hong Kong Limited.

d. Debtors

	2014 £'000	2013 £'000
Loans owed by subsidiary undertakings falling due after more than one year:		
Portmeirion Group UK Limited	**10,146**	10,146
Portmeirion Enterprises Limited	**705**	705
Portmeirion Distribution Limited	**60**	60
	10,911	10,911

e. Creditors

	2014 £'000	2013 £'000
Amounts falling due within one year:		
Corporation tax	**40**	45

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

f. Share capital, share premium account and reserves

Details of share capital are disclosed in note 23 to the consolidated financial statements.

The movements on the share premium account and other reserves are shown below.

	Share premium account £'000	Other reserves £'000	Investment in own shares £'000	Share-based payment reserve £'000	Retained earnings £'000
At 1 January 2013	5,802	197	(767)	601	4,840
Profit for the financial year	–	–	–	–	3,237
Dividends paid	–	–	–	–	(2,376)
Increase in share-based payment reserve	–	–	–	141	–
Purchase of own shares	–	–	(574)	–	(3)
Shares issued under employee share schemes	573	–	202	–	(60)
At 1 January 2014	6,375	197	(1,139)	742	5,638
Profit for the financial year	–	–	–	–	3,182
Dividends paid	–	–	–	–	(2,587)
Increase in share-based payment reserve	–	–	–	194	–
Transfer on exercise or lapse of options	–	–	–	(644)	644
Purchase of own shares	–	–	(713)	–	(3)
Shares issued under employee share schemes	81	–	38	–	(34)
At 31 December 2014	**6,456**	**197**	**(1,814)**	**292**	**6,840**

g. Related party transactions

During 2014 net transactions totalling £142,000 were debited (2013: £1,128,000 debited) 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, an intergroup dividend and the charge for share-based payments.

During the year the Company arranged an intercompany loan with The Portmeirion Employees' Share Trust for £716,000 (2013: £577,000) for the purpose of acquiring shares to satisfy Group share option exercises (note 30 to the consolidated financial statements). The total outstanding loan is now £1,293,000. The ESOP share reserve is disclosed in note 24 to the consolidated financial statements.

The outstanding balances with subsidiary undertakings at 31 December 2014 and 31 December 2013 are shown in notes d and e above. The loans owed by subsidiary undertakings are not considered to be repayable within one year.

No balances were owed to or from the Company by or to associated undertakings.

h. Contingent liabilities

The Company is a party to the landlord guarantee referred to in note 26, and the finance liability disclosed in note 20 to the consolidated financial statements.

FIVE YEAR SUMMARY

CONSOLIDATED INCOME STATEMENT INFORMATION

Years ended 31 December

	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Revenue	**61,370**	58,295	55,525	53,610	51,243
Profit before tax	**7,611**	7,009	6,595	6,330	5,249
Tax	**(1,538)**	(1,400)	(1,709)	(1,861)	(1,774)
Profit attributable to equity holders	**6,073**	5,609	4,886	4,469	3,475
Earnings per share	**57.64p**	53.26p	47.28p	43.94p	34.91p
Diluted earnings per share	**57.30p**	52.84p	46.60p	43.12p	34.39p
Dividends paid and proposed per share	**26.50p**	24.00p	21.80p	19.60p	17.40p

CONSOLIDATED BALANCE SHEET INFORMATION

At 31 December

	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Assets employed					
Non-current assets	**13,031**	12,704	9,774	10,189	10,379
Current assets	**32,221**	28,807	28,683	26,762	23,606
Current liabilities	**(8,052)**	(7,606)	(6,637)	(7,647)	(7,504)
Non-current liabilities	**(4,153)**	(2,404)	(4,973)	(4,907)	(4,359)
	33,047	31,501	26,847	24,397	22,122
Financed by					
Called up share capital	**549**	548	541	536	528
Share premium account and reserves	**32,498**	30,953	26,306	23,861	21,594
	33,047	31,501	26,847	24,397	22,122

COMPANY INFORMATION

Board of Directors

Richard J. Steele BCOM FCA CTA
Non-executive Chairman

Lawrence F. Bryan BA
Chief Executive

Brett W.J. Phillips BSc ACA
Group Finance Director

Philip E. Atherton
Group Sales and Marketing Director

Barbara Thomas Judge CBE BA JD
Non-executive Director

Janis Kong OBE BSc
Non-executive Director

Company Secretary

Brett W.J. Phillips BSc ACA

Registered Office and Number

London Road
Stoke-on-Trent
ST4 7QQ

Tel: +44 (0) 1782 744721
Fax: +44 (0) 1782 744061

www.portmeiriongroup.com
Registered number: 124842

Auditors

Mazars LLP
45 Church Street
Birmingham
B3 2RT

Nominated Adviser and Stockbroker

Panmure Gordon (UK) Limited
One New Change
London
EC4M 9AF

Registrars

Capita Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Tel: 0871 664 0300* (UK)
+44 (0) 208 639 3399
(Outside UK)

Fax: +44 (0) 208 639 2220

Email: shareholderenquiries@capita.co.uk
www.capitaassetservices.com

* Calls cost 10p per minute plus network extras. Lines open between 9:00 am and 5:30 pm, Monday–Friday excl. bank holidays

Solicitors

Pinsent Masons LLP
3 Colmore Circus
Birmingham
B4 6BH

Freeths LLP
Federation House
Station Road
Stoke-on-Trent
ST4 2SA

Financial PR Advisers

Bell Pottinger
6th Floor, Holborn Gate
330 High Holborn
London
WC1V 7QD

Tel: +44 (0) 20 3772 2500
Fax: +44 (0) 20 3772 2501

Email: info@bellpottinger.com

FINANCIAL CALENDAR

74

PER CENT INCREASE IN ONLINE SALES

05

PER CENT REVENUE INCREASE YEAR-ON-YEAR

Annual General Meeting	May
Interim Report	August
Dividends	
Interim announced	August
Paid	October
Final announced	March
Paid	May

Portmeirion Group Patterns

Details of Portmeirion Group patterns are available at www.portmeirion.co.uk, www.spode.co.uk, www.royalworcester.co.uk and www.pimpernelinternational.co.uk.

Images shown in this publication include products manufactured under licence. The Ted Baker Portmeirion Fine collection, Rosie Lee, and the Casual Collection are produced under licence from No Ordinary Designer Label Limited. Royal Worcester Wrendale Designs range is produced under licence from Wrendale Designs Limited. Pimpernel Coastal Signs are the original artwork of © David Carter Brown, licensed by Wild Apple Graphics Limited.

RETAIL OUTLETS

Bridgend Shop
Unit 71, Bridgend Designer Outlet
The Derwen, Bridgend
South Wales
CF32 9SU
Tel: +44 (0)1656 669038

Cheshire Oaks Shop
Unit 72, Cheshire Oaks Designer Outlet
Kinsey Road
Ellesmere Port
Cheshire
CH65 9JJ
Tel: +44 (0)151 355 1538

Colne Shop 'Boundary Mill'
Boundary Mill Stores
Vivary Way
Colne
Lancashire
BB8 9NW
Tel: +44 (0)1282 856200

Longton Shop
473 King Street
Longton
Stoke-on-Trent
Staffordshire
ST3 1EU
Tel: +44 (0)1782 326661

Rotherham Shop 'Boundary Mill'
Boundary Mill Stores
Catcliffe Retail Park
Poplar Way
Catcliffe
Rotherham
S60 5TR
Tel: +44 (0)1709 832800

Stoke Shop
London Road
Stoke-on-Trent
Staffordshire
ST4 7QQ
Tel: +44 (0)1782 411756

Street Shop
Clarks Village
Farm Road
Street
Somerset
BA16 0BB
Tel: +44 (0)1458 446703

Swindon Shop 'Style Your Home'
Swindon Designer Outlet
Kemble Drive
Swindon
Wiltshire
SN2 2DY
Tel: +44 (0)1793 422910

Trentham Shop
Unit 230, Trentham Shopping Village
Trentham
Stoke-on-Trent
Staffordshire
ST4 8AX
Tel: +44 (0)1782 657828

Walsall Shop 'Boundary Mill'
Boundary Mill Stores
Junction 10 Retail Park
Bentley Mill Way
Walsall
West Midlands
WS2 0LE
Tel: +44 (0)1922 618200

Details of opening times and directions to the outlets can be found on our website at:
www.portmeiriongroupfactoryshops.co.uk

MIX
Paper from
responsible sources
FSC® C100528
FSC
www.fsc.org

Printed on Cocoon Silk 50
A recycled paper containing 50% recycled waste and 50% virgin fibre and manufactured at a mill certified with ISO 14001 environmental management standard. The pulp used in this product is bleached using an Elemental Chlorine Free process (ECF).

PORTMEIRION®

Spode®

ROYAL WORCESTER®
ESTABLISHED 1751

pimpernel®

Portmeirion Group PLC
London Road
Stoke-on-Trent
ST4 7QQ

Tel: +44 (0) 1782 744721
Fax: +44 (0) 1782 744061

www.portmeiriongroup.com

INVESTORS IN PEOPLE

THE QUEEN'S AWARDS FOR ENTERPRISE: INTERNATIONAL TRADE 2011

IiYP
INVESTMENT IN YOUNG PEOPLE