



## Report and Accounts

for the year ended 31 December 2023

Stock code: PMP

PORTMEIRION GROUP PLC

**Timeless Design**

## Our vision

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

Our Brands **pages 4 and 5** >

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# Headlines

## Financial

- Group revenue of £102.7 million in the year to 31 December 2023 (2022: £110.8 million), in line with market expectations and a resilient performance against tough trading conditions in the US and South Korea.
  - Headline EBITDA<sup>1</sup> of £9.2 million (2022: £13.2 million) and headline operating margin<sup>1</sup> of 4.7% (2022: 7.8%) reflecting reduced revenue and operational gearing.
  - Headline profit before tax<sup>1</sup> of £3.0 million (2022: £8.0 million) in line with market expectations.
  - Good Christmas trading period with robust demand across our portfolio of consumer goods brands.
  - Return to sales growth in Wax Lyrical division and further 16% growth in ROW sales markets, in line with our diversification strategy.
  - Much improved free cash flow generation of £4.4 million (2022: free cash outflow of £8.7 million).
  - Inventory levels successfully reduced by 13% to £36.0 million (2022: £41.1 million) as part of medium-term plan to return to 2021 volume level.
  - Balance sheet remains robust with net debt improved to £7.9 million (2022: £10.1 million) and significant headroom within current borrowing facilities.
  - Final dividend proposed of 2.00p per share reflects prudence given the ongoing macro-economic uncertainty and continued prioritisation of further reduction to net debt. Total dividends paid and proposed of 5.50p per share (2022: 15.50p).
  - Non-cash impairment of £10.9 million in home fragrance division driven by higher cost of capital at 17.5% (2022: 8.6%) and trading performance failing to return to pre-Covid levels, although underlying performance of the division has improved.
- <sup>(1)</sup> Headline EBITDA, headline profit before tax, headline operating margin and headline basic earnings per share exclude exceptional items – see notes 6 and 13.

## Operational

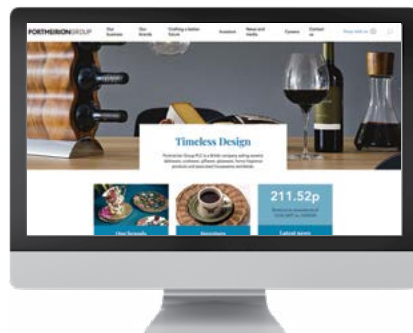
- Improved gross margin performance of 130 bps in US market – a key part of our long term goal for improving operating margins.
- Improving productivity in Stoke-on-Trent ceramic factory driven by ongoing automation programme.
- Spode brand continues to grow, led by Spode Christmas Tree range and benefit from new collaboration with Kit Kemp Design Studio.
- Home fragrance sales grew by 24% due to new listing wins in the UK grocery channel in Asda and Tesco and full year impact

## Current Trading & Outlook

- We are on track to achieve the Board's profit expectations for the year, supported by the reorganisation and restructuring of our cost base in the last few months to provide a significantly leaner operating model going forward. As a result of these measures, we anticipate overhead costs will be approximately 10% lower (£4 million) in 2024 than the prior year.
- As set out in January trading update, we expect 2024 to be a challenging year due to ongoing macro uncertainty with customers remaining cautious in relation to H1 order flow. This is particularly noticeable in the South Korean market which we expect to remain subdued as Asian markets continue to suffer from difficult economic conditions. Accordingly, we expect in H1, our traditionally quieter half, Group sales to be

- from the acquisition of the AromaWorks London brand.
- Positive reaction to 2024 product launches at trade fairs with strong opening customer orders.
- Launch of new sustainability strategy 'Crafting a Better Future' demonstrates the Group's commitment to becoming a more sustainable business. Energy usage reduced by 8% compared to the prior year.

- down on the previous year, before returning to growth in H2 although sales performance remains difficult to predict.
- In the US and UK, we expect a modestly improved performance during the year and anticipate further progress in ROW markets and continued sales growth in our home fragrance division, Wax Lyrical. Encouragingly, our current US Christmas advance orders are significantly ahead as at the same point last year.

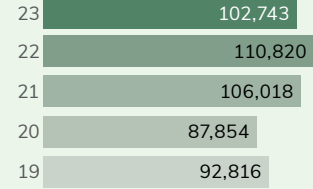


Visit our website at [portmeiriongroup.com](http://portmeiriongroup.com)

Pictured front cover: Spode Kit Kemp Tall Trees  
Pictured contents page: Spode Pure Morris

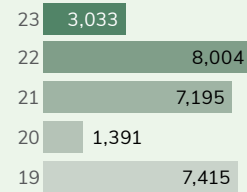
## Revenue (£'000)

# £102,743



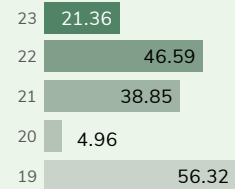
## Headline profit before tax (£'000)

# £3,033



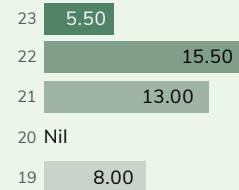
## Headline basic EPS (p)

# 21.36p



## Dividends paid and proposed per share (p)

# 5.50p





## At a Glance

# Driving profitable sales growth in our global brands



Pictured: Spode Blue Italian

## Who we are

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

We have 802 valued employees and sell around the world where our brands and products are enjoyed by millions of consumers. Our diversified channels and offering bring considerable opportunity for growth and development for the future.

### Our Brands

PORTMEIRION®

Spode®

WAX LYRICAL  
ENGLAND

ROYAL  
WORCESTER®  
ESTABLISHED 1751

pimpernel.

nambe®  
DESIGN YOUR LIFE™

Business Model **pages 14 and 15** >

Our Commitment to ESG **pages 20 to 26** >

## What we do

### Established sales channels

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

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

The increase in consumer demand for online has been further impacted by our focus to grow this channel, and 44% of total sales in our core UK and US markets are made via an online platform, whether our own ecommerce store, pureplay web stores or omnichannel retailer websites.

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

### Product design and development

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

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

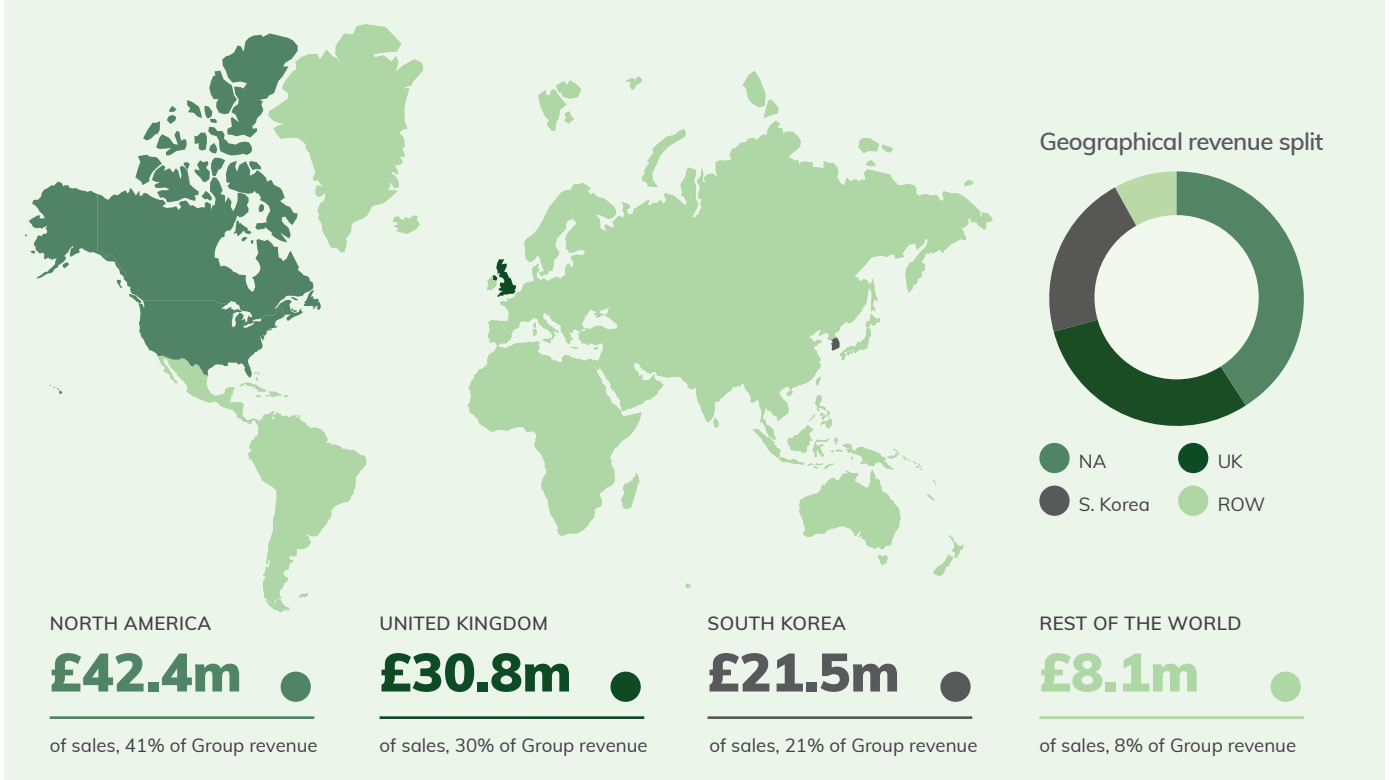
### Production and sourcing

We manufacture earthenware from our factory in Stoke-on-Trent and home fragrance at our factory in the Lake District. We also source a range of product from around the world to the same exacting quality standards; this includes bone china and porcelain tableware, wood, glass and metal alloy giftware and other associated homeware products. In 2023, our mix of sales was 45% manufactured product and 55% sourced product. With this diversified supply model, we are less exposed to the current supply chain issues faced by many of our competitors.

The Group continues to invest in our manufacturing sites and have completed a number of capital expenditure projects during 2023 in order to improve our cost efficiency and output capacity. This included the latest stage of automation investment in our Stoke-on-Trent factory.



## Where we operate



## Investment case

### 1

#### Global brands loved around the world

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

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

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

### 2

#### Online sales and capability to grow this channel

Our online channels remain a key part of our growth strategy. Reflecting the change in consumer behaviour to digital, we continue to invest in our online platforms, fulfilment and capabilities.

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

### 3

#### Strong operational capabilities

The Group maintains two factories in the UK, these factories made up 45% of the revenue generated in 2023, with the remaining 55% coming from sourced product sales. Product from our six global brands is shipped mainly via our distribution centres in the UK, US and Canada.

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

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

### 4

#### Robust balance sheet and facility headroom to support growth

The Group maintains a robust strong balance sheet in light of external inflationary pressures and at 31 December 2023 had £17.6 million of headroom via cash and bank facilities available.

We have continued to focus on working capital efficiency and have seen a £5.2 million (13%) reduction in inventory, and expect further benefits in 2024.



## Our Brands

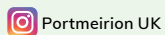


# PORTMEIRION®

### The art of the everyday

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

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



Pictured: Portmeirion Minerals



Pictured: Spode Christmas Tree

# Spode®

### Unmistakably Spode design

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

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



# ROYAL WORCESTER®

ESTABLISHED 1751

### Timelessly Designed

Bringing refined design and heritage to your table.

[www.portmeirion.co.uk/brands/royal-worcester](http://www.portmeirion.co.uk/brands/royal-worcester)



Pictured: Royal Worcester Wrendale Designs

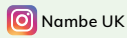


# nambe

## Nambé. Design your life

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

[www.portmeirion.co.uk/brands/nambe](http://www.portmeirion.co.uk/brands/nambe)



Pictured: Nambé barware



Pictured: Wax Lyrical home fragrance



## Be at one with nature

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

[www.portmeirion.co.uk/collections/wax-lyrical](http://www.portmeirion.co.uk/collections/wax-lyrical)



# pimpernel®

## Accessories for every home

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

[www.portmeirion.co.uk/brands/pimpernel](http://www.portmeirion.co.uk/brands/pimpernel)



Pictured: Pimpernel Pure Morris



## Chairman's Statement

# Resilient trading performance despite significant macro-economic challenges

“The resilience of the Group is underpinned by the diversity of our products, markets and processes.”

Dick Steele  
Non-executive Chairman



### Summary

- Third consecutive year of sales above £100 million.
- Profit before tax impacted by 7% sales reduction and higher finance costs.
- Ongoing initiatives in ESG result in 8% reduction in energy consumption during the year.

### Introduction

The long term success of Portmeirion depends on doing things better today than we did yesterday, and in maintaining the same attitude tomorrow.

In 2023, we reported a third consecutive year of revenue in excess of £100 million, albeit a 7% reduction over the record sales performance delivered in 2022. Revenue remains 11% ahead of pre Covid-19 levels. This reduced revenue performance, combined with an increase in finance costs due to interest rates rises, means we have reported a reduction in profit before taxation.

### Our business and strategy

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

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

We trade in over 80 countries worldwide and have manufacturing and warehousing facilities in the UK and warehouses in the US and Canada. Our Group headquarters are in Stoke-on-Trent in the UK, with additional offices in the Lake District, Canada and the US. Our revenue is increasingly being earned from digital channels, through our own web sites and those of third parties, some of which we fulfil directly to the consumer. We continue to sell through third party retailers, wholesalers, agents and distributors. We have 12 of our own retail outlets in the UK and the US.

The Group's strategy is set out in more detail on pages 16 and 17.

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

The Group continues to monitor ongoing risks to supply chains and inflationary impact on consumer spending. Whilst we cannot fully remove all external risk factors, we remain a diversified and well-funded business.





Pictured: Portmeirion Botanic Garden

### Governance

The Group is a committed member of the Quoted Companies Alliance (“QCA”) and has chosen to apply the QCA Corporate Governance Code as the most appropriate for our size and structure. We have complied with the principles of the QCA code throughout 2023 and continue to do so. Further details of our approach to governance can be found on our website and on pages 40 to 45 of this report. The Board considers our governance procedures to be appropriate for a company of our size, however we continually look to further improve and welcome feedback and engagement from shareholders. Shareholders are encouraged to contact us via the email address [shareholderenquiries@portmeiriongroup.com](mailto:shareholderenquiries@portmeiriongroup.com).

### The Board

In June 2023, the Board appointed Jeremy Wilson as a Non-executive Director. Jeremy is a qualified chartered accountant with 30 years’ experience in senior finance roles in a wide range of industries including consumer products. At the conclusion of the AGM on 21 May 2024 Andrew Andrea will retire from the Board and hand over the Chair of the Audit Committee to Jeremy. Andrew has been a Non-executive Director since June 2017 and has made an invaluable contribution to the Board; we wish him well for the future.

The Board keeps its composition and performance under constant review so as to ensure that we have the appropriate skills,

experience and resources to deliver on our four main board requirements of: setting strategy, reviewing progress against strategy, monitoring the resources required to deliver the strategy and complying with relevant regulatory or governance requirements be they legal or otherwise. We undertake a formal board effectiveness review each year.

Our people continue to show outstanding commitment to the Group in their ability to adapt and deliver in difficult market conditions whilst developing readiness for future growth. The Board is proud to be part of a team that drives us forward and thanks all of our colleagues for their efforts.

### Our people, culture and environmental impact

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

In order to safeguard our future profitability we have undertaken headcount reductions across the Group, this process has been handled carefully and sensitively.

We continue to advance our ESG agenda, and in 2023 published our new sustainable business strategy and roadmap ‘Crafting a Better Future’. This remains a key focus of the Board going forward.

Further details can be found in the Our commitment to ESG section on pages 20 to 26 and the Corporate Governance Statement on pages 40 to 45 of this report.

### Dividend

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

Prudently, given the ongoing macro-economic uncertainty and the continued prioritisation of further reduction to net debt, the Board is recommending a final dividend of 2.00p (2022: 12.00p). Total dividends paid and proposed for the year would therefore be 5.50p per share (2022: 15.50p). The Board continues to monitor its dividend outlook and looks forward to increasing shareholder returns as the trading environment improves.



### Dick Steele

Chairman

25 March 2024

**Chief Executive's Statement**

# Resilient sales performance against backdrop of weaker global consumer spending

“We continue to work on unleashing the full potential of our brand portfolio and believe we are well placed to return to growth as consumer markets recover.”

Mike Raybould  
Chief Executive

**Summary**

- Sales fall 7% against a tough comp of record 2022 sales levels and a much tougher consumer market backdrop but remain 11% above pre-Covid levels.
- Rest of world sales grew 16% representing key part of long term growth plan and home fragrance division returns to growth with sales up by 24%.
- Ongoing investments in factory automation and productivity gains have helped offset input cost inflation.
- Opportunity to both grow sales and improve operating margins back to historic levels over next 3-5 years.
- Energy usage down 8% although Carbon/ tonne saleable product increases by 9% as we reduce output and stock levels.

**Financial Highlights**

2023 was the third consecutive year the Group had exceeded £100 million of sales, albeit North America and South Korea sales were slightly down year-on-year due to the impact of weaker consumer sentiment and de-stocking by our major retail customers.

Group sales reduced by 7% compared to the record figures reported for 2022.

We experienced another strong Q4 trading period particularly for our key Christmas ranges. Sales from our Spode brand continued to grow, with Spode Christmas Tree sales again increasing, driven by both additional store space and extensions to the range.

We also saw growth in our rest of world markets which were up 16% over the prior year.

In Wax Lyrical, our home fragrance division, sales were up 24% driven by new listing wins in the UK grocery channel and the full year impact from the acquisition of the AromaWorks London brand in August 2022 which has delivered cost synergies and cross-selling opportunities.

**Operational Overview**

Revenue for the Group decreased by 7% to £102.7 million (2022: £110.8 million).

The Group's largest geographical market, North America (the US and Canada), accounted for 41% of total Group revenue. In translated figures, sales in this market decreased by 13% to £42.4 million (2022: £48.9 million) due to previously highlighted customer destocking and tougher macro-economic conditions. However, we are pleased to have seen an improved gross margin performance of 130 bps in the US market – a key part of our long term goal for improving operating margins.

Our second largest market is the UK which accounted for 30% of Group sales at £30.8 million (2022: £28.3 million), an increase of 9% over the prior year. UK ceramic sales were broadly flat, with the growth coming from a rebound in home fragrance sales.

Sales into South Korea slowed down in the second half resulting in a 19% full year reduction to £21.5 million (2022: £26.7 million) as consumers reacted to inflationary pressures and the resulting impact of retailers reducing stock holding.

Rest of World sales have grown strongly to £8.1 million (2022: £7.0 million), an increase of 16%, and remain a key area of focus in our



strategy as we continue to diversify our end consumer markets.

In addition, as part of our year end process we have made an impairment into our home fragrance division which was acquired in 2016. We have seen an improved performance from this division during the year but applying a much higher discount rate to expected future cash flows at this lower level of profitability has resulted in an impairment. We remain committed to improving the profitability of this division in line with the sales growth delivered in FY23.

## Products and brands

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

We have a number of product ranges that have huge longevity and long running customer repeat purchase. Portmeirion Botanic Garden was first launched in 1972 and continues to sell well around the world today. Spode Christmas Tree launched in 1938 is a top US Christmas tableware range. We continue to design new extensions to ensure these ranges remain relevant for consumers and to extend their appeal around the world. Together the two ranges account for approximately 40% of sales and are two of the most successful global tableware ranges.

We are proud of our growing portfolio of contemporary product ranges, including Sophie Conran for Portmeirion, and have an exciting roadmap of targeted new product planned for launch over the next 18 months. We are focused on growing both our heritage range sales footprint and increasing our contemporary market share through new product development, increasing online sale channel penetration and developing new geographical markets.

A list of our current ranges can be found at [www.portmeirion.co.uk](http://www.portmeirion.co.uk) and [www.spode.co.uk](http://www.spode.co.uk). Customers in the United States should go to [www.portmeirion.com](http://www.portmeirion.com) and [www.nambe.com](http://www.nambe.com).

## Group Strategy

We see a strong opportunity to grow our sales as sales markets around the world normalise following a period of inflation and interest rate shocks on consumer spending.

We remain focused on:

1. Developing our key heritage ranges that are well known around the world through new product extensions, new sales channels and new geography.
2. Increasing our market share in contemporary and giftware markets. We intend to drive this via new product development and leveraging our

well-known brands and global sales infrastructure.

## Executing our growth strategy

### 1. Geography - building and growing sales markets outside of our three core markets of North America, UK and South Korea

Rest of World tableware sales markets grew by 16% in 2023, for the third year of successive growth, reflecting successful implementation of our diversification strategy. Our products are well known and sold in more than 80 countries around the world.

Our three core markets of UK, North America and South Korea account for 92% of Group sales and we see a significant opportunity to continue to grow the contribution from 'Rest of World' sales markets.

We continue to work with existing partners as well as appointing new distributors to grow our customer reach around the world.

### 2. Online – further developing online sales channels in our core markets reaching more potential customers on more occasions

We continue to invest in building long term direct-to-consumer relationships through our own ecommerce sites in the UK and US. In 2023, we moved to a global ecommerce team structure which led to improved levels of profitability and provides a good platform for growth in the medium and long term.

In 2023, in our core UK and US markets, sales through online channels represented 44% of revenue (2022: 51%, 2019: 30%) as customers continued to return to physical retail channels. In South Korea we have increased online channel presence in 2023 driving sales growth in this market.

In 2023, our own ecommerce sales represented 12.4% of total sales in the UK and US (2022: 14.2%, 2019: 9.7%), the reduction representing a more normalised shopping environment as consumers continued to return to physical stores. Notwithstanding this post-Covid correction, we expect the longer term trend towards a greater ecommerce mix of sales to continue.

We saw an excellent sell through of our key Christmas lines across online channels and were encouraged by an improving trend in the UK with our own ecommerce orders up 9% YOY in the last 8 weeks of the year. We continue to expand the availability of our Christmas ranges in online space around the world and the strong sell through in 2023 should drive good sales momentum through our online channels for 2024.

### 3. Designing and launching new product - widening the appeal with our existing customer base and taking market share

Sales from new product launches and extensions to existing ranges continued to drive a healthy return, contributing over 10% of the Group's sales in 2023.

New product is critical to our customers and our growth strategy. It enables us to refresh key heritage ranges, allowing consumers to add to collections as well as providing us with opportunities to target market share gains in new areas of the market. We have a strong, experienced global product development team and rolling roadmap of new launches for the next 24 months.

In 2023, our product extensions to our key Spode Christmas Tree range sold through well – and we see considerable further opportunity to grow this range in its core US market but also around the world.

Again under our Spode brand, we successfully launched a collaboration with renowned British interior designer, Kit Kemp. This new range gained listings in store and online and featured in Bloomingdales stores in the run up to the seasonal holiday period. It has also started to be rolled out in Firdale Hotel Group's sites in London with New York to follow in 2024.

In our home fragrance division, Wax Lyrical, we developed a new range that went into Asda in the second half of the year and will roll out to further national store chains in 2024.

We have a number of important new product launches planned for 2024. This includes a beautiful new stoneware range 'Portmeirion Minerals' that we are excited to launch in John Lewis in the UK and will target similar in store and online listings around the world.

We will expand our Spode Blue Italian heritage range (first launched over 200 years ago) with a new tie-in blue and white stripe pattern that works as a stand-alone tableware range or can be mix and matched with the original Blue Italian.

We will continue to expand our licensed tableware and giftware collaborations including Sophie Conran for Portmeirion, Royal Worcester Wrendale Designs and Portmeirion Sara Miller London.

In our home fragrance division, we will continue to expand our new 'Wax Lyrical England' candle and diffuser range into new fragrances and will be launching a stronger Christmas product line up as well as new gifting formats.



Pictured: Spode Blue Italian and Steccato layered

#### 4. Leveraging our brands

Our brands are well known across our key markets and we see a strong opportunity to leverage our portfolio across different markets.

Portmeirion Botanic Garden remains one of the top tableware brands in South Korea and consistently features in the top 2 brands in online searches. We are excited by opportunities to leverage this brand awareness across our other existing ranges and into new potential categories. This will include launching our first range of Botanic Garden bed linen in 2024.

We will continue to focus on opportunities to grow our Spode Christmas Tree tableware and giftware ranges outside of its core US market.

Similarly, our US centred brand, Nambé is now on sale in South Korea and Rest of World markets.

As well as leveraging our brands across geographic regions we have also been diversifying into new market segments. During the year we launched our new Spode range with British designer Kit Kemp with the new range featuring across many of Firmdale Group's premium hotels in London and New York. This is an exciting development for the Group as we continue to drive visibility across our markets. This partnership will also see our Spode range being accessible to guests within their hotel room brochure where they

can purchase their favourite products. Our Spode collection can be found in The Covent Garden, Number 16 and The Knightsbridge in London and The Warren Street in New York.

#### Opportunity to improve our operating margins in medium and long term

We are focused on the opportunity to improve our operating margins to a medium term target of 10% and in the long term back to historic highs of 12.5% (2023: 4.7%, 2022: 7.8%). Although operating margins fell in 2023 on reduced sales, we are confident the action taken below will result in a meaningful improvement in the future.

There are a number of drivers of this improvement:

##### 1. Improving productivity and efficiency in our UK factories through capital investment and process improvement

We are proud to manufacture around 50% of our tableware sales in our factory in Stoke-on-Trent and believe that 'Made in UK' carries a significant premium in certain markets, particularly Asia.

We have accelerated capital investment in the site over the last 3 years investing in automation, reducing manual handling so that we can increase productivity and capabilities.

In December 2023 we installed two new major pieces of capex – an automated

dipping line and a new glaze line. As these projects come fully on stream in early 2024, they will further improve productivity and reduce energy consumption. During 2023 we also commenced roll out of a new real time production data system that will drive reduced downtime across key machines.

We are also delighted that ongoing project work to reduce our energy consumption and carbon footprint resulted in 8% lower energy used in our UK factories vs 2022.

We believe that in the medium term, factory productivity improvements have the potential to add 1-2% to Group operating margins.

##### 2. Leveraging our fixed cost base as we grow top line sales

As a business with two UK factories and significant infrastructure in key sales markets, we have the opportunity to leverage our spare capacity and distribution networks by growing our top line sales.

We have taken the opportunity in the last few months to restructure our cost base to provide a significantly leaner operating model that should allow operating margins to improve more quickly once sales markets around the world normalise. As a result, we anticipate overhead costs will be around 10% (£4m) lower in 2024 than the prior year.



Pictured: Sara Miller for Portmeirion

Over the long term we see an opportunity to grow our global sales base by 30-50% over 2023 levels and believe this would contribute a 3-4% improvement in operating margins over recent years. Our capex investments over the last few years put us in a good position to grow the business from an efficient and dynamic cost base as and when global markets improve.

### 3. Improving the profitability of our home fragrance division back to pre-Covid levels

Wax Lyrical, our home fragrance division, that manufactures fragranced candles, diffusers and hand and body products in our factory in Cumbria was significantly impacted by the closure of much of its customer base due to Covid. Concentrated in physical retail, the nature of the product meant there was a much lower transition to online sales channels than with our core tableware business. As a result sales fell in 2021/22 leading to the division making a loss.

We are pleased that the business returned to growth in 2023, with sales up 24% and a reduced loss to prior year.

We expect the division to continue to improve sales and profitability in 2024 and 2025 and this will help grow overall Group operating margins. We estimate that this could add 1-2% to operating margins.

### Environmental, Social and Governance (ESG)

We are focused on being an ethical and sustainable business and recognise our responsibility to our shareholders, employees, customers, communities and the people that bring our products into their homes. We believe that operating in a sustainable way across the environment, people and communities is critical to the long-term health of our business and the world we operate in.

In May 2023, the Group launched a new sustainability roadmap entitled 'Crafting a Better Future' which outlines the Group's commitment to becoming a more sustainable business. The launch represents the next level of ambition for the Group – to ensure that we continue to reduce our impact on the environment and support our colleagues and communities.

The Group has a long history of innovation and a strong track record of continual improvements in sustainability. Focusing on our operation with the highest energy usage, being the Stoke-on-Trent tableware manufacturing facility, we were pleased to see a further reduction in energy use of 8% over 2022 levels. We are dedicated to delivering further significant improvements in energy consumption and carbon emissions in the coming years.

Our commitment to our people, ethics and governance is unfaltering, supported by our policies and processes. Further details about our corporate culture and its integration

within the Group can be found on our website, [www.portmeiriongroup.com](http://www.portmeiriongroup.com), and in our Section 172(1) statement – Engaging with key stakeholders to deliver long term success on pages 18 and 19, in the Our Commitment to ESG section on pages 20 to 26 and the Corporate Governance Statement on pages 40 to 45.

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

**Mike Raybould**  
Chief Executive  
25 March 2024



## Markets

# Expanding international markets

Portmeirion Group sells into over 80 countries around the world.



## United Kingdom

Pictured: AromaWorks London Light

### SALES

# £30.8 million

The UK was the second largest market for the Group in 2023, with sales of £30.8 million (2022: £28.3 million) or 30% of the Group's total revenue.

### Market implications

Consumer spending in the UK was negatively impacted by high inflation and rising interest rates but we saw growth in this market as we benefit from additional sales in our home fragrance division from our new grocery channel relationship and the AromaWorks London brand acquired in August 2022.

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

### Response

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

New customer relationships have created an opportunity to drive UK sales growth despite the tough economic backdrop.

### Link to strategy



## North America

Pictured: Nambé wood and seasonal

### SALES

# £42.4 million

North America (US and Canada) was the largest market for the Group at £42.4 million of sales (2022: £48.9 million) or 41% of the Group's total revenue.

### Market implications

The North American market was impacted by aggressive destocking by major retailers ahead of anticipated fears of a slowdown in consumer spending. Where we have retailer sales out data this evidences that demand remains robust and will result in improved trading once this destocking exercise is complete.

### Response

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

As sales have reduced during the year we have focused on operational efficiencies and this will allow a strong rebound once sales in this market stabilize.

### Link to strategy





Link to strategy

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



## South Korea

Pictured: Portmeirion Botanic Garden

### SALES

# £21.5 million

Sales into South Korea were £21.5 million (2022: £26.7 million) or 21% of total Group sales in the year.

#### Market implications

The South Korean market was negatively impacted by high inflation, rising interest rates and the impact of foreign exchanges on consumer goods prices.

This resulted in a fall in demand from the end consumer and then via our distribution network.

#### Response

We continue to launch new products and broaden our range of brands and distribution routes into South Korea in order to reduce the market reliance on core ranges like Portmeirion Botanic Garden.

We also continue to build our online presence in this market.

#### Link to strategy

- 1
- 2
- 4
- 5



## Rest of the World

Pictured: Spode Kit Kemp

### COUNTRIES

# 80

The Group sells into more than 80 countries around the world which accounts for 8% of the Group's revenue. Sales increased to £8.1 million during the year (2022: £7.0 million).

#### Market implications

New distribution partners in Asia have helped to offset the worldwide challenging retail markets, with the majority of our sales markets impacted to some extent by inflation which suppressed consumer spending and retailers destocked.

#### Response

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

We have seen strong performance during the year in Malaysia, and we aim to continue to build new sales markets.

#### Link to strategy

- 1
- 2
- 3
- 4
- 5



## Business Model

# Diversified routes to market and product offering

### Our enablers

#### Brands portfolio

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

#### Exceptional people

- Experienced leadership team in place.
- Strong focus on investing in and developing our 802 employees.
- Teams based in various locations to ensure strategy is in line with localised requirements/trends. These locations include the UK, North America, Republic of Ireland, Germany, Dubai, South Korea and China.

#### Innovation and design

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

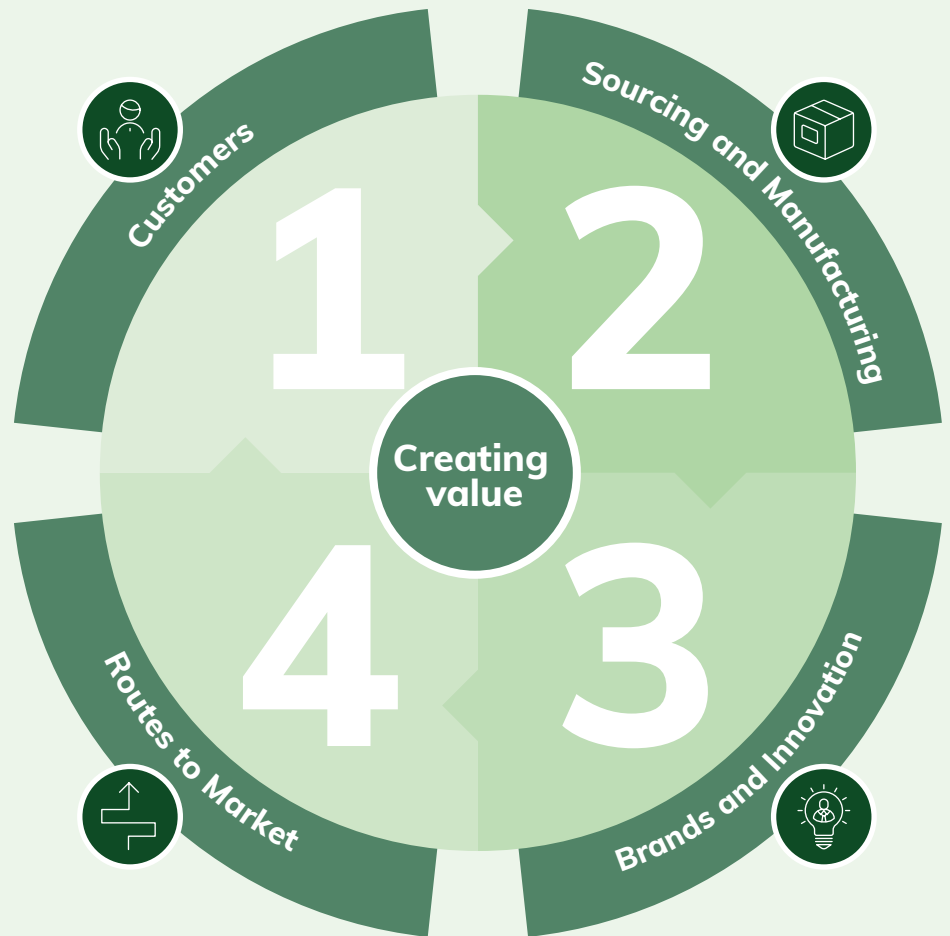
#### Operational excellence

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

#### Finance

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

### Value creation







1

**Customer centric – diversified product offering**

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

2

**Diversified inward supply chain**

- Operational excellence, focus on sustainability.
- In 2023, 45% of products sold were manufactured in our own UK factories. The remaining 55% sold were sourced from various locations around the world.

3

**Innovative products**

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

4

**Routes to market**

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

**Stakeholders****For Shareholders**

Value is delivered by dividend payments and capital appreciation.

FOR THE YEAR ENDED 31 DECEMBER 2023:

**5.50p** dividends paid and proposed per share.

**For Customers**

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

DURING 2023:

**44%** of sales in our core UK and US markets were made via online channels.

**For people and our local communities**

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

**802** employees across the world.

**For the environment**

We strive for operational excellence whilst reducing environmental impact.

**Over 58%** of Wax lyrical energy was generated by wind turbine.

Our Commitment to ESG **pages 20 to 26** >



# Our Strategy

## Driving sustainable growth

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

1

### Developing online sales channels

#### Progress

- Global online markets have seen the negative impact of inflation and consumer demand. This has been leveraged with continued operational efficiencies and platform alignment throughout the Group.
- Customer list growth has reduced reliance on traffic acquisition spend and drives an improved operating margin performance for our online sales.
- Total online channel sales account for 44% of UK/US markets (2022: 51%, 2019: 30%).

#### Future outlook

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

#### The Board's governance role

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

#### Link to KPIs

- 1 2 3 4 5 6

#### Link to Risks

- 1 2 3 5

2

### Leveraging our brands

#### Progress

- Strong performance of our key heritage range Spode Christmas Tree and the successful launch of the Spode Kit Kemp range, new to 2023.
- Resilient performance across our brands notably Spode despite macro-economic headwinds.
- Improved digital assets have helped to drive better online sales performance.

#### Future outlook

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

#### The Board's governance role

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

#### Link to KPIs

- 1 2 3 4 5 6

#### Link to Risks

- 1 3 4 5

3

### Building new markets/geography

#### Progress

- Rest of world sales improved to 8% of total Group sales (2022: 6%) despite widespread disruption in sales markets.
- Strong progress in growth markets.
- Road map of new product development to enhance customer offering in international markets.

#### Future outlook

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

#### The Board's governance role

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

#### Link to KPIs

- 1 2 4 5 6

#### Link to Risks

- 1 2 3 5



4

## Developing and launching successful new product

### Progress

- Strong new product performance including the new Spode Kit Kemp collection.
- New product launches continue to contribute over 10% to total Group sales per annum.
- Robust pipeline of new product developed for future launch.

### Future outlook

- Strong pipeline of new product for launch in 2024 including the new Portmeirion Minerals range.
- Ongoing product extensions in heritage ranges including highly successful Spode Christmas Tree.
- Home Fragrance growth including AromaWorks London brand acquired in August 2022 and new Wax Lyrical England range offering through grocery and national retailers.

### The Board's governance role

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

### Link to KPIs

1 2 3 4 5 6

### Link to Risks

1 3 4 5

5

## Operating and procurement efficiency and capabilities

### Progress

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

### Future outlook

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

### The Board's governance role

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

### Link to KPIs

1 2 3 4 5 6

### Link to Risks

3 4 5

### Key to KPIs

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

### Key to Risks

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

KPIs **page 36** >

Risk Management **page 34** >

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



## Section 172 (1) Statement

# Engaging with our stakeholders

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

The below sets out our Companies Act 2006 Section 172 (1) Statement which provides details of the Board's engagement with our key stakeholders during the year and how stakeholder considerations have helped shape Board decisions and outcomes. This statement focuses on matters material to shareholders. The Group's key resources and relationships are detailed in the Business Model on pages 14 and 15.

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



### Shareholders

#### Link to strategy



#### Overview

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

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

#### How we engage

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

#### Considerations and outcomes

- The Group takes advice and guidance from its advisers on what is important to shareholders in planning all communications to ensure it addresses any emerging key topics;
- for the first time in 2023, a video presentation of the 2022 Preliminary Results was made available on our corporate website;
- in March and September 2023, live presentations to institutional investors and to retail investors via the Investor Meet Company platform; and
- at the 2023 AGM, shareholder proxy votes lodged for each resolution were, at a minimum, 99% in favour.



### Customers

#### Link to strategy



#### Overview

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

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

#### How we engage

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

#### Considerations and outcomes

- Feedback from key national customers in the US and UK and international distributors led to customer specific new products; and
- During 2023, we made further enhancements to our Stoke-on-Trent factory to deliver efficiencies which will ultimately enhance our capabilities to react to customer demand with shorter lead times.

Our Strategy [pages 16 and 17](#) >

Our Commitment to ESG [pages 20 to 26](#) >

**Link to strategy**

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

**Suppliers****Link to strategy**

- 2
- 4
- 5

**Overview**

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

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

**How we engage**

- Our collaborative approach ensures all parties have a shared long-term objective of working together, reducing risk, maintaining high standards of business conduct and delivering to time and cost;
- continuous engagement which is both formal but also informal from day to day dialogue between our teams;
- we conduct due diligence checks on suppliers of agency labour to ensure compliance with labour law and reduce the risk of modern slavery; and
- our sourced product suppliers are required to comply with our ethical trading code of conduct and complete SEDEX audits to help us proactively assess, manage and mitigate business and supply chain risks. We work proactively and positively with our suppliers to address any action points arising out of audits.

**Considerations and outcomes**

- Our highly experienced teams continue to manage costs and successfully navigate the challenges of global supply chain disruption and the ongoing effects of the war in Ukraine on utility and raw material costs;
- we continue to work with our suppliers to remove or reduce single use plastics within the supply chain. Where elimination is not possible our suppliers are working towards using at least 30% recycled materials; and
- targeted initiatives with suppliers, particularly those providing services, has led to cost savings during 2023.

**Employees****Link to strategy**

- 1
- 2
- 3
- 4
- 5

**Overview**

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

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

**How we engage**

- Briefings, newsletters, team meetings, opinion surveys and opportunity to engage with Chief Executive directly;
- Innovation Scheme rewarding ideas leading to operational efficiencies;
- focus groups e.g. health and safety meetings, green team, UK energy team;
- providing training and community involvement;
- our UK businesses are Investors in People Platinum accredited in recognition of our commitment to leading, supporting and improving our workforce; and
- Board visits to manufacturing sites to provide opportunities for first hand visibility of staff morale and working arrangements.

**Considerations and outcomes**

During 2023, our employee engagement led to:

- outreach projects in local schools and a hospice;
- continued wellbeing awareness campaigns including access to occupational health specialists and Mental Health First Aiders; and
- significant progress in collaboration between Global teams resulting in Global reporting structures and efficiencies in cost and consistent management.

**Communities and the environment****Link to strategy**

- 2
- 4
- 5

**Overview**

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

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

**How we engage**

Within our business sector and local communities we:

- as a business and through our staff we continually consider ways to reduce our environmental impact;
- explore opportunities to make a difference through our charitable programmes;
- our employees proactively engage in volunteering activities;
- are continuing to develop a programme to engage with strategic partners to build employability skills; and
- see Our Commitment to ESG section on pages 20 to 26.

**Considerations and outcomes**

- In May 2023, we launched our new sustainability strategy and roadmap, "Crafting a Better Future" which outlines our engagement on three specific fronts of environmental impact, nurturing the best from our employees and being a positive part of our community family. For more details see: [www.portmeiriongroup.com/sustainability](http://www.portmeiriongroup.com/sustainability); and
- the Board has completed its first year of The Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022 reporting, recognising the importance of climate related issues as part of its ESG agenda and continually assessing the Group's progress and goals to become net zero by 2040; see pages 27 to 30.



## Our Commitment to ESG

# Inspired by our Heritage to Craft a Better Future for our environment, people and communities

“Portmeirion Group is a purpose-driven business with heritage and community at our core.”

Mike Raybould  
Chief Executive

We have a responsibility to our employees, customers, communities and the people that bring our products into their homes, and we work hard to reflect this in everything that we do.

Launched in 2023, our new Crafting a Better Future strategy outlines the Group's commitment to reduce its impact on climate change and develop as a positive force for the environment, the people that work across our operations and our local communities.

We are clear that we must continue to play our part in tackling global pressures such as climate change and support our extended community families whilst continuing to meet the expectations of our investors, stakeholders and customers as they work to deliver their own commitments.



heritage



family



craft



# Commit 2040

Portmeirion Group is committed to achieving Net Zero emissions across Scope 1 and 2 by 2040, aligning with global efforts to combat climate change. This long-term objective is being pursued through a strategic approach, monitored and realised through various stages.

## Energy reduction

Energy consumption across UK operations is being reduced. Key initiatives include the installation of modulating burners on kilns, the retirement of poor energy-efficient processes and improved visibility of consumption data, facilitated by the Sustainability Ambassador scheme.

## Targets and measures implemented

Our current objective is a significant reduction in combined energy demand for UK operations by 2025. As of 2023, a 8% reduction has been achieved. Measures include the retirement of energy-inefficient kilns, increased use of renewable energy and process optimisations.

## Renewable energy

In 2023, 58% of Wax Lyrical's electricity demand was met by wind-sourced renewable energy. As part of our plans to transition towards more renewable energy, in 2024 our plans include the evaluation of the use of solar technology at our Stoke-on-Trent production and distribution centre sites.

## Innovation and change to meet environmental challenges

Collaborating within our industry, Portmeirion Group is exploring the use of alternative fuels, such as hydrogen, and fuel reduction, and at the potential to reduce firing temperatures. Given the energy-intensive nature of ceramics, decarbonisation presents many challenges, particularly with the limited availability of alternative fuels. The Group is actively exploring technological and material advancements to address this challenge.

## Waste reduction

The Group has achieved a 15% reduction in total waste generated in 2023 compared to 2022. Of this, 59% is recycled and the remaining waste is repurposed, contributing to our 0% landfill rate. Ongoing efforts focus on reducing single-use plastics and minimising overall plastic consumption.



### Reducing CO<sub>2</sub>

During 2023, we continued with our external review of our current ESG baseline to inform future strategy for improvements.



**↑ +8.5%\***

UK Ceramics – tonnes of CO<sub>2</sub>e per tonne of saleable product. This rise is largely due to the average product weight increasing by 3% on the previous year.



**↓ -26.0%\***

UK Home Fragrance – tonnes of CO<sub>2</sub>e per tonne of saleable product. This decrease is primarily due to the retirement of energy inefficient equipment.



**↑ +6%\***

UK Operations (exc. Retail) – tonnes of CO<sub>2</sub>e per tonne of saleable product. Despite being less efficient, the UK sites consumed 9% less energy in 2023 (vs 2022).



**58%**

of energy used at Wax Lyrical operation in 2023 was provided by wind turbine

\*2023 compared to 2022.

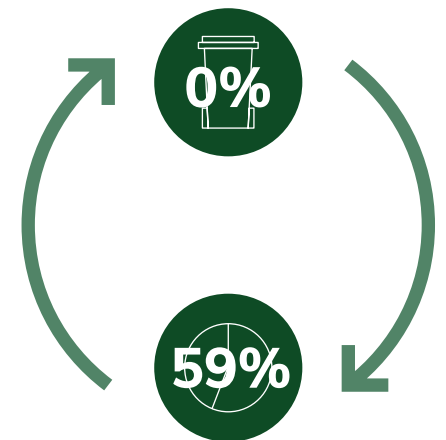
## Supplier collaboration

Initiatives to reduce emissions across our value chain have recently commenced. Collaborative efforts with suppliers will play a crucial role in achieving our Net Zero goal, with ongoing evaluations and strategic partnerships anticipated in the coming years.

There is

**0% waste**

going to landfill from the Stoke-on-Trent operation



**59%**

of the 857 tonnes of waste generated is recycled and usually repurposed into a secondary use with the rest being incinerated (waste to energy). The total volume of waste generated by UK operations decreased by 15% in 2023 (vs 2022)



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



## Our Commitment to ESG continued

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

	Year ended 31 December 2023	Year ended 31 December 2022
<b>Energy consumption used to calculate emissions</b>	<b>kWh</b>	kWh
Electricity	<b>5,966,898</b>	6,408,768
Natural gas	<b>34,633,526</b>	37,798,740
Transport	<b>316,487</b>	354,780
<b>Total energy consumption (kWh)</b>	<b>40,916,910</b>	44,562,288

	Year ended 31 December 2023	Year ended 31 December 2022
<b>Emissions</b>	<b>tonnes CO<sub>2</sub>e</b>	tonnes CO <sub>2</sub> e
<b>Scope 1 emissions</b>		
Natural gas	<b>6,670.5</b>	7,084.1
Company owned/leased vehicles	<b>77.1</b>	88.1
<b>Scope 2 emissions</b>		
Electricity	<b>1,266.4</b>	1,274.2
<b>Scope 3 emissions</b>		
Employee owned car travel (grey fleet)	<b>12.3</b>	7.7
<b>Total SECR emissions (tonnes CO<sub>2</sub>e)</b>		
Intensity metric: tonnes of CO <sub>2</sub> e per tonne of saleable product	<b>3.66</b>	3.37

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

	Year ended 31 December 2023	Year ended 31 December 2022
<b>Energy consumption used to calculate emissions</b>	<b>kWh</b>	kWh
Electricity	<b>440,993</b>	421,759
Natural gas	<b>877,110</b>	1,272,532
Transport	<b>9,640</b>	7,538
<b>Total energy consumption (kWh)</b>	<b>1,327,742</b>	1,701,829

	Year ended 31 December 2023	Year ended 31 December 2022
<b>Emissions</b>	<b>tonnes CO<sub>2</sub>e</b>	tonnes CO <sub>2</sub> e
<b>Scope 1 emissions</b>		
Natural gas	<b>164.8</b>	237.2
Company owned/leased vehicles	<b>2.3</b>	1.8
<b>Scope 2 emissions</b>		
Electricity	<b>92.4</b>	83.4
<b>Scope 3 emissions</b>		
Employee owned car travel (grey fleet)	<b>14.3</b>	21.1
<b>Total SECR emissions (tonnes CO<sub>2</sub>e)</b>		
Intensity metric: tonnes of CO <sub>2</sub> e per tonne of saleable product	<b>0.19</b>	0.25

### Streamlined Energy and Carbon Reporting (SECR)

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

### SECR Methodology Statement

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

The following data sources have been used for the report:

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





## Nurturing the best

Our focus on social impact – our people, our communities and beyond is key to the success of our organisation.

The Group directly employs 802 employees worldwide. We are invested in our people; they are our core asset. From our latest engagement survey, most respondents (69%) either agreed or strongly agreed that Portmeirion Group is an excellent workplace. Regarding morale, 46% of participants reported a medium level, while an impressive 38% indicated high morale in their roles at the Group.

### Gender split

Portmeirion Group strives to eliminate any gender bias in our pay and employment policies and practices; at 31st December 2023, 64% of managerial positions held throughout the Group, were held by female colleagues.

As a Group we recognise all forms of diversity in our employees and endeavour to promote a culture of inclusiveness in our workplace to enhance the success of our business.

### Incorporating sustainable business principles whilst improving employee engagement, support and wellbeing

2023 saw the launch of a quarterly Chief Executive Podcast business update alongside more regular communications such as the weekly electronic newsletters for UK employees. The rollout of digital signage has begun along with the development of an intranet that will house Group news, supporting documents, policies, learning and development information and much more. From highlighting individual achievements to unveiling strategic initiatives and reporting on our many community projects and fundraising activities, these news channels encourage two-way conversations about the subjects covered. It is part of the communication evolution at Portmeirion Group that strives to be an insightful and engagement-boosting function for the business.

### Learning and development

In our ongoing commitment to nurture our management team, a series of targeted training sessions have been delivered. These sessions encompass a spectrum of vital skills, including appraisal training, an introduction to leadership, effective change management, communication skills and the recognition of the inherent value within one's team.

Throughout 2023, our colleagues have actively pursued their professional growth through apprenticeship standards ranging from level 2 to level 7. These endeavours span diverse roles such as HR, payroll and sustainability business specialisation. Our support extends to the progression of our apprentices, ensuring they continue to refine and enhance their skills as they navigate their apprenticeship learning journey.

The year 2023 witnessed the completion of 2,044 training courses, covering an array of essential topics. Notable courses included neurodiversity and menopause awareness. Emphasising our commitment to equality, diversity and inclusion, every new monthly paid staff member in the UK is required to complete the module upon joining our organisation; this is being extended to the US in 2024. Additionally, our US warehouse staff have been assigned the manual handling module to fortify their safety practices.

Ensuring the continuous proficiency of our staff is pivotal and this involves reviewing and updating our existing standard operating procedures. This initiative guarantees that our team operates at the requisite level of skill, competence and compliance. Our overarching goal is to cultivate a multi-skilled workforce, fostering agility and adaptability within our organisational framework.

### Health and safety standards

Staff members undergo periodic skill refreshers to align with the latest versions of our standard operating procedures. This ensures adherence to correct processes, up-to-date health and safety protocols and compliance with our rigorous quality standards. Through these proactive measures, we remain steadfast in our commitment to excellence and the continual enhancement of our workforce.

### Accreditations

We remain committed to our UK Investors in People Platinum accreditation by delivering excellent employee support programmes and continue to place colleague wellbeing and development at our core.

### Health and wellbeing

Portmeirion Group understand the importance of employee wellbeing. By partnering with Westfield Health for UK colleagues, the Group aims to fortify its commitment to nurturing a healthy and supportive work environment.

There are a range of services available, covering everything from access to mental health professionals, counselling services, wellness resources to dental, optical and podiatry. The goal is to establish a comprehensive support system that meets the various needs of staff at all levels within the business.

Portmeirion Group wish to ensure that their commitment to employee wellbeing is not just a checkbox; it is an ongoing and evolving process. Through the collaboration with Westfield Health, the company is dedicated to staying at the forefront of employee wellness practices, continuously exploring new ways to enhance the support structures in place.

To further champion the well-being of our team, four colleagues have successfully completed the Domestic Abuse Champions training. This specialised session empowers staff to identify signs of domestic abuse, providing them with the knowledge and skills to appropriately guide individuals to support and advice resources.

Partnerships with Mind and other local organisations, along with plans to facilitate health and wellbeing workshops and events through the coming year will bolster improvement within this area.

### Supply chain

Improving supply chain transparency and supporting our suppliers in applying Portmeirion Group people principles across our value chain including opportunities for training and Health, Safety and Environment practices remain an important part of our strategic plans. During 2024, we will explore opportunities that support beyond existing legal requirements for our supply chain. Existing procedures include an ethical trading supplier code of conduct and regular compliance audits.

### Supporting community fundraising

In 2023, we made 53 product donations to local charities, embodying our commitment to positively impacting our community. In addition, our collective fundraising efforts have resulted in over £10,000 donated to local causes, raised at several staff events throughout the year. We donated 50 Portmeirion mugs to the brand-new Dementia Cafe in Uttoxeter. Christmas jumper day raised funds for local charities at both Stoke-on-Trent and Lake District locations.



## Our Commitment to ESG continued



### Our community family

#### Connecting with local education establishments

In line with our global strategy and community family, we have linked with The Careers & Enterprise Company to help forge connections with local education establishments in the Stoke-on-Trent area to develop employability and work skills. This has led to a collaboration with Clayton High School to develop an awareness and understanding of the ceramic industry and to highlight career opportunities within the business.

Students have worked on an Art, Design and Digital Marketing project to embed real work skills, develop problem solving and to showcase their work from design to conception. The feedback from the students was positive and the impact on their confidence and transferrable skills will support them moving into the world of work.

#### Supported internships

We are also pleased to collaborate with Abbey Hill School and College by providing a supported internship placement for a student at our Stoke-on-Trent distribution centre. This initiative is geared towards offering vital support, equipping the student with the necessary tools and skills essential for independent work, thereby facilitating a smooth transition into gainful employment. Through this program, we aim to empower



Pictured: Festive cheer and fundraising at our sites during 2023.

and prepare the student for the challenges of the professional world while fostering their growth and independence.

#### Valuable work experiences for students within our communities

As a business, we have dedicated our efforts to supporting students by providing them with valuable work experiences that span a diverse range of fields within our organisation. This inclusive approach involves offering hands-on opportunities for personal and professional development in various departments.

In the dynamic field of engineering, students benefit from immersive experiences, gaining practical insights into engineering practices, project management and collaborative problem solving.

In the vibrant world of retail, students engage in tasks that contribute to the smooth operation of our retail teams. This includes customer interactions, inventory management and first-hand understanding of the intricacies of retail operations. Through these experiences, students develop customer service skills, teamwork, and a keen understanding of the retail landscape.

By working closely with financial professionals, students gain insights into budgeting, financial analysis, and other crucial aspects of financial management. This exposure not only enriches their academic knowledge but also provides a practical foundation for future endeavours in the financial sector.

Students are given the chance to work alongside legal professionals, providing them with exposure to legal processes, documentation and the broader legal framework to foster an appreciation for the importance of legal compliance in organisational operations.

We believe that by offering such diverse opportunities, we are supporting our local communities to nurture talent, to create positive futures.



Pictured: As part of our global purpose and sustainability strategy to 'Craft a Better Future', we launched a new project linking with Clayton Hall Academy, a school situated near our Stoke-on-Trent head office.



## Community partnership

### Hospice wellbeing craft workshops

Bullers rings, known for their role during the firing of ceramics, have found an unexpected second act as the star attractions of wellbeing craft workshops at Douglas Macmillan Hospice based near our factory and offices in Stoke-on-Trent. What was once destined for disposal are turned into a source of joy, creativity and wellbeing for the hospice community. As repurposed bullers rings find their way into the hands of workshop participants, they symbolise a beautiful blend of sustainability and creativity.

In 2023, Portmeirion Group North America initiated collaborations with the New Mexico Ramp Organisation, a non-profit dedicated to a mission of providing tools, materials and infrastructure for constructing wheelchair ramps across the state. Our volunteer employees will be involved in the assembly and construction of wheelchair ramps on a quarterly basis. By allocating our resources and manpower to support this cause, we are not only fulfilling our corporate social responsibility but also fostering a sense of community engagement among our employees.

### Recognition and engagement

Key to the retention of our employees is recognising and rewarding their hard work. Our reward strategy aims to provide a package that offers competitive pay and



Pictured: Creative uses for worn factory materials as part of the Group's engagement with a local hospice.



Pictured: Retirement afternoon tea celebrations.

distinctive benefits. We are committed to paying the National Living Wage and within our manufacturing sites we have implemented high performance working incentives to recognise and reward performance within the teams.

Within the UK, all employees are offered membership to our Group personal pension plans, which provide employer contributions for all members, and are included in generous life cover and healthcare policies. In the US, all employees are offered benefits under a 401K employer sponsored defined contribution pension plan and in Canada through a Canada Pension Plan to which the company contributes.

Our UK Division operates employee recognition schemes including discretionary incentive schemes, VIP "family and friends" shopping promotions, retirement afternoon teas and long service awards. The North America division operates annual sales incentive schemes for sales executives and discretionary bonuses for all employees.

Our employee appraisal process involves performance measures against a series of core objectives which are aligned to each operating unit's strategic aims.

We've distributed 361 thank-you cards to colleagues across the UK, recognising and appreciating the outstanding contributions of each member of our Portmeirion Group family.

Our UK Division operates Employee and Team of the Quarter Awards to recognise and celebrate employee successes. Celebrating success is a vital component to create a positive and motivating work environment. These awards serve as a powerful mechanism for recognising the outstanding contributions of individuals and teams, reinforcing a culture of achievement, and enhancing overall employee engagement.



Pictured: 10 UK colleagues celebrated their long service at a dedicated awards event.







# Our Commitment to ESG continued



## Governance

Our sustainability commitments are underpinned by a clear Governance structure. As set out in our “Crafting a Better Future” strategy, launched in 2023, we are focusing on initiatives to ensure that we maintain sound Governance. These are outlined below.

### Initiatives include:

 <p><b>Incorporating sustainability into responsibilities and accountabilities at all levels of the business</b></p>	 <p><b>Devolve accountability across the Group</b></p>	 <p><b>Aligning our commitments with our risks</b></p>	 <p><b>Ensure our decision-making processes reflect our commitments</b></p>
<p><b>Our targets:</b></p> <ul style="list-style-type: none"> <li>Introduce new sustainability KPIs in personal development plans.</li> </ul>	<p><b>Our targets:</b></p> <ul style="list-style-type: none"> <li>Develop business unit level environmental and social targets which align with the Group commitments; and</li> <li>Deliver engagement and training programme to ensure all of the Portmeirion Group community understand how our commitments relate to their own roles.</li> </ul>	<p><b>Our targets:</b></p> <ul style="list-style-type: none"> <li>Ensure all Crafting a Better Future commitments reflect and are reflected on our corporate risk register.</li> </ul>	<p><b>Our targets:</b></p> <ul style="list-style-type: none"> <li>Ensure all our policies, procedures and decision-making check points reflect our Crafting a Better Future commitments, including energy reduction; and</li> <li>Continuously review the external environment to ensure we fully understand how we can create the optimum value for the Group and wider society.</li> </ul>
<p><b>Our progress:</b></p> <p>Within personal objectives of the Chief Executive. For 2024, this has been extended to the Group Operations Director.</p>	<p><b>Our progress:</b></p> <p>Working with the Energy Team from representatives across the UK business, we are working to develop targets and drive engagement.</p>	<p><b>Our progress:</b></p> <p>The Board reviews the corporate risk register at each board meeting. Further details on climate risk are in The Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022 Report on pages 27 to 30.</p>	<p><b>Our progress:</b></p> <p>Further details on climate risk and opportunities are in The Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022 Report on pages 27 to 30.</p>

We understand that our Governance needs to reflect and react to the environment in which we operate.

- Our Corporate Governance Statement **pages 40 to 45** >
- Section 172(1) Statement **pages 18 to 19** >
- Risk Management **page 34** >
- Principal Risks and Uncertainties **page 35** >
- The Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022 Report **pages 27 to 30** >



# The Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022 Report

## Crafting a Better Future – our journey to Commit 2040



heritage



family



craft

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

During 2023, we published our new sustainable business strategy and roadmap – *Crafting a Better Future* - which is aligned to our commercial strategy to ensure that sustainability sits at the core of our business model. Underpinning our strategy is a clear governance structure led by the Chief Executive and supported by the Board in order to effectively manage the Group's transition to a net-zero emissions business by 2040 across our Scope 1 and 2 emissions. More details can be found at <https://www.portmeiriongroup.com/sustainability> and in the Our Commitment to ESG report on pages 20 to 26.

<https://www.portmeiriongroup.com/sustainability>

Our Commitment to ESG pages 20 to 26 >

The Task Force on Climate-related Financial Disclosures ('TCFD') requires companies to identify, measure, quantify and report on the risks and opportunities of climate change. This year we present our first TCFD disclosures in compliance with The

Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022, Sections 414C, 414A and 414CB of the Companies Act 2006. Our approach to TCFD has looked to identify the potential climate related risks and opportunities that may impact our business and the plans we have in place to deal with any risks identified.

### Governance

The Group's business sustainability strategy and its focus on climate-related matters is led by the Chief Executive and supported by the Board who are all accountable for the sustainability commitments of the Group. The Board has oversight of climate-related issues through various channels and initiatives: our Business Sustainability Committee (including reviewing the risks and opportunities of climate change), a UK multi-departmental Energy Team to assess energy saving opportunities within our operations and a 'UK monthly utility consumption' report containing cumulative energy usage of manufacturing sites and regular SECR reporting. Each of these channels and reporting mechanisms enable oversight and the ability to ensure the consideration and integration of climate issues into business decisions at top level. Senior management are also part of the British Ceramic Confederation's (rebranded Ceramics-UK) Energy & Emissions sub group which meets with UK ceramic manufacturers of goods from homewares to heavy clay. The group meets on a quarterly basis to discuss developments and issues facing the ceramic industry and how risks can be possibly mitigated.

The Board is ultimately responsible for the risk management framework of the Group which includes the climate-related risks and associated metrics which are reviewed by the Business Sustainability Committee. The

risks and opportunities in relation to climate change are identified by senior management and ultimately reported to the Board through various means and channels as detailed above.

The Business Sustainability Committee, set up during 2023, is chaired by the Chief Executive and its membership includes the Group Operations Director, Global HR Director, Group Company Secretary, UK Head of Environmental and Global divisional level management covering human resources, operations, production, quality, technical, environmental, finance and governance. The Committee seeks expertise from all departments and functions within the business and is responsible for reviewing and implementing the Group's strategy including its commitment and success to achieving Net Zero Greenhouse Gas emissions across Scopes 1 and 2 by 2040 as well as setting KPIs and monitoring progress against the KPIs.

We have produced disclosures in line with the current TCFD, but recognise that further work is required for full TCFD disclosures to be met. As we develop our understanding of the risks and opportunities facing the Group we will consider where appropriate enhancements to our current disclosures. Our disclosures follow the recommendations of the TCFD to report on Governance, Strategy, Risk Management and Metrics and Targets and in particular the 8 disclosure requirements as prescribed by the Companies Act.

For more information on our sustainability strategy and roadmap to Commit 2040 please see pages 27 and 28 >

For more information on our Scope 1 and 2 emissions please see pages 21 and 22 >



### Strategy

Our sustainable business strategy and roadmap – Crafting a Better Future – focuses on three strategic commitments as set out on pages 20 to 26: Commit 2040, Nurturing the best and Our Community Family. Our Commit 2040 pledge has in particular helped us to identify climate-related risks and opportunities over three time horizons which are defined below:

<b>Short-term:</b>	up to five years
<b>Medium-term:</b>	five to ten years; and
<b>Long-term:</b>	beyond ten years

Our identification, understanding and regular monitoring of our risks and opportunities means that we are able to engage with our stakeholders in a fully transparent manner whilst being able to track our progress so that we can continue to achieve our climate-related goals. Figure 1 illustrates our journey to achieving Net Zero by 2040 based on Emissions tracked from our existing ESG exercises as we look to significantly reduce our Scope 1 & 2 Emissions over the medium and long-term. Further details can be found in Our Commitment to ESG report on pages 20 to 26.

During 2023, our senior management team completed a risks and opportunities register including a scenario based analysis to better understand the impact of climate related risks on our business strategy, over relevant time horizons. The risks identified in the Climate Risk Register are centred on the ceramics production function of the Group. The decision to focus on this area is due to ceramic production accounting for the most significant CO<sub>2</sub> emissions and highest raw material requirement for the Group.

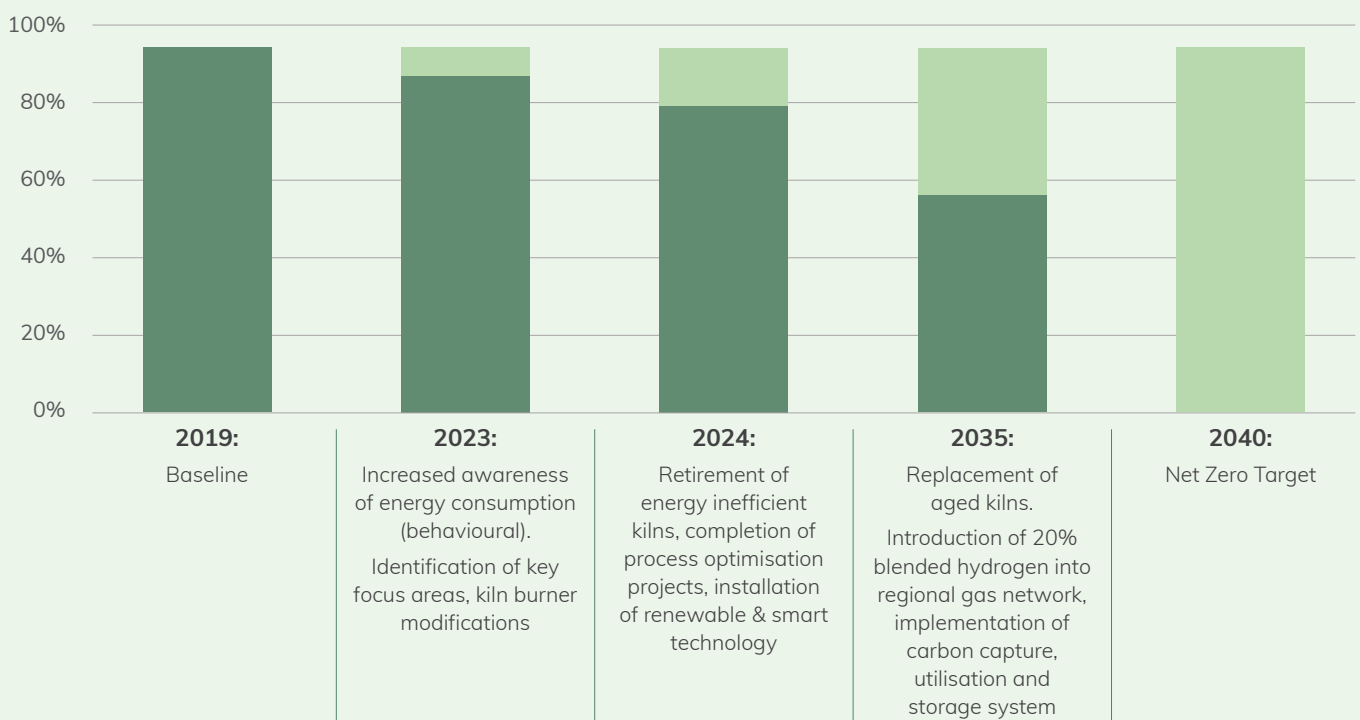
Portmeirion Group considers transitional risks of climate change a principal risk therefore our analyses for the current financial year covers only transition risks as they pose varying levels of risk in the short, medium and long term. Whilst Portmeirion Group recognises physical risks that may be caused by the effects of climate change leading to extreme weather events such as excessive heat, wildfires, drought, changes in water availability and food security, these risks are expected to manifest more slowly, most likely in the long term and beyond for Portmeirion Group. Therefore, the main focus of the climate risk register for this financial year was transition risks and opportunities.

We believe that a scenario analysis is useful in analysing our climate-related risks and opportunities to better understand the critical dependencies of climate change on our business however, they are not predictions or forecasts. Our strategy and the potential to pursue certain opportunities available to the business may change over time as climate change trends continue to change. Therefore, the risks impacting the business may evolve or change over time and Portmeirion Group will continue to adapt its strategy as required so that we can continue on our journey towards achieving net-zero emissions by 2040.

Our material climate-related risks and opportunities are outlined on page 29. For each we have provided an indication of their potential impact and how they have or may affect our business, strategy and financial planning. We have also provided an overview of possible mitigations available to us. This is not an exhaustive list and there may be risks and uncertainties that the Board is not aware of, or are believed to be immaterial, which could have an adverse effect on the Group.

The Group has continued its work to define the roadmap to Commit 2040 as part of its business sustainability strategy.

Figure 1 below: Net Zero 2040 journey based on emissions tracked from our existing ESG exercises





Transition impact - Risk (description)	Scenario	Time horizon	Impacts assuming no mitigation	Mitigation of Risk	Opportunities
<b>Transition risk: Market Risk</b>					
Raw Materials - availability of ground based raw materials	Global temperature rises more than 2°C+	Short to medium term	Increased cost due to fewer alternative suppliers and reduced competition. Potentially longer lead time if we are forced to purchase from markets further from our factories, hindering our ability to make agile decisions.	<ul style="list-style-type: none"> <li>Researching clay recipe to reduce the energy required to fire it;</li> <li>investigating ways of securing raw materials closer to production sites; and</li> <li>working with suppliers to secure long term supply of materials.</li> </ul>	<ul style="list-style-type: none"> <li>Collaborative approach with suppliers to develop more energy efficient products; and</li> <li>substitution of materials that are identified with high risk, broadening our supply options and reducing reliance on existing suppliers.</li> </ul>
<b>Transition risk: Market</b>					
Energy price volatility Fuel supply interruptions	Global temperature rises more than 2°C+	Short to medium term	Forecasting production output and cost of production will be subject to greater uncertainty, with the possibility of factory shutdowns. Efficiencies could be lost due to sporadic shutdowns.  Continuous energy interruptions may damage plant and machinery, reducing their value in use.	<ul style="list-style-type: none"> <li>Implementation of smart technology in non-production areas of the business;</li> <li>installation of renewable technology systems; and</li> <li>identifying methods of electrification via renewables.</li> </ul>	<ul style="list-style-type: none"> <li>Preparation to expand renewable energy capacity in advance of DNO upgrade.</li> </ul>
<b>Transition risk: Market</b>					
Supply Chain: Country of manufacture may change to reflect emissions optimisation opportunities	Global temperature rises more than 2°C+	Medium Term	Unable to use supplier due to lack of energy saving initiatives or capabilities. Increasing costs to move to alternative supply.	<ul style="list-style-type: none"> <li>Review of existing supply chains to identify high risk channels;</li> <li>collaboration with couriers with a validated carbon offset certification;</li> <li>engaging with downstream suppliers to commit to Portmeirion Group's Sustainability Strategy; and</li> <li>engaging with Ceramics UK and DESNZ to better understand Government policy.</li> </ul>	<ul style="list-style-type: none"> <li>Educate supply chain in energy saving opportunities.</li> </ul>
<b>Transition risk: Policy and legal</b>					
Potential increase in materials and utilities may impact operating capacity  Increased threat of imports replacing UK made products (Scope 1 and 2 emissions would be moved to Scope 3)	Committing to Net Zero	Medium to Long-term	Increasing requirements can increase compliance costs and so reduce profitability. Mandatory participation in Emission Trading Schemes.	<ul style="list-style-type: none"> <li>Engaging with Ceramics UK and DESNZ to better understand Government policy;</li> <li>identifying high energy processes/products and assessing future viability;</li> <li>better understanding of energy efficiencies of new equipment at the CAPEX stage; and</li> <li>investigating methods of decreasing kiln thermal outputs to mitigate risk of inclusion of Emissions Trading Schemes.</li> </ul>	<ul style="list-style-type: none"> <li>Continue holistic approach to global operations;</li> <li>review energy efficiency of hybrid working;</li> <li>improve visibility of scope 3 emissions associated with employee commutes; and</li> <li>identify methods to better utilise waste streams.</li> </ul>

For more information on our sustainability strategy and roadmap to Commit 2040 please see [pages 27 and 28](#) >

For more information on our Scope 1 and 2 emissions please see [pages 21 and 22](#) >



### Risk Management

The Board has overall responsibility for reviewing the risk management processes and controls in place within the Group and ensuring that they are appropriate, which includes climate-related and ESG risk. The Group is exposed to a number of climate-related risks across the markets it operates in internationally. Risk management is a key focus of the Board and it is assessed at all board meetings. The process for identifying, assessing and managing climate-related risks is closely integrated with the Group's overall risk management process.

The Group has a system of internal controls monitored by senior management/executive directors for identification of climate risk and for taking appropriate action to prevent, mitigate and manage these risks. The Board and Business Sustainability Committee assess and review the external environment in order to identify any new risks for consideration. As new risks are identified during the normal course of business, these are communicated to the Executive Directors who meet at least monthly to review ongoing trading performance. Changes to climate risks discussed at these meetings are then provided to the Board. Assessment of risks takes place at Board meetings, where a detailed schedule of risks (Group Risk Register) is considered and updated as necessary. Risks are graded against a criteria

of likelihood and potential impact in order to identify the key risks impacting the Group, including from a climate risk perspective. Consideration is given to impact, probability of occurrence, the need to add new risks or remove previously identified risks, and finally if the controls in place are sufficient to mitigate the climate related risks to the business. The Group Risk Register also identifies and monitors existing and emerging regulatory requirements related to climate change (e.g. limits on emissions) as well as other relevant factors that may impact the Group and its strategy.

The Board and Committee will continue to review existing controls in place to mitigate risks. As the climate changes with time, controls that were once appropriate may need adapting or replacing completely. By keeping controls up to date, it is ensured that the Group will be protected, as far as possible, from the harmful impact of climate related risks occurring.

For more information on Risk Management and Principle Risks and Uncertainties see **pages 34 to 35** >

To measure progress against our target to become net zero by 2040 we have Key Performance Indicators (KPI) in place and we have identified tonnes of CO<sub>2</sub> per ton of saleable product as the most suitable metric

for reporting emissions ( across Scope 1 and 2 emissions) as this removes the influence of externalities not related to operational processes. This metric of using tonnes of saleable product also mirrors that used for determining the Specific Energy Consumption of our processes. Our climate-related KPIs also includes the Group's target to reduce energy consumption by 30% in 2025.

Data is reviewed annually and tracked against the objectives set out within our Commit 2040 objectives (as part of the Crafting a Better Future strategy).

The Board appreciates and recognises that further work is required on our mid-term targets by carrying out in-depth analysis of the existing data so that these targets remain meaningfully linked to the Group's long-term target. The Group aims to provide further information on these mid-term targets in the Company's next Annual report.

### Streamlined Energy and Carbon Reporting (SECR)

From a regulatory perspective the Group continues to report on its annual UK energy use, associated greenhouse gas (GHG) emissions and information relating to our energy efficiency action, in accordance with the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. Please see page 22 for this year's report.

Targets	Time horizon	Our Progress so far
Achieve carbon neutrality by 2040 across our Scope 1 and 2 emissions, defining a pathway that focuses on maximising the proportion of our energy use from renewable sources.	Long-term	Project is in place to reduce Scope 1 and 2 emissions for UK operations by 30% by 2025. Collaborations with third parties are being initiated so that opportunities to reduce emissions can be investigated fully.
All new company vehicles will be fully electric where possible.	Short term	Since 1 January 2023, all new company vehicles are fully electric. Those not electric are due to range requirements or lack of charging infrastructure.
Work with our supply chain manufacturing partners to ensure they support our Commit 2040 plan.	Short to medium term	Sustainability Code of Conduct drafted and sent out to tier 1 suppliers. This document details the objectives of the Commit 2040 plan and will allow us to identify key focus areas within our supply chains.
Develop the role of Global Energy Teams to drive energy reduction within our operations through innovation and 'green thinking' throughout our Group.	Short term	Sustainability Ambassador successfully introduced in 2023 to allow UK management and action periods of increased energy consumption. A global dashboard is in development for rollout to Global representatives of the ESG committee.
Achieve '0% to landfill' across entire UK business, building on target already achieved in our Stoke-on-Trent ceramic manufacturing site.	Short term	As of 2023, waste to landfill for all UK production processes is 0%. Waste streams dashboards are in development to help improve visibility of all waste.
Eliminate single use plastics throughout our operations.	Short term	Projects are currently underway investigating the potential to replace single use plastic materials within our operations. These include, substitution of plastic as packaging or fill material and alternative materials for reed diffuser refills.
Understand our global nature footprint and develop a Group wide biodiversity plan.	Medium term	Discussions with tier 1 raw material suppliers are currently underway; the objective is for tier 1 suppliers to fully understand biodiversity risks.
Enhance our materiality assessment to understand more about our Scope 3 emissions.	Long term	Visibility of scope 3 emissions linked to UK and ROW is currently being monitored and fed into the business. Methods of better capturing and improved accuracy are in development to facilitate a cyclic approach to capturing data.





# Non-Financial and Sustainability Statement

Reporting requirement	Relevant information	Policies and standards
<b>Information necessary to understand the Company's development, performance and position and the impact of its activity relating to:</b>		
1. Environmental matters (including the impact of the Company's business on the environment).	Pages 20 to 31	Page 29
2. The Company's employees.	Pages 19, 23 to 25 and 35	Page 35
3. Social matters.	Pages 19, 23 to 26 and 60	Pages 23 and 41
4. Respect for human rights.	Pages 35 and 60	Pages 19, 23, 41 and 60
5. Anti-corruption and anti-bribery matters.	Pages 35, 41 and 60	Pages 41 and 60
<b>Required information</b>		
6. Description of the Company's business model.	Pages 14 and 15	
7. Description of policies (and any due diligence process implemented pursuant to those policies) pursued by the Company in respect of items 1 to 5 above and a description of the outcome of those policies.	See the sections referred to above	
8. A clear and reasoned explanation if the Company does not pursue any policies in respect of the above matters.	Not applicable	
9. Description of the principal risks relating to items 1 to 5 above where relevant and proportionate, a description of the business relationships, products and services which are likely to cause adverse impacts in those areas of risk and a description of how it manages such risks.	Page 35	
10. Description of the non-financial key performance indicators relevant to the Company's business.	Not applicable	
11. Where appropriate, references to and additional explanations of the amounts included in the accounts.	The accounts are produced in accordance with UK-adopted international accounting standards and applicable law.	

**Financial Review**

# Trading performance impacted by consumer spending pressures particularly in US and South Korea

“With sales markets under pressure the Group focused on operating cost reduction and efficiency in working capital, reducing both inventory levels and net debt by year end.”

David Sproston  
Group Finance Director

**Summary**

- Reduced net debt position due to strong working capital management.
- Inventory reduced by £5.2 million (13%) to £36.0 million.
- Retained significant headroom within available borrowing facilities.

In 2023, macro-economic challenges impacted most of the sales markets the Group operates in.

Around the world most consumer markets were impacted by rising inflation and higher interest rates which reduced consumer disposable income. Against this backdrop, we quickly pivoted to reduce operating costs and drive efficiencies.

We also focused on working capital and net debt levels during the year and were able to reduce both in a difficult trading environment.

**Revenue**

Revenue for the year ended 31 December 2023 totalled £102.7 million, a decrease of 7% over the prior year (2022: £110.8 million).

In North America, our largest sales market, sales fell by 13% to £42.4 million (2022: £48.9 million). This reduction was driven by destocking by major retailers in response to falling consumer demand due to inflation cost pressures.

UK sales grew by 9% as we benefitted from additional home fragrance sales through our new grocery channel partners and the full year benefit of sales from the AromaWorks London brand purchased in August 2022.

In South Korea, sales decreased by 19% to £21.5 million (2022: £26.7 million) as consumers reacted to inflation and interest rate rises, compounded by currency devaluation against the US dollar.

Rest of World markets increased to £8.1 million (2022: £7.0 million). We saw strong growth from our new distribution relationship in Malaysia which offset weaker consumer demand in other markets.

**Profit**

Headline profit before taxation<sup>1</sup> was £3.0 million, a 62% decrease over the 2022 level of £8.0 million. Statutory loss before taxation was £8.5 million (2022: profit before taxation of £7.0 million); this was driven by a £10.9 million non-cash impairment charge on the home fragrance division.

The profit outturn was negatively impacted by the reduced sales performance of 7%, which lowered our operational profit due to high operational gearing and higher interest costs.

We were able to reduce our operating cost base during the year due to headcount reduction and efficiency savings which resulted in staff cost savings of £1.9 million, and following a restructuring exercise over



the last 3 months we expect to obtain further significant savings in 2024 to achieve a reduction of 10% year on year (£4 million).

<sup>(1)</sup> Headline profit before taxation excludes exceptional items – see note 6.

### Interest and financing costs

Finance costs for the Group increased by £0.8 million to £1.8 million (2022: £1.0 million) as interest rates rose significantly, which increased the cost of borrowing.

With UK interest rates remaining at higher levels we expect a similar charge in 2024 before falling back to lower levels as net debt reduces.

### Taxation

There was a tax credit for the year of £0.1 million (2022: tax charge of £1.4 million). This was mainly due to a deferred taxation credit due to the non-cash impairment charge on the home fragrance division. The underlying corporation tax charge was £0.3 million.

### Dividends

The Board proposes a final dividend of 2.00p per share (2022: 12.00p) giving a total dividend for the year of 5.50p per share (2022: 15.50p). The final dividend is expected to be paid on 31 May 2024 to shareholders on the register on 26 April 2024, with an ex-dividend date of 25 April 2024.

Prudently, given the ongoing macro-economic uncertainty and the continued prioritisation of further reduction to net debt, we are paying a dividend covered 3.88 times. In the medium term we continue to consider that a dividend at a cover of three times is appropriate in order to balance our ongoing investment behind our growth strategy with providing a positive return to shareholders.

### Cash generation and net debt

At 31 December 2023, the Group had net debt of £7.9 million (comprising cash and cash equivalents of £0.9 million less borrowings of £8.8 million). This compares to net debt of £10.1 million at the prior year end.

Operating cash flow was strong during the year; operating cash generated was £10.8 million (2022: £1.6 million), driven by an improved working capital position particularly inventory which reduced by £5.2 million.

Following a period of higher capital expenditure in recent years we spent £2.9 million during the year (2022: £6.0 million). This included the upgrade of our US ERP system and the installation of a new automated dipping line and glaze spray booth in our Stoke-on-Trent factory.

### Bank facilities

The Group has agreed debt facilities with Lloyds Bank which totalled £25.5 million at the balance sheet date. These facilities consist of a £10.0 million revolving credit facility available until February 2025, a £5.0 million overdraft and a £7.5 million trade finance facility on annual renewal cycles, and a £10 million term loan repayable by January 2025 of which £3.0 million was outstanding at the year end. Subsequent to the year end Lloyds extended the revolving credit facility agreement to September 2025 with a 1+1 annual renewal extension option (at their discretion) to extend to September 2026 and then September 2027.

Our business remains seasonal due to the second half weighting of our sales. Consistent with previous years, we experienced a working capital swing of around £10.0 million during the year as we built inventory to match our sales demand. At the year end we had available cash and borrowing headroom of £17.6 million.

We believe our committed funding lines more than adequately addresses this seasonal dynamic and are prudent.

### Assets and liabilities

We had a net working capital inflow of £3.4 million driven by an inventory reduction over the prior year, partially offset by a lower payables figure.

We had previously stated our aim to reduce inventory having seen a significant increase during 2022, and were pleased to achieve a reduction of 13% from £41.1 million to £36.0 million. This was achieved through stricter inventory planning and selling through surplus lines.

We expect to see further reductions in inventory during 2024 with a medium-term target to get back to 2021 year end volumes.

We have made further contributions to our closed defined benefit pension scheme and paid £0.3 million during the year. At the year end we had an accounting surplus of £1.1 million, which was an increase from the surplus of £0.3 million reported in 2021 largely driven by further contributions and demographic changes. At a gross level, assets and liabilities remained fairly consistent following recent volatility. We continue to evaluate ways to de-risk the volatility in the scheme, with a medium-term aim to reach low-dependency.

At 31 December 2023 we held treasury shares with a book value of £0.4 million in order to satisfy employee share option schemes, which had been bought at an average price of £1.87 per share, equating to 210,282 shares. In addition, we also hold 234,523 shares in The Portmeirion

Employees' Share Trust. These shares have a book value of £2.7 million, having been bought at an average cost of £11.58 each. The balance of these shares did not move during the year.

As part of our year end processes we have completed an annual impairment assessment of our home fragrance division which was acquired in 2016 for £17.5 million. The performance of this division has been materially impacted by Covid and footfall has shifted from its traditional customer base to the grocery channel. We have seen an improved performance from this division during the year but applying a higher discount rate to future cash flows (17.5%; 2022: 8.6%), combined with the division making a lower level of profitability compared to its original acquisition case, has resulted in a £10.9 million impairment. The majority of this impairment sits across goodwill and intangible assets acquired.

The balance of other intangible assets has increased during the year particularly in the US where we completed a major project to upgrade our main ERP system which allowed us to integrate our two business units onto one accounting and operating system.

### Treasury and risk management

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

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

**David Sproston**  
Group Finance Director

25 March 2024



# Risk Management

## Managing risk in order to deliver our strategy

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

### Risk management structure and process

#### 1. Identify risk

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

#### 2. Assess risk

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

#### 3. Mitigate risk

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

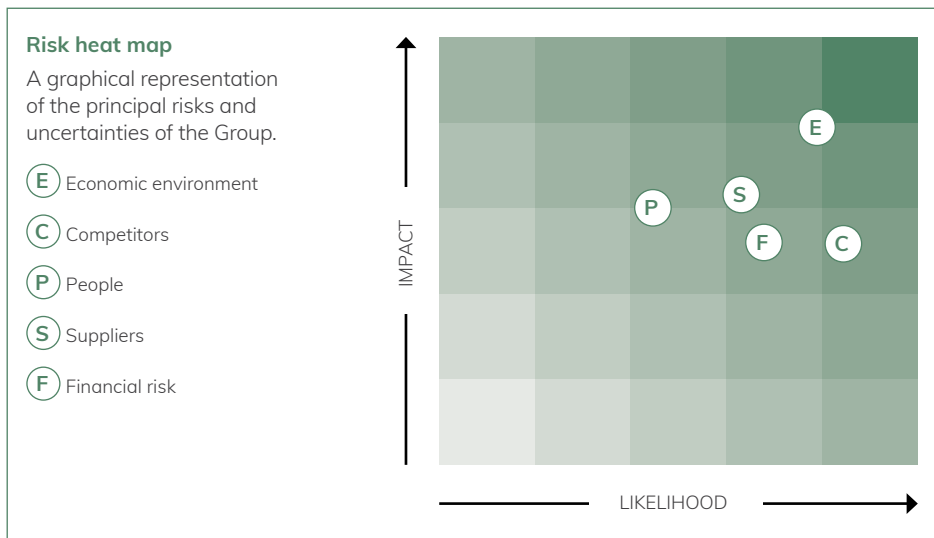
#### 4. Update risk register

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

#### 5. Review and evaluate risks

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

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



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



# Principal Risks and Uncertainties

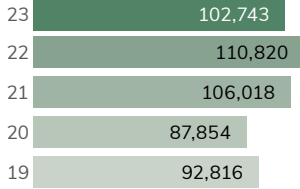
Risk	Mitigation	Outlook
<b>Economic environment</b>		
<p>Our sales markets around the world have been impacted by inflationary pressures, with rising energy costs and interest rates reducing discretionary consumer spending.</p> <p>This has created a difficult trading environment in our major sales markets.</p>	<p>The Group sells into more than 80 countries around the world, although the majority of sales are concentrated into three key markets. We continue to monitor the impact of global events in these markets and any material impact on our business.</p> <p>The Group maintains close relationships with our key customers and suppliers to identify any signs of financial difficulties in order to prevent or limit any potential losses. Customer orders and sales trends in major markets are constantly reviewed to enable early action to be taken in the event of declining sales.</p> <p>The Group continues to invest in our online and digital capabilities and capacity in order to provide an increasingly direct to consumer element for product fulfilment.</p>	<p>The Group will continue to monitor sales trends in our major markets around the world and ensure we respond accordingly to any threats or opportunities.</p> <p><b>Link to strategy</b> 1 2 3 4</p>
<b>Competitors</b>		
<p>The Group faces strong competition in most of the major markets in which we operate. This presents a risk of losing market share, revenue and profit.</p>	<p>The risk is managed by ensuring that high quality and innovative products are brought to market, maintaining strong relationships with key customers and ensuring the Group is aware of local market conditions, trends and industry-specific issues and initiatives. This enables the Group to identify and address any specific matters within the overall business strategy.</p> <p>We are increasingly working with partners in our key UK and US markets on direct to consumer fulfilment, and ensuring we have the capabilities to meet required service levels.</p>	<p>The Group continues to invest in both its strong brands and new product development to provide a point of difference, whilst working closely with key customers to provide a reliable and timely service.</p> <p><b>Link to strategy</b> 1 3</p>
<b>People</b>		
<p>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.</p>	<p>Management seeks to ensure that employees are appropriately remunerated and good performance is recognised and rewarded. Staff are also provided with relevant training for their roles and career progression to improve motivation.</p> <p>The Group has a clearly defined recruitment policy which ensures that new employees meet the required standard and experience for each position.</p>	<p>The Group remains committed to hiring and retaining key personnel in order for the business to achieve our strategic objectives.</p> <p><b>Link to strategy</b> 1 2 3 4 5</p>
<b>Suppliers</b>		
<p>The Group's purchasing activities could expose it to overreliance in certain key suppliers or markets.</p> <p>The lingering impact of Covid-19 to supply chains has created significant inflationary cost increases and disruption through additional lead times.</p> <p>Suppliers may not reflect the Group's high ethical standards.</p>	<p>The Group both manufactures and sources product from a range of suppliers which reduces the impact of inflation or disruption in one market or supplier.</p> <p>For the manufacturing processes in the UK, the Group ensures that key raw materials are available from more than one source to ensure continuity and competitive pricing.</p> <p>For the sourcing process, suppliers are carefully selected to ensure a sufficient breadth in supply base.</p> <p>The Group also ensures that all intellectual property rights are retained and easily transferable should an alternative supplier be required.</p> <p>All major suppliers are subject to ethics due diligence.</p>	<p>The Group continues to closely monitor global supply chains to ensure our flow of products around the world is not disrupted.</p> <p><b>Link to strategy</b> 2 4 5</p>
<b>Financial risk</b>		
<p>Financial risk is wide-ranging and covers capital management, credit risk, currency risk and liquidity risk.</p> <p>The risks presented in these areas include the failure to achieve business goals, potential financial loss caused by default, reduction in profit due to currency fluctuations, insufficient funds to continue trading and going concern threat.</p> <p>Cyber threats are a key financial risk the Group faces across our global business.</p>	<p>The Group's approach to risk management and mitigating systems are covered in the financial risk management objectives in note 32 on pages 98 to 100.</p> <p>The Group remains profitable and has sufficient headroom within current borrowings facilities.</p> <p>The Board have a detailed and robust budget review process and assess performance, including cash flow and liquidity, as part of regular management information reviews.</p> <p>Regular currency forecasts are reviewed in order to ensure the Group is not detrimentally impacted by any major exchange rate fluctuations.</p> <p>We remain vigilant to cyber risks and have a robust framework in place including external audit to ensure our systems are well protected.</p>	<p>The Group has significant headroom within ongoing borrowing facilities. The Group also has a strong natural currency hedge and continues to monitor currency fluctuations.</p> <p><b>Link to strategy</b> 1 2 3 4 5</p>



# Key Performance Indicators

Revenue (£'000)

## £102,743



Group revenue decreased by 7% in the year but remains 11% ahead of pre-pandemic levels.

### Why we measure it

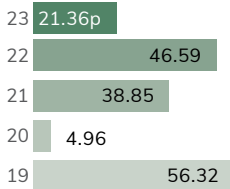
Revenue growth is the key driver of business performance and profit growth.

### Link to strategy

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- 2
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Headline basic EPS (p)

## 21.36p



The Group's headline profit before tax declined in 2023, which resulted in a fall in EPS.

### Why we measure it

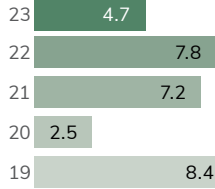
Headline earnings per share is a shorthand measure of profitability, as it divides the post-tax profit in the year by the number of active shares in issue. As a listed business, this allows comparability between the Group and other listed companies.

### Link to strategy

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Headline operating profit margin (%)

## 4.7%



The Group's operating margin decreased to 4.7% due to the reduction in Group revenue.

### Why we measure it

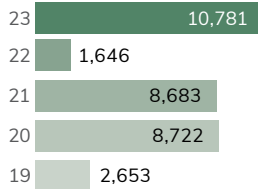
Operating margin compares all operating costs incurred against total revenue, which allows the Group to assess how effective it has been at converting costs into revenue.

### Link to strategy

- 1
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Operating cash generation (£'000)

## £10,781



Operating cash generation was strong during the year, benefitting from a positive working capital movement driven by inventory reduction.

### Why we measure it

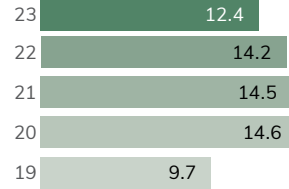
Operating cash generation demonstrates the Group's ability to ensure operating profit is translated into operating cash, and that working capital is appropriately controlled in order to ensure sufficient cash is available to provide a return to shareholders.

### Link to strategy

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

## 12.4%



Own ecommerce sales fell in 2023 as consumers in the UK and US felt inflationary pressures on energy and interest costs, although through operational efficiencies we improved contribution from ecommerce sales.

### Why we measure it

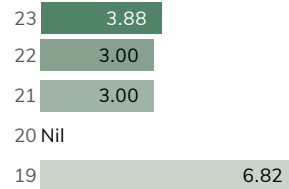
Part of the Group's strategic aim is to grow our own ecommerce platform sales as a percentage of total sales, which translates into both improved gross and operating margins.

### Link to strategy

- 1
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Dividend cover (x)

## 3.88



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

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

### Why we measure it

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

### Link to strategy

- 1
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- 3
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### Link to strategy

- 1 Developing online sales channels
- 2 Leveraging our brands
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# Going Concern and Outlook

## Going Concern

The financial statements have been prepared on a going concern basis. The Group reported a headline profit before taxation of £3.0 million (2022: £8.0 million) and a statutory loss before taxation of £8.5 million after non-underlying items for the financial year to 31 December 2023, although the majority of the non-underlying items was a non-cash impairment charge (2022: profit before taxation of £7.0 million).

The business activities of the Group, its current operations and factors likely to affect its future development, performance and position are set out in the Chief Executive's Statement on pages 8 to 11 and in the Financial Review on pages 32 and 33.

In addition, note 32 on pages 98 to 100 includes an analysis of the Group's financial risk management objectives, details of its financial instruments and hedging activities and its exposures to credit and liquidity risk.

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

At the year end the Group had net debt of £7.9 million (comprising cash and cash equivalents of £0.9 million less borrowings of £8.8 million) with unutilised bank facilities with available funding of £16.7 million. This was a reduction in net debt of £2.2 million since the prior year end. Operating cash generation was positive during the year, with cash flow from operations of £10.8 million (2022: £1.6 million) driven by lower inventory levels.

The Group has the following bank facilities available with Lloyds Bank plc:

1. An uncommitted general export finance facility of £7.5 million on an annual renewal cycle, available until 30 September 2024.
2. An uncommitted overdraft facility of £5.0 million on an annual renewal cycle, available until 30 September 2024.
3. A £10 million revolving credit facility available until 28 February 2025. Subsequent to the year end, this facility was extended to 30 September 2025, with a further 1+1 option at Lloyds discretion to extend to 30 September 2026 and then to 30 September 2027.
4. A £10 million term loan repayable in equal quarterly instalments, followed by a final instalment on 12 January 2025. At the year end £3.0 million was remaining on the loan.

Based upon the revolving credit facility renewal we expect an extension decision in September 2024 which coincides with the general export finance and overdraft facility renewals.

The Group sells into over 80 countries worldwide and has a spread of customers and sales channels within its major UK and US markets with adequate credit insurance cover in export markets where required. The Group manufactures approximately 45% of its products and sources the remainder from a range of third-party suppliers.

There remains ongoing challenges in our sales markets around the world caused by the negative impact of inflationary pressures on consumer spending, but the Group's performance continues to remain resilient and we are well diversified with

significant funding headroom available.

The Group has also produced a sensitivity analysis to its cash flow forecast based upon possible downside scenarios. We have modelled a 10% sales reduction to assess the potential impact of a significant downturn in trading performance similar to the reduction experienced in 2020 during the Covid-19 pandemic. This demonstrated the Group still has sufficient headroom within borrowing facilities and loan covenants in light of the overhead reduction measures already undertaken to reduce overheads by 10% (£4 million) over 2023.

We have also considered a reverse stress-tested scenario to try and assess the amount of sales reduction required before the Group begins to approach maximum facility and covenant headroom. This demonstrated that sales could reduce by approximately 10% before we breached facility limits or any covenants, assuming no further mitigating cost actions were undertaken. A number of additional cost mitigating actions are available to the Group and are closely monitored in the event of a sales downturn, and therefore we consider an event where sales reduce by 10% and no further cost mitigation is undertaken to be implausible. These cost savings include headcount reductions and eliminating non-essential expenditure – assuming these were undertaken promptly then sales could reduce by 18% before we breached facility limits or any covenants. As the sales downturn during the Covid pandemic in 2020 was only 11% and external market data on the homeware sector does not forecast a contraction of this magnitude, we do not consider the likelihood of an 18% sales reduction to be plausible.

## Conclusion – Going concern assumption appropriate with a material uncertainty

After making enquiries and reviewing budgets and forecasts for the Group, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future.

The Directors recognise that the current bank facilities, which include both a committed revolving credit facility of £10 million available until September 2025 and an uncommitted facility element of £12.5 million available until September 2024, are all required under both a base case and downside scenario in order to provide the Group with sufficient liquidity to continue trading. Under an unlikely but plausible scenario by September 2024 Lloyds could decline their option to extend the committed revolving credit facility beyond September 2025 and therefore decide not to renew the uncommitted facilities at the same date. Under this scenario alternative third party funding would need to be secured in order for the Group to meet liabilities as they fall due and therefore continue as a going concern.

The Group has a positive and long-standing relationship with our lenders however, if the Group could not secure alternative funding by this date, then the Directors acknowledge that this represents a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

The Board considers the likelihood of lenders removing facilities at this date and not being

able to secure an alternative source of funding to be low, and therefore the Directors have a reasonable expectation that the Group has adequate resources to meet its liabilities over a period of at least twelve months from the date of signing the financial statements. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

## Current Trading & Outlook

In the short-term, we remain cautious about the ongoing impact of inflation and high interest rates on consumer spending across our key markets.

We are a geographically diversified business with around 30% of our annual sales in the UK, 40% in the US and the remainder across international markets including Asia.

We expect the US and UK to perform well and return to modest levels of sales growth across FY24 with improving gross margins. We anticipate further progress in ROW markets, a key part of our long term strategic growth plan. We also expect significant sales growth in our home fragrance division, Wax Lyrical, as the business continues to recover and rebuild post Covid.

We expect sales in our South Korean market to remain subdued, particularly in the first half as Asian markets continue to suffer from sluggish economic conditions. Consumer sentiment in these markets remains difficult, particularly in premium department stores and whilst our brands maintain their market share and remain highly valued, it will take time for stock levels in the distribution channels to sell through.

As a result we expect H1 sales to be down on the previous year, before returning to growth in H2.

We remain focused on our medium and long term commitment to improve operating margins with a long term ambition of 12.5%. We have taken the opportunity in the last few months to reorganise and restructure our cost base to provide a significantly leaner operating model to allow profits and operating margins to improve more quickly once sales markets around the world stabilize. As a result, we anticipate overhead costs will be around 10% (£4 million) lower in 2024 than the prior year.

We also expect to further reduce inventory and net debt levels following the good progress delivered in 2023 generating positive net cash inflows.

In summary, whilst there are short-term challenges that we continue to navigate, the Board remains confident in the long term prospects for the Group.

**Dick Steele**  
Non-executive Chairman

**Mike Raybould**  
Chief Executive  
25 March 2024



# Board of Directors and Company Secretary



N

### Dick Steele

Non-executive Chairman

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

### Other appointments

None.

### Key skills



R  
A  
N

### Angela Luger

Senior Non-executive Director

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

### Other appointments

Angela is Non-executive Director of JD Sports Fashion Plc, Jet2 plc and Trustee at The Pennies Foundation. Formerly, she held positions as Non-executive Director of ScS Group plc, New Look Retail Holdings Limited, Distribuidora Internacional de Alimentacion, S.A. (DIA Group) and Manchester Airport Group. Her previous executive positions included Chief Executive of N Brown plc, CEO of The Original Factory Shop Limited and senior executive positions at Debenhams PLC, ASDA Group Limited and Mars Corporation.

### Key skills



R  
A  
N

### Andrew Andrea

Non-executive Director

A qualified Chartered Accountant. He has a wealth of experience gained in financial and commercial roles across diverse businesses including hospitality and retailing. Andrew is retiring from the Board at the May 2024 AGM.

### Other appointments

Andrew is Chief Financial Officer and Executive Director of C&C Group plc. Formerly he was the Chief Executive Officer for Marston's PLC, having previously held positions as Chief Financial and Corporate Development Officer.

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

### Key skills



R  
A  
N

### Clare Askem

Non-executive Director

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

### Other appointments

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

### Key skills



R  
A  
N

### Jeremy Wilson

Non-executive Director

A qualified chartered accountant with around 30 years' experience in senior finance roles in a wide range of industries including support services, logistics, software and consumer products. From 2010 to 2021 he was Chief Financial Officer in three international groups of companies, delivering substantial shareholder value in each. Jeremy will take over as Chair of the Audit Committee on Andrew's retirement at the May 2024 AGM.

### Other appointments

Jeremy's previous executive roles have included being the Chief Financial Officer at Focusrite plc, Atex Group Ltd and Regeneris plc. Prior to these businesses, he had senior finance roles at DHL Express (UK) Ltd and Electrocomponents plc.

### Key skills



### Moira MacDonald

Group Company Secretary

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

### Other appointments

None.

### Key skills







N

### Mike Raybould

Chief Executive

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

#### Other appointments

None.

#### Key skills



### David Sproston

Group Finance Director

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

#### Other appointments

None.

#### Key skills



### Mick Knapper

Group Operations Director

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

#### Other appointments

None.

#### Key skills



### Bill Robedee

Global Sales Director and President, North America

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

#### Other appointments

None.

#### Key skills



### Essential skills and experience our Board delivers:



Strategy and leadership



Brand and product development



Operational expertise



E-commerce, sales and marketing



Technology development



Risk management



Financial



Governance and legal



Mergers and acquisitions

#### Committee key

**R** Remuneration Committee

**A** Audit Committee

**N** Nomination Committee

**O** Denotes Committee Chairman



# Corporate Governance Statement

“Maintaining good governance is fundamental, particularly in a challenging macro-economic environment.”



Dick Steele  
Non-executive Chairman

## Summary

- Complied with all principles of the QCA Code throughout 2023.
- No significant challenges or changes to our governance arrangements.
- Good governance remains at the heart of our business and we aim to consistently achieve this across our Global teams.
- On 22 March 2023, Angela Luger took on additional responsibility as our Senior Non-executive Director.
- On 1 June 2023, we appointed a new Non-executive Director, Jeremy Wilson.

## Chairman’s introduction

### Dear shareholder,

On behalf of the Board, I am pleased to present Portmeirion Group PLC’s Corporate Governance Statement for the year ended 31 December 2023. The Board is committed to ensuring high standards of governance for the Company and considers that the Quoted Companies Alliance Corporate Governance Code 2018 (the “QCA Code”) provides the most appropriate framework of governance arrangements for a public company of our size and complexity. We have complied with all principles of the QCA Code throughout the year. Where not already compliant, we are reviewing our procedures to incorporate the principles of the new QCA Code 2023 (effective from 1 April 2024) so that we continue to achieve good practice.

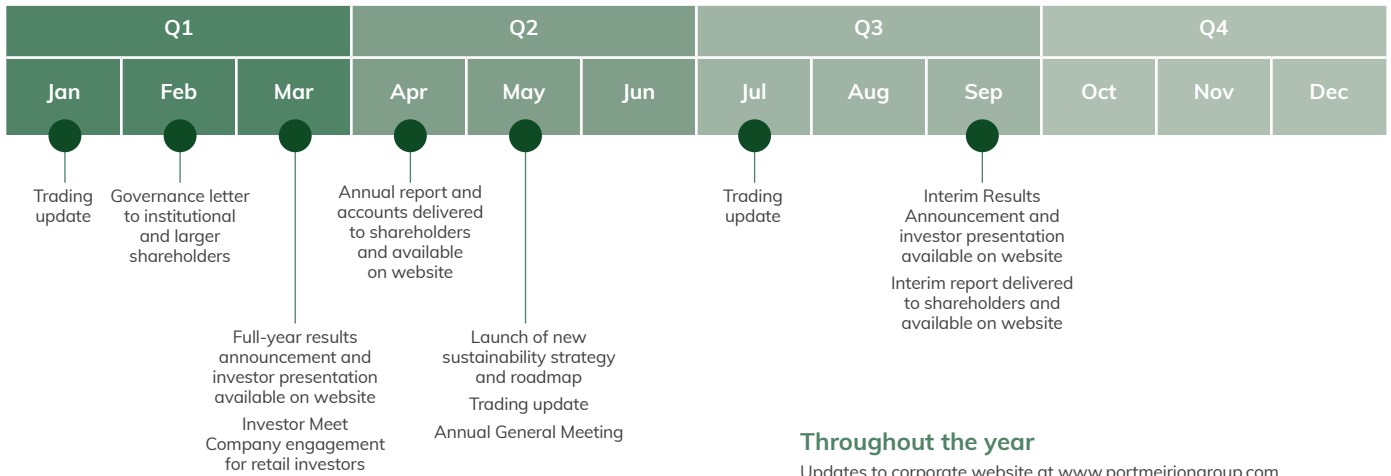
2023 delivered a tough economic environment that leads us into 2024. Despite these challenges, we continue to strive to achieving our strategy, always maintaining good governance. The continued success of the Group depends on constantly improving our brands, products, markets, people and processes over the years, decades and centuries.

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

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



## Shareholder engagement throughout 2023



### Throughout the year

Updates to corporate website at [www.portmeiriongroup.com](http://www.portmeiriongroup.com)

Stock exchange announcements on non-financial developments such as market initiatives

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

As a Board, we are committed to providing the robust leadership and oversight of the business required in setting and monitoring the Company's culture to ensure that behaviours align with our purpose, values and strategy. The Board is very aware that the tone and culture set by the Board will greatly impact all aspects of the Group as a whole and the way that employees behave. We have a number of policies and procedures in place to ensure the culture the Board wants to foster is embedded throughout the business; these include our Anti-bribery and Corruption Policy, Whistleblowing Policy and Modern Slavery Statement (available at [www.portmeiriongroup.com](http://www.portmeiriongroup.com)). Where we acquire a new business or brand, we are clear to communicate our expectations to all who work for or in our business. Further information can be found within the Our Commitment to ESG section on pages 20 to 26.

A healthy corporate culture is promoted within the business in various ways including by linking employees' appraisal objectives and reward and recognition schemes to our vision and values. The Board assesses the culture of the Group through engagement with employees and other stakeholders (further details can be found in

the Section 172 (1) Statement on page 18 and 19), the monitoring of the development of risks to the business and the external awards and accreditations we receive from organisations such as Investors in People; of which both our UK businesses are Platinum accredited.

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

Our governance framework is kept under review and was robustly maintained throughout 2023. We are mindful of and not complacent to the continued challenging market environment.

Maintaining a skilled, well-balanced and experienced Board is of fundamental importance to the long-term success of the business. Jeremy Wilson joined us as a Non-executive Director on 1 June 2023 strengthening the Board with his experience and expertise in performance management, business transformation and international growth. Jeremy will become chair of the Audit Committee on 21 May 2024 as Andrew Andrea retires from the Board on that date at the AGM.

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

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

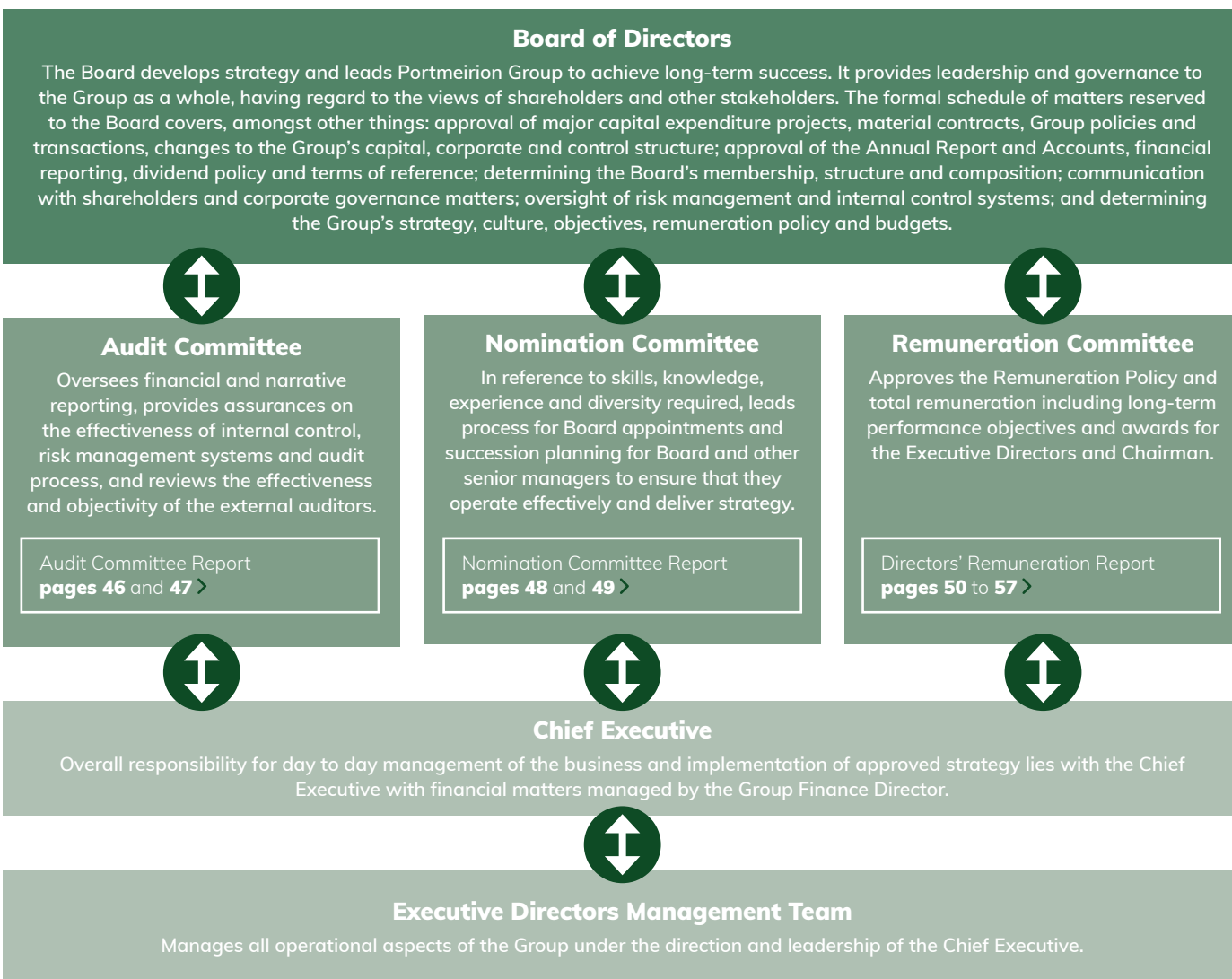
2023 results are not where we would like them to be, however we have achieved sales which are 11% above pre-Covid 19 levels. Whilst, the first half of 2024 is likely to remain challenging due to market conditions, we expect to see growth across the full year and we are confident in our long-term strategic progress and the market share gains we are achieving. Your Board is determined to continue to make progress on Portmeirion Group's strategic objectives.



### Dick Steele

Chairman

25 March 2024

**Corporate Governance Statement** continued**Attendance at meetings**

The following table shows the attendance of the Directors at meetings of the Board during 2023:

<b>Total meetings held</b>	● ● ● ● ● ●
<b>Meetings attended</b>	
R.J. Steele (Non-executive chairman)	● ● ● ● ● ●
M.T. Raybould (Chief Executive)	● ● ● ● ● ●
A.A. Andrea (Non-executive Director)	● ● ● ● ● ●
C.V. Askem (Non-executive Director)	● ● ● ● ● ●
M.J. Knapper (Group Operations Director)	● ● ● ● ● ●
A.L. Luger (Senior Non-executive Director)	● ● ● ● ● ●
W.J. Robedee (Global Sales Director and President, North America)	● ● ● ● ● ●
D. Sproston (Group Finance Director)	● ● ● ● ● ●
J.M.C. Wilson (Non-executive Director) (appointed 1 June 2023)	● ●

● Attended ● Did not attend



## Corporate Governance Statement

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

## Delivering growth in the long term

As explained fully within our Strategic Report on pages 2 to 37 our strategy is focused around five key areas: developing online sales channels, leveraging our brands, building new markets/geography, developing and launching successful new product and operating and procurement efficiency and capabilities. How the Company's corporate governance arrangements support our strategy is detailed within the Our Strategy section on pages 16 and 17. Information on our Business Model can be found on pages 14 and 15.

Our Strategy **pages 16 and 17** >

Business Model **pages 14 and 15** >

## Risk management and internal controls

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

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

Principal Risks and Uncertainties **page 35** >

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

Risk Management **page 34** >

The Board has an established internal control system for identifying internal control risks. As might be expected in a Group of this size, a key control procedure is the day to day supervision of the business by the Executive Directors, supported by the senior managers

with responsibility for key operations. The Executive Directors are involved in the budget setting process, constantly monitor key performance indicators and review management accounts on a monthly basis, noting and investigating major variances. Where a new risk is identified, it will be assessed and then mitigated through the implementation of an appropriate control. The adequacy of the systems for internal control is reviewed at every Board meeting.

Furthermore, the Audit Committee review the adequacy and effectiveness of the Group's internal controls and reports its findings to the Board on an annual basis. During the course of these reviews in 2023, no failings or weaknesses were identified nor have any been advised to the Board which the Board has determined to be significant. The Group's system of internal control is designed to identify fraud or material error and manage, rather than eliminate, the risk of failure to achieve business objectives, and so can only provide reasonable and not absolute assurance against material misstatement or loss.

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

## Building trust through open dialogue

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

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

During 2023, the Group made progress in a number of key areas as set out in Our Strategy section on pages 16 to 17, despite the challenging macro-economic environment. Throughout the year, the Board was committed to ensuring that both shareholders and stakeholders were regularly updated on the Group's progress.

Our Strategy **pages 16 to 17** >

## Shareholder engagement

A programme of two-way communication with both institutional and private investors takes place each year. Further detail is

provided in the Section 172 (1) Statement on pages 18 and 19.

Section 172 (1) Statement **pages 18 and 19** >

The Group provides information about its progress and strategy through its Annual and Interim Reports and Accounts, trading updates, results presentations and investor roadshows. Investor site visits allow shareholders to learn more about the operation of the business.

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

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

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

The Board recognises the AGM as an important opportunity to meet private shareholders and, as such, normally, all Directors are and will be in attendance. The Directors are available to listen to the views of shareholders informally immediately following the AGM. If voting decisions at the AGM are not in line with the Company's expectations the Board will engage with those shareholders to understand and address any issues. The Chairman and the Company Secretary are the main points of contact for such matters. At the AGM held on 23 May 2023, all resolutions were passed with a significant majority.

The Board understands that dividend income is important to our shareholders and is committed to sustainable dividend payments where this is appropriate. The Board is recommending a final dividend for the financial year 2023 as detailed on page 7.

Chairman's Statement **pages 6 and 7** >



# Corporate Governance Statement continued

## Building trust through open dialogue continued

### Stakeholder engagement

Our programme of stakeholder engagement is designed around our assessment of the materiality and impact of our stakeholders on the achievement of the Company's strategy. Our key stakeholders have been identified via an assessment of the Group's business model. Please refer to Section 172 (1) Statement – Engaging with key stakeholders to deliver long-term success on pages 18 and 19, which forms part of this statement.

Section 172 (1) Statement **pages 18 and 19** >

## Maintaining a dynamic management framework

### Board composition and roles

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

Board of Directors **pages 38 and 39** >

Dick Steele, the Non-executive Chairman, is responsible for leadership of the Board and ensuring its effectiveness in all aspects of its role. Angela Luger, the Senior Non-executive Director, supports the Non-executive Chairman in his role; acts as an intermediary for other Non-executive Directors when necessary and leads the Non-executive Directors in the oversight of the Chairman. The Board believes that there is good opportunity for shareholders to raise any concerns they may have with the Non-executive Chairman, the Senior Non-executive Director, the Chief Executive, the Group Finance Director, the other three Non-executive Directors or the Company Secretary.

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

[www.portmeiriongroup.com/our-business/corporate-governance/board-responsibilities](http://www.portmeiriongroup.com/our-business/corporate-governance/board-responsibilities) >

## Board Committees

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

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

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

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

[www.portmeiriongroup.com/our-business/corporate-governance/board-committees](http://www.portmeiriongroup.com/our-business/corporate-governance/board-committees) >

## Independence

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

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

[www.portmeiriongroup.com/investors/aim-rule-26-see-documents-articles-of-association](http://www.portmeiriongroup.com/investors/aim-rule-26-see-documents-articles-of-association) >

For a Board to be successful, it must make decisions which are in the best interests of the Company without reference to the interests of

the Directors. In line with the requirements of the Companies Act 2006, the Directors have put in place a policy and process for notifying and recording the nature and extent of their interests, together with those of connected persons, in organisations and companies outside the Group. Each Director must formally notify the Company if there is potential for these interests to conflict with their duties as a Director of the Company. All such notifications are regularly reviewed by the Board.

## Time commitments and meetings

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

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

## Skills and experience

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

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

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

[www.portmeiriongroup.com/investors/aim-rule-26-see-documents-articles-of-association](http://www.portmeiriongroup.com/investors/aim-rule-26-see-documents-articles-of-association) >

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



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

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

### Board effectiveness

Each year the Board carries out an evaluation of its own performance in the first quarter looking at performance in the prior year. All recommendations arising from the Board's evaluations of its performance in 2022 have been addressed.

Board evaluation process [below](#) >

As part of the evaluation of 2023 performance, each Director reviewed Board performance against set criteria covering areas such as the Board's approach to risk, the effectiveness of each Director and Board communication, as well as reviewing Board performance in respect of key events in 2023.

Specific actions and feedback arising from the evaluation were:

1. in light of recommendations from the Nomination Committee, appoint a new Non-executive Director. This was completed on 1 June 2023;
2. the enhanced regular strategic deep dive sessions were highly rated by the Non-executive Directors and will continue;
3. regular reporting on macro consumer sentiment and spending in the Group's major markets to the wider Board.

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

Each year, the Board also considers the need for an external evaluation of its performance. No external evaluation was conducted in 2023 and none is planned for 2024.

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

Audit Committee Report [pages 46 and 47](#) >

Nomination Committee Report [pages 48 and 49](#) >

Directors' Remuneration Report [pages 50 to 57](#) >

[www.portmeiriongroup.com/our-business/corporate-governance/board-committees](http://www.portmeiriongroup.com/our-business/corporate-governance/board-committees) >

### Induction, training and development

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

All new Directors undertake a comprehensive induction process following their appointment to the Board. The induction would usually consist of main factory and

distribution centre tours, full briefings on the operation and history of the business, the role of the Director and the operation of the Board together with meetings with the senior management team and Executive Directors.

Existing Directors are provided with ongoing training, as necessary, by the Company to ensure they have the requisite skills to discharge their duties. During 2023, the Board received AIM compliance training from its new Nominated Advisor and Broker (appointed February 2023) and training specific to roles within the Group including anti-bribery, data protection and diversity and inclusion. Tailored Director briefing notes are provided throughout the year. All Directors are encouraged to attend relevant external training, seminars and conferences to facilitate their continuing professional development. Where specific training needs are identified, including as a result of the Board evaluation process and individual Director appraisals, the Company will organise the relevant training. The Company Secretary supports the Chairman in addressing the training and development needs of Directors.

### Approval

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

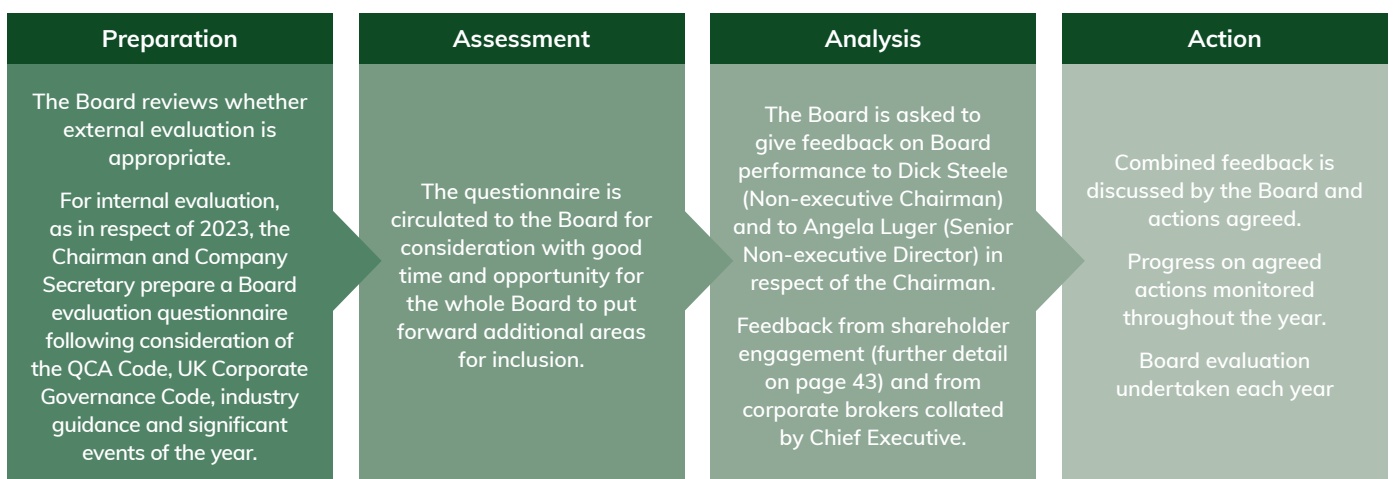


**Dick Steele**

Chairman

25 March 2024

## Board evaluation process





# Audit Committee Report

“The Committee continued to assist the Board in fulfilling its commitment to shareholders and other stakeholders by monitoring all aspects of reporting and risk.”



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

## Key responsibilities

The key responsibilities of the Audit Committee are:

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

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

## Dear shareholder,

On behalf of the Board, I am pleased to present the Audit Committee Report for the year ended 31 December 2023.

### Meetings and membership

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

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

As I retire at the AGM in 2024, I am pleased to hand over the Chair of the Committee to Jeremy Wilson with effect from 21 May 2024. Jeremy has been a member of the Committee since June 2023 and is a qualified chartered accountant.

### Experience of the Audit Committee

Biographies of each member of the Committee, including their skills and experience, can be found on pages 38 and 39. I have recent and relevant financial experience and am a qualified Chartered

Accountant. We ensure Committee members have the skills and knowledge relevant to the remit of the Committee, as well as the personal attributes to enable us to work with management and auditors and challenge matters if needed.

### Role and responsibilities

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

### Accounting policies and financial reporting

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





### Auditors

Annually, the Audit Committee reviews the relationship the Company has with the external auditors including the scope of the audit work, the audit process, fees and audit independence. The last review, in November 2023, concluded that the Committee was satisfied with the effectiveness of the external audit. Mazars LLP have acted as the Company's auditors since 2009. The external auditors are required to rotate the audit partner responsible for the Company and subsidiary audits every five years. Mazars LLP are recommended for reappointment as auditors at the Annual General Meeting on 21 May 2024.

### Non-audit services

The Audit Committee is responsible for keeping under review the nature and extent of non-audit services provided by the external auditors in order to ensure that objectivity and independence are maintained. For non-audit work, the Committee has agreed a policy whereby the Group will not use the external auditors unless they have the necessary skills and experience to make them the most suitable supplier. There are appropriate safeguards in place to eliminate or reduce to an acceptable level any threat to the objectivity and independence of the external auditors in the provision of non-audit services. Fees paid to the auditors for non-audit services are disclosed in note 8 on page 83.

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

### Internal audit

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

### Internal control

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

### Whistle-blowing

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

### Key issues considered in 2023

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

- going concern including cash flow forecasts and banking facilities;
- internal controls;
- assumptions related to the defined benefit pension scheme;
- impairment of goodwill and intangible assets, particularly in relation to the home fragrance division;
- revenue and income recognition;
- stock valuation, inventory levels and provisions;
- the presentation of exceptional items to ensure consistency with Group's accounting policy;
- the data migration to the new accounting system in the US division;
- recoverability of accounts receivable; and
- climate change and related disclosures.

### Andrew Andrea

Chair of the Audit Committee  
Non-executive Director

25 March 2024

### Attendance at Audit Committee meetings during 2023:

Total meetings held	● ● ●
A.A Andrea (Chair of the Audit Committee)	● ● ●
C.V. Askem	● ● ●
A.L. Luger	● ● ●
J.M.C. Wilson (joined Committee on 1 June 2023)	● ●

● Attended ● Did not attend



# Nomination Committee Report

“Maintaining the right balance of skills and experience.”

Angela Luger

Chair of the Nomination Committee & Senior Non-executive Director



## Key responsibilities

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

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

## Dear shareholder,

I am pleased to present our report for the year ended 31 December 2023 which summarises our membership and activities during the year.

### Membership and meetings

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

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

### Roles and responsibilities

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

## Board composition and skills

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

## Diversity and inclusion

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

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



### Director training and development

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

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

### Process for new Board appointments

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

### Board changes during the year

On 1 June 2023, Jeremy Wilson was appointed as a Non-executive Director bringing his expertise in performance management, business transformation and international growth to the Board.

### Focus during 2023

Succession planning continued to be an area of focus for the Committee during the year.

Details on our Board evaluation process can be found within the Corporate Governance Statement on pages 40 to 45. This informs our succession planning arrangements.

### Looking ahead

The Committee is satisfied that an appropriate succession plan is in place for the Board and key members of the Executive Committee, including emergency replacements over the short term. Over the longer term, the Committee will continue further work to ensure appropriate appointments are made when current tenures are approaching and as the organisation grows and evolves. These will be considered on a case-by-case basis, including internal candidates where available.

In 2024, the Committee will undertake a succession planning pipeline review to evaluate the gaps and opportunities in our pool of internal candidates for succession, in time, to the Board.

### Angela Luger

Chair of the Nomination Committee and Senior Non-executive Director

25 March 2024

### Attendance at Nomination Committee meetings during 2023:

<b>Total meetings held</b>	● ●
A.L. Luger (Chair of the Nomination Committee)	● ●
A.A. Andrea	● ●
C.V. Askem	● ●
R.J. Steele	● ●
M.T. Raybould	● ●
J.M.C. Wilson (joined Committee on 1 June 2023)	

● Attended ● Did not attend



# Directors' Remuneration Report

“The Remuneration Committee sets the overall policy on remuneration within the wider business and stakeholder context.”

Clare Askem

Chair of the Remuneration Committee & Non-executive Director



### Key responsibilities

The key responsibilities of the Remuneration Committee are:

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

This report is on the activities of the Remuneration Committee for the year ended 31 December 2023 and sets out the Remuneration Policy and remuneration details for the Executive and Non-executive Directors of the Company. As a company listed on AIM, the Company is not required to comply with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in August 2013 (the "Regulations"), nor is it required to comply with the principles relating to directors' remuneration in the UK Corporate Governance Code 2018. The Committee has considered the principles set out in the Quoted Companies Alliance Corporate Governance Code 2018 (the "QCA Code") and evolving best practice in preparing this report. This report has not been audited. This report, excluding the Remuneration Policy section, will be subject to an advisory shareholder vote at the Annual General Meeting ("AGM") on 21 May 2024 at which approval of the financial statements will be sought.

### Dear shareholder,

I am pleased to present the Directors' Remuneration Report for the year ended 31 December 2023. This report is split into four sections: my overview; details of the Remuneration Committee; the Remuneration Policy; and the annual report on the application of Remuneration Policy for the year ended 31 December 2023.

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

The Remuneration Committee has taken into consideration the overall performance of the Group when determining remuneration matters for 2023 and 2024. The Group's financial performance in 2023 is reported in the Strategic Report on pages 2 to 37. Performance of our Executive Directors is assessed against a range of financial and operational measures ensuring value is delivered to shareholders.

In considering outcomes, the Remuneration Committee sought to maintain a fair balance between stakeholders, shareholders, employees and Executive Directors.

The Group actively supports employees including through Company funded health and wellbeing programmes such as that offered by Westfield Health to all UK employees that are not in a Group funded private medical scheme.

The Committee monitors employee engagement and was pleased to see that in the October 2023 survey, 69% of global employee respondents agreed that Portmeirion Group is an excellent place to work.

### Incentive payments

As a Committee, for 2023, we set challenging annual incentive targets to provide the opportunity for the Executive Directors to earn up to 100% of base salary as a bonus with 70% based on a demanding profit before tax

### Attendance at Remuneration Committee meetings during 2023:

Total meetings held	● ● ●
C.V. Askem (Chair of the Remuneration Committee)	● ● ●
A.A Andrea	● ● ●
A.L. Luger	● ● ●
J.M.C. Wilson (joined committee on 1 June 2023)	●

● Attended ● Did not attend



and exceptional items target and 30% based on personal objectives directly related to delivering strategic objectives. As reflected in both the Chairman's Statement on pages 6 and 7 and the Chief Executive's Statement on pages 8 to 11, 2023 was a challenging year for the business. The Group's results for 2023 did not reach the required minimum profit threshold and consequently there will be no annual incentive paid to Executive Directors for the year ended 31 December 2023.

### Salary and fee increases

Any increases for 2023 are set out in the Emoluments table and notes to the table on page 55 and explained on page 54. The Committee has agreed that there will be no Executive Director salary increases for 2024. Equally there will be no increases to Non-executive Director fees for 2024.

### Structural changes

There have been no structural changes to the Remuneration Policy during 2023.

### Shareholder engagement

We encourage shareholder feedback proactively, including by the Chairman of the Company writing annually to significant shareholders offering a meeting with either himself or any of the Chairs of our Committees to discuss any corporate governance matters. No concerns were raised on governance or remuneration matters during this process in 2023, or to date.

### Advisory vote

At the AGM to be held on 21 May 2024, this report, excluding the remuneration policy section, will again be subject to an "advisory" shareholder vote (resolution 13).

Each year, we review how shareholders voted on the Directors' Remuneration Report, together with any feedback received. We were pleased to receive strong support for our Directors' Remuneration Report at the 2023 AGM, where 99.98% of the proxy votes lodged were in favour.

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

### Clare Askem

Chair of the Remuneration Committee

25 March 2024

## Remuneration Committee

The members of the Remuneration Committee are set out on page 38. All are independent Non-executive Directors. Jeremy Wilson joined the Committee in June 2023. The terms of reference of the Remuneration Committee are reviewed annually and available at [www.portmeiriongroup.com](http://www.portmeiriongroup.com).

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

The Committee meets at least twice a year. During 2023, the Committee held three scheduled meetings. In addition, the Committee held meetings to deal with share option awards and other related matters.

Pinsent Masons LLP provided advice on the administration of the Company's share schemes in 2023. In determining the Directors' remuneration for the year, the Committee consulted the Chief Executive about its proposals. The Remuneration Committee believes that the presence of the Chief Executive is important when determining the remuneration of the other Executive Directors. The Chief Executive does not participate in discussions relating to his personal remuneration.

## Remuneration Policy

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

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

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

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

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

but is also a factor kept under review by the Committee in determining remuneration policy.

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

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

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

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



## Directors' Remuneration Report continued

### Remuneration Policy continued

#### Key aspects of the Remuneration Policy for Executive Directors

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

Purpose and link to strategy	Operation	Maximum opportunity	Performance conditions
<b>Base salary</b>			
To provide competitive fixed remuneration that will attract and retain key employees and reflect their experience and position in the Group.	Reviewed annually taking into account industry-standard executive remuneration and pay levels in the wider workforce.	Salaries for the year ended 31 December 2023 are set out on page 55. Changes in the scope or responsibilities of a Director's role may require an adjustment to salary levels above the normal level of increase.	None.
<b>Benefits</b>			
To provide market levels of benefits on a cost-effective basis.	Private health cover for the executive and their family, life insurance cover of four times salary, critical illness cover and a company car (or cash alternative). Other benefits may be offered from time to time broadly in line with market practice.	Private healthcare benefits are provided through third-party providers and therefore the cost to the Company and the value to the Director may vary from year to year.  It is intended the maximum value of benefits offered will remain broadly in line with market practice.	None.
<b>Pension</b>			
Providing post-retirement benefits consistent with those offered to wider employee base.	The Group operates defined contribution pension schemes.	Dependent on the value of the fund at retirement.	None.
<b>Annual incentive</b>			
Recognises achievement of annual objectives which support the short to medium-term strategy of the Group.	The performance targets are set by the Remuneration Committee at the start of the year with input, as appropriate, from the Chief Executive.  Achievement is reviewed by the Committee to deliver an outcome consistent with the Group's performance.	Maximum incentive potential is 100% of basic annual salary.	Based on achievement of demanding financial targets and personal objectives based on specific strategic objectives. The split of targets between financial and personal is set at the start of each year.
<b>Deferred incentive plan</b>			
The Portmeirion Group 2018 Deferred Incentive Plan ("2018 Deferred Incentive Plan") is used to incentivise and retain Executive Directors whilst aligning their interests with those of shareholders through delivery and retention of shares.	Discretionary award over shares with a market value corresponding to a percentage of the gross annual incentive payment earned by the Executive Director in respect of the previous financial year. Awards may not be exercised before the third anniversary of the date of grant.	Maximum award is 50% of the prior year's gross annual incentive payment.  The plan allows the Remuneration Committee to reduce the value of an Option granted to an employee (malus), or to require an employee to make a repayment in respect of an Option that he/she has already exercised (clawback) as described further on page 54.	Options under the plan can only be granted to the extent performance targets relating to the annual incentive arrangements are met.



## Remuneration Policy continued

### Key aspects of the Remuneration Policy for Executive Directors continued

Purpose and link to strategy	Operation	Maximum opportunity	Performance conditions
<b>Executive share option plans</b>			
<p>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.</p> <p>The Company has four Executive Share Option Plans:</p> <p>The Portmeirion 2012 Approved Share Option Plan (the "2012 Approved Plan") and The Portmeirion 2012 Unapproved Share Option Plan (the "2012 Unapproved Plan") (together the "2012 Plans") which reached the end of their 10-year lives in 2022 and no further options can be granted thereunder; and</p> <p>The Portmeirion Group 2022 Approved Share Option Plan (the "2022 Approved Plan"), and The Portmeirion Group 2022 Unapproved Share Option Plan (the "2022 Unapproved Plan") (together the "2022 Plans") which were approved by shareholders at the Annual General Meeting in May 2022.</p>	<p>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.</p> <p>2022 Plans include:</p> <ul style="list-style-type: none"> <li>malus and clawback provisions which apply for a period of two years after vesting of any option which apply in specified circumstances such as corporate failure or behaviour which causes injury to the Company's reputation; and</li> <li>provisions whereby Executive Directors will be required to retain the net-of-tax number of shares which vest in connection with any options granted under the new share plans for a period of two years after such vesting.</li> </ul>	<p>The 2012 Approved Plan and The 2022 Approved Plan have a combined limit of £60,000 for any "approved" options in accordance with HMRC limits. Options granted above the £60,000 limit are granted under the 2022 Unapproved Plan, or prior to 2023 under the 2012 Unapproved Plan.</p> <p>The annual limit in the 2022 Plans is 150% of the individual's base salary (although the Remuneration Committee may grant options in excess of this limit in exceptional circumstances). In practice, this limit has also been adhered to in the 2012 Plans.</p> <p>The Remuneration Committee is permitted to reduce the extent to which any options under the 2022 Plans may vest on a discretionary basis, if it considers it appropriate to do so taking into account overall performance of the Group or the individual option holder or on account of unforeseen circumstances.</p>	<p>Set at the time of grant; for recent grants being growth in EPS targets as detailed on pages 54 and 56.</p>

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

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

Purpose and link to strategy	Operation	Maximum opportunity	Performance conditions
<b>Base fee</b>			
<p>To provide competitive fixed fees in order to procure and retain the appropriate skills required and expected time commitment.</p>	<p>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.</p>	<p>Fees for the year ended 31 December 2023 are set out on page 55.</p> <p>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.</p>	<p>None.</p>

### Current service contracts and terms of engagement

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

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

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

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

All continuing Directors stand for re-election on an annual basis in line with best practice. All Directors therefore retire at the Annual General Meeting to be held on 21 May 2024 and all apart from Andrew Andrea are offering themselves for re-election. In addition, Jeremy Wilson is offering himself for election, having joined the Board since the last Annual General Meeting.



## Directors' Remuneration Report continued

### Consideration of shareholders' views

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

Further details on shareholder engagement are detailed in the Section 172 (1) Statement on page 18.

### Application of the Remuneration Policy for the year ended 31 December 2023

#### Basic salary and benefits

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

With effect from 1 January 2023:

- Mick Knapper, Mike Raybould and the Non-executive Directors (including the Chairman) received a 3.5% increase in fees, in line with the average paid to UK office staff within the Group at the time;
- David Sproston received a 16% increase as part of the phased program of development of salary to reflect, over time, increased responsibilities and market rate following appointment to the Board; and
- Bill Robedee received a 15% increase due to increased responsibilities in his enlarged role as Global Sales Director. Whilst Bill took on the increased role during 2022, his salary was only increased with effect from 1 January 2023; this deferment was explained in the last report.

Given the results of the Group for 2023, there are to be no salary or fee increases in 2024.

As set out in last year's report, the Committee have in place an intended glide path set out for David Sproston, having reviewed the salaries of group finance director roles within businesses of similar size and complexity to the Group and are cognisant of reflecting the right rate for the position as role responsibilities develop and increase. Any review in this respect has been deferred until the 2025 year.

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

#### Annual incentive payments

Each Executive Directors' remuneration package includes an annual incentive payment

opportunity. For 2023, the Executive Directors had the opportunity to earn up to 100% of base salary as an incentive payment with 70% based on a demanding profit before tax and exceptional items target and 30% based on personal objectives directly related to strategic goals. Despite the achievement of particular personal objectives, as a result of the Group's profit performance there will be no annual incentive paid to Executive Directors for the year ended 31 December 2023 (2022: 10% of annual salary).

#### Deferred incentive plan

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

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

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

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

Under the 2018 Deferred Incentive Plan, the Remuneration Committee has the ability to reduce the value of an option granted to an employee (malus), or to require an employee to make a repayment in respect of an option that he/she has already exercised (clawback),

where certain events have occurred in relation to the business or to the conduct of the particular employee. The time limit for the application of this provision will generally be five years from the date that the option was granted (which is a further two years after an option becomes exercisable).

There were no options exercised under the 2018 Deferred Incentive Plan during 2023.

#### Executive share option plans

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

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

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

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

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

#### Pensions

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





## Application of the Remuneration Policy for the year ended 31 December 2023 continued

### Pensions continued

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

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

Bill Robedee, based in the US, received an employers' pension contribution of 3% of base salary in 2023 into a defined contribution scheme on the same terms and rates as available to the wider US workforce. Bill Robedee was remunerated in US dollars and his remuneration disclosures are translated into sterling as set out in the emoluments table below.

### Directors' shareholdings

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

### Aggregate Directors' remuneration

The total amounts for Directors' remuneration were as follows:

	2023 £'000	2022 £'000
Emoluments	1,434	1,818
Deferred incentive plan	—	48
Gains made on exercise of share options	—	—
Money purchase pension contributions	102	117
	<b>1,536</b>	<b>1,983</b>

### Directors' emoluments

	Salary and fees £'000	Taxable benefits £'000	Incentive £'000	Deferred incentive plan £'000	Gains made on exercise of share options £'000	Pension contributions £'000	Total 2023 £'000	Total 2022 £'000
<b>Executive</b>								
J. M. Gale (resigned 7 July 2022)	—	—	—	—	—	—	—	411
M.J. Knapper <sup>(1,2,3)</sup>	206	8	—	—	—	27	241	276
M.T. Raybould <sup>(1,2,3)</sup>	404	14	—	—	—	44	462	517
W.J. Robedee <sup>(1,2,3,4)</sup>	327	29	—	—	—	11	367	353
D. Sproston <sup>(1,2,3)</sup>	180	2	—	—	—	20	202	191
<b>Non-executive</b>								
A.A. Andrea <sup>(1)</sup>	39	—	—	—	—	—	39	38
C.V. Askem <sup>(1,2)</sup>	39	1	—	—	—	—	40	40
A.L. Luger <sup>(1)</sup>	39	—	—	—	—	—	39	38
R.J. Steele <sup>(1)</sup>	123	—	—	—	—	—	123	119
J.M.C. Wilson (appointed 1 June 2023)	23	—	—	—	—	—	23	—
	<b>1,380</b>	<b>54</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>102</b>	<b>1,536</b>	<b>1,983</b>

#### Notes:

- Increases with effect 1 January 2023: M. J. Knapper and M.T. Raybould received a 3.5% salary increase in line with the average paid to UK office staff within the Group. D. Sproston received a 16% salary increase as part of the phased program of development following appointment to the Board. W.J. Robedee received a 15% salary increase as a result of enhanced responsibilities in his enlarged role as Global Sales Director. Non-executive Directors received a 3.5% increase in fees in line with the average paid to UK office staff. See page 54 for additional detail.
- The taxable benefits shown above for M.J. Knapper, M.T. Raybould and D. Sproston arise from the provision of a company car (or cash alternative), travel and accommodation allowance, critical illness cover and private medical insurance. The taxable benefits for W.J. Robedee, who is a resident in the US, arose from the provision of a company car and life assurance. A further £22,000 (2022: £23,000) in non-taxable benefits arose from the provision of, medical and dental insurance for W.J. Robedee. Non-executive taxable benefits relate to travel expenses.
- The pension figures shown above represent the cash value of employer pension contributions received. This includes salary supplement in lieu of a Company pension contribution.
- W.J. Robedee was remunerated in US dollars and his remuneration is translated into sterling at the average exchange rate for the year. In 2023, this was \$1.2436/£1 (2022:\$1.2365/£1).



## Directors' Remuneration Report continued

### Application of the Remuneration Policy for the year ended 31 December 2023 continued

#### Non-executive Directors

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

#### Directors' share options and deferred incentives

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

#### Executive share option plans

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

Performance conditions for options granted in 2021 have not been met and therefore these options will lapse.

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

Options granted in May 2023 are normally only exercisable if the increase in the average of the Group's basic adjusted (for changes in accounting standards and exceptional items) earnings per share for each of the three years ending 31 December 2023, 31 December 2024 and 31 December 2025 is at least 10% higher than that for the year ended 31 December 2022. The calculation of basic adjusted EPS shall take account of the number of shares and effective tax rates at the date of grant.

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

Director	At 01.01.2023	Number of options				At 31.12.2023	Exercise price (p)	Dates on which exercisable	
		Granted	Exercised	Lapsed	Surrendered			Earliest	Latest
M.J. Knapper	21,000	—	—	21,000	—	—	446.00	05.05.2023	03.05.2030
M.J. Knapper	30,000	—	—	—	—	<b>30,000</b>	632.50	26.03.2024	24.03.2031
M.J. Knapper	25,000	—	—	—	—	<b>25,000</b>	570.00	26.04.2025	24.04.2032
M.J. Knapper	—	35,000	—	—	—	<b>35,000</b>	469.00	03.05.2026	01.05.2033
M.T. Raybould	40,000	—	—	40,000	—	—	446.00	05.05.2023	03.05.2030
M.T. Raybould	50,000	—	—	—	—	<b>50,000</b>	632.50	26.03.2024	24.03.2031
M.T. Raybould	40,000	—	—	—	—	<b>40,000</b>	570.00	26.04.2025	24.04.2032
M.T. Raybould	—	50,000	—	—	—	<b>50,000</b>	469.00	03.05.2026	01.05.2033
W.J. Robedee	15,000	—	—	15,000	—	—	446.00	05.05.2023	03.05.2030
W.J. Robedee	30,000	—	—	—	—	<b>30,000</b>	632.50	26.03.2024	24.03.2031
W.J. Robedee	25,000	—	—	—	—	<b>25,000</b>	570.00	26.04.2025	24.04.2032
W.J. Robedee	—	35,000	—	—	—	<b>35,000</b>	469.00	03.05.2026	01.05.2033
D. Sproston	29,000	—	—	29,000	—	—	446.00	05.05.2023	03.05.2030
D. Sproston	30,000	—	—	—	—	<b>30,000</b>	632.50	26.03.2024	24.03.2031
D. Sproston	25,000	—	—	—	—	<b>25,000</b>	570.00	26.04.2025	24.04.2032
D. Sproston	—	35,000	—	—	—	<b>35,000</b>	469.00	03.05.2026	01.05.2033

Notes:

- (1) The performance criteria attaching to share options are detailed above.
- (2) The Company's share price reached a high of 512.50p and a low of 234.00p during 2023. The average share price during 2023 was 343.03p. The share price on 29 December 2023, being the last trading day of the year, was 290.00p
- (3) There have been no changes to the Directors' interests in the shares or options over shares of the Company between 31 December 2023 and 25 March 2024.

**Application of the Remuneration Policy for the year ended 31 December 2023** continued**2018 Deferred Incentive Plan**

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

Director	At	Number of options			At	Dates on which exercisable	
	01.01.2023	Granted	Exercised	Lapsed	31.12.2023	Earliest	Latest
M.J. Knapper	5,506	—	—	—	<b>5,506</b>	26.04.2025	24.07.2025
M.J. Knapper	—	2,686	—	—	<b>2,686</b>	03.05.2026	01.08.2026
M.T. Raybould	10,813	—	—	—	<b>10,813</b>	26.04.2025	24.07.2025
M.T. Raybould	—	5,275	—	—	<b>5,275</b>	03.05.2026	01.08.2026
W.J. Robedee	7,051	—	—	—	<b>7,051</b>	26.04.2025	24.07.2025
W.J. Robedee	—	3,864	—	—	<b>3,864</b>	03.05.2026	01.08.2026
D. Sproston	4,279	—	—	—	<b>4,279</b>	26.04.2025	24.07.2025
D. Sproston	—	2,087	—	—	<b>2,087</b>	03.05.2026	01.08.2026

Notes:

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

There were no options exercised under the 2018 Deferred Incentive Plan by Directors during the year.

**Consultations with shareholders and statement of voting at general meeting**

At the Annual General Meeting of the Company held on 23 May 2023, a resolution to approve the Directors' Remuneration Report (excluding the Directors' Remuneration Policy contained within that Report) for the year ended 31 December 2022 was put to a shareholders advisory vote and passed with 6,143,514 proxy votes lodged, of which 99.98% were in favour.

In February 2024, the Chairman of the Company wrote to major shareholders in the Company offering a meeting to discuss corporate governance matters and a meeting with the Chairs of all Committees, including this one on remuneration. The Chairman of the Company is in contact with all institutional and other significant shareholders.

**Approval**

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

**Clare Askem**

Chair of the Remuneration Committee and Non-executive Director

25 March 2024



# 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 2023. The Corporate Governance Statement set out on pages 40 to 45, The Companies (Strategic Report) Climate-related Financial Disclosure Regulations 2022 Report presented on page 27 to 30 and the Streamlined Energy & Carbon Reporting (SECR) within the Our Commitment to ESG section on page 22 forms part of this report.

## General information and principal activities

The Company is a public limited company, registered in England and Wales and is listed on AIM of the London Stock Exchange. The Company has been permanently domiciled in the UK since incorporation and is the ultimate parent company of the Portmeirion Group. The Company's subsidiaries, subsidiary branch offices and nature of their business are set out in note 18 on pages 88 and 89.

The likely future developments in the business of the Company are set out in the Chief Executive's Statement on pages 8 to 11 and Our Strategy section on pages 16 and 17.

## Dividends

On 15 December 2023 an interim dividend of 3.50p per share (2022: 3.50p per share) was paid on the ordinary share capital. Subject to shareholder approval at the AGM on 21 May 2024, the Board is recommending payment of a final dividend for 2023 of 2.00p per share (2022: 12.00p), giving total dividends paid and proposed for the year of 5.50p per share (2022: 15.50p per share).

## Directors and their interests

The Directors of the Company are listed on pages 38 and 39 together with biographical and Committee membership details. Jeremy Wilson was appointed to the Board on 1 June 2023. All other Directors served throughout the year ended 31 December 2023. Further details on the composition of the Board, the appointment of Directors and their powers are given in the Corporate Governance Statement on pages 40 to 45.

All continuing Directors stand for re-election on an annual basis in line with best practice. Andrew Andrea, Clare Askem, Mick Knapper, Angela Luger, Mike Raybould, Bill Robedee, David Sproston and Dick Steele will therefore retire at the Annual General Meeting to be held on 21 May 2024 and all apart from Andrew Andrea are offering themselves for re-election. In addition, Jeremy Wilson is offering himself for election, having joined the Board since the last Annual General Meeting. The Board has formally reviewed the performance of each continuing Director and concluded that they remain effective and are committed to their roles.

Directors' share interests include the interests of their spouses, civil partners and infant children or stepchildren as required by section 822 of the Companies Act 2006. There were no changes in the beneficial interests of the Directors in the Company's shares between 31 December 2023 and 25 March 2024.

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

Details of transactions with Directors and other related parties are to be found in note 30 on page 94.

## Directors' indemnities

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

## Financial risk management

Information about the use of financial instruments by the Company and its subsidiaries is given in note 32 on pages 98 to 100. This note also includes information on financial risk management objectives and policies, including the policy for hedging and an assessment of the Group's exposure to financial risk.

## Capital structure

Details of the share capital in issue, together with details of the movements in the Company's issued share capital during the year, are shown in note 26 on pages 92 and 93. The Company has one class of ordinary shares which carry no right to fixed income. Each share carries the right to one vote at general meetings of the Company.

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

Details of employee share schemes are set out in notes 26 and 33 on pages 92 and 93 and pages 100 and 101. Shares held by the Portmeirion Employees' Share Trust abstain from voting.

The Directors who held office at 31 December 2023 had the following beneficial interests in the share capital of the Company:

	At 31 December 2023 5p ordinary shares Beneficial	At 31 December 2022 5p ordinary shares Beneficial
A.A. Andrea	1,000	1,000
C.V. Askem	—	—
M.J. Knapper	8,191	8,191
A.L. Luger	3,947	3,947
M.T. Raybould	11,886	11,886
W.J. Robedee	—	—
D. Sproston	3,815	3,815
R.J. Steele	30,000	30,000
J. M. C. Wilson	—	—



## Capital structure continued

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

The Company was authorised at the Annual General Meeting held on 23 May 2023 to allot new shares or to grant rights to subscribe for, or to convert any security into, shares in the Company up to an aggregate nominal value of £466,460. Such authority shall expire at the earlier of the next Annual General Meeting of the Company or 30 June 2024.

## Substantial shareholdings

On 31 December 2023 the Company had been notified, in accordance with chapter 5 of the Disclosure Guidance and Transparency Rules, of the following beneficial interests in 3% or more of its issued share capital excluding treasury shares:

	Percentage of voting rights and issued share capital <sup>(1)</sup>	Number of ordinary shares
Trustees of Caroline Fulbright Settlement <sup>(3)</sup>	<b>12.81%</b>	1,792,272
AB Traction <sup>(3)</sup>	<b>11.33%</b>	1,585,158
Charles Stanley Group PLC <sup>(3)</sup>	<b>10.89%</b>	1,523,968
Henry Spain Investment Limited <sup>(3)</sup>	<b>6.39%</b>	893,603
Shahrzad Farhadi	<b>4.52%</b>	632,333
Kamrouz Farhadi	<b>4.02%</b>	562,917

Notes:

- (1) The percentages are of the total shares in issue, excluding treasury shares (13,993,805).
- (2) All holdings are direct holdings unless otherwise indicated.
- (3) Shareholding held indirectly through a nominee.

Other than as disclosed above, during the period between 31 December 2023 and 25 March 2024, the Company did not receive any notifications under chapter 5 of the Disclosure Guidance and Transparency Rules.

## Acquisition of the Company's own shares

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

The Portmeirion Employees' Share Trust (the "Trust") facilitates the acquisition and holding of shares in the Company by and for the benefit of the employees of the Group. The shares are held in the Trust to provide for awards under employee share option schemes. During 2023, the Trust did not purchase any shares and no shares were transferred from the Trust. The Trust holds a total of 234,523 shares representing approximately 1.68% of the issued share capital of the Company excluding treasury shares as at 25 March 2024.

## Annual General Meeting

The Annual General Meeting will be held at the registered office of the Company at London Road, Stoke-on-Trent, on 21 May 2024 at 12:00 noon (the "2024 AGM").

All ordinary and special resolutions to be proposed at that meeting are detailed in the Notice of Annual General Meeting which is contained in a separate circular to shareholders and on the Company's website at [www.portmeiriongroup.com/investors/shareholder-information/notice-agms](http://www.portmeiriongroup.com/investors/shareholder-information/notice-agms).

## Employees

Details of how the Directors have engaged with employees are set out in the Section 172 (1) Statement on pages 18 and 19. The Group's UK operating subsidiaries are both Investors in People at Platinum level. Details of staff numbers and costs are set out in note 7 on page 83.

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

retrain any member of staff who develops a disability during employment with the Group.

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

The Group strives to ensure that it meets employees' expectations of a safe place to work, security of employment, fair treatment and access to training. Details of how the Board has had regard to the interests of the Group's employees can be found in the Our Commitment to ESG statement on pages 20 to 26 and in the Section 172 (1) Statement on pages 18 and 19.

## Ethical business practices

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

Details of how the Board has engaged with the Group's key stakeholders, and the resulting outcomes of this engagement, can be found in the Section 172 (1) Statement on pages 18 and 19, together with details of how the Board has had regard to the interests of the Group's stakeholders.



## Report of the Directors continued

### Ethical business practices continued

Respect for human rights is fundamental to the Group and is embedded in our business practices and policies to ensure honesty, integrity and respect for people. Some examples are included below and in the Our Commitment to ESG report on pages 20 to 26.

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

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

In compliance with the Modern Slavery Act 2015, the Company's Transparency Statement on Human Trafficking and Modern Slavery can be found on the Company's website at [www.portmeiriongroup.com](http://www.portmeiriongroup.com).

### Research and development

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

### Climate-related Financial Disclosure

The Group recognises that the impact of climate changes presents various risks to our environment but that it also presents financial risk to our business and the global economy. We have prepared The Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022 Report for the first year in line with The Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022, Sections 414C, 414CA and 414CB of the Companies Act 2006. This report can be found on pages 27 to 30.

### Streamlined Energy & Carbon Reporting (SECR)

The Group is required to disclose its annual UK energy use, associated greenhouse gas (GHG) emissions and information relating to its energy efficiency action, as specified under the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. Our SECR disclosure is set out in the Environment section of Our Commitment to ESG statement on pages 20 to 26.

### Political contributions

There were no political contributions during the year (2022: nil).

### Post balance sheet events

Post balance sheet events are detailed in note 34 on page 101.

### Auditors

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

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

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

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

### Corporate governance

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

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

### Moira MacDonald

Company Secretary  
25 March 2024



## Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and Company financial statements in accordance with international accounting standards (IFRS) in conformity with the requirements of the Companies Act 2006.

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

- properly select and apply accounting policies;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed subject to any material departures disclosed and explained in the financial statements;

- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

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

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

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

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



# Independent Auditor's Report

## to the members of Portmeirion Group PLC

### Opinion

We have audited the financial statements of Portmeirion Group PLC (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2023 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the Company Statement of Cash Flows and notes to the financial statements, including material accounting policy information.

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

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2023 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards and, as regards to the parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

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

### Material uncertainty related to going concern

We draw attention to page 75 in the financial statements which indicate that the Group is reliant upon continued availability of its banking facilities to provide sufficient liquidity to meet liabilities as they fall due; the Group is reliant on the existing lender renewing facilities in September 2024 or will be required to seek alternative third-party funding.

As stated in note 1, these events or conditions, along with the other matters as set forth in this note to the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's and parent Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Our evaluation of the directors' assessment of the Group's and the parent Company's ability to continue to adopt the going concern basis of accounting included, but was not limited to:

- Undertaking an initial assessment at the planning stage of the audit to identify events or conditions that may cast significant doubt on the Group's and the parent Company's ability to continue as a going concern;
- Making enquiries of the directors to understand the going concern review period used by the directors, ensuring that the period assessed by them is at least 12 months from the date of signing;
- Critically assessing the going concern assessment performed by the directors and assessing the reasonableness of the assumptions used by the directors' in their forecasts;
- Challenging management on the completeness of the stress test scenarios applied to the assessment, including with reference to the board's identified business risks;
- Evaluating the Group's performance in the year as well as post year information available.
- Challenging the accuracy of prior budgets, including retrospective review, and the rationale and support for any deviations in budget to outturn;

- Verifying that the estimates and judgements made in respect of going concern are consistent with the financial statements as a whole, specifically with respect to the assumptions relating to critical/significant estimates and judgements;
- Inspecting borrowing agreements and assessing whether compliance with borrowing terms, including repayment and covenant compliance, have been appropriately factored into the assessment, including in stressed scenarios;
- Making enquiries with the bank to ascertain the view of re-negotiating bank facilities and critically assessing the re-negotiated facilities;
- Inspecting the changes in terms and conditions of the financing facilities and covenants, and any changes in the terms that may impact conclusions in relation to material uncertainties;
- Challenging management on the likelihood of breaking covenants and assessing mitigating actions available to management;

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

### Key audit matters

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

The matters set out below are in addition to the "Material uncertainty related to going concern" above which, by its nature, is also a key audit matter.





## Key Audit Matter

**Revenue recognition**

The Group's accounting policy for revenue recognition is set out in the accounting policy note on page 76 and the disclosure note on page 80.

Revenue recognition is considered as a key audit matter because revenues are a key financial performance measure which could create an incentive for revenues to be recognised prematurely or inappropriately.

For Portmeirion Group plc we identify the risk of fraud in revenue recognition as being principally in relation to occurrence of revenue, and cut off in relation to export sales.

**Occurrence of Revenue**

There is a risk that revenue that has been recognised did not occur, or the inflows into the bank accounts do not relate to revenue from standard business activities.

**Revenue recognition for export sales**

Due to the length of time it takes for an export sale to ship, there is a risk that sales close to the year-end could be accounted for incorrectly. There is a risk that revenue is recognised prior to meeting the performance obligation of transferring inventory to the customer.

**Inventory Valuation**

Inventory accounts for 63% of total current assets of the Group.

The Group's accounting policy for inventory provisioning is set out in the accounting policy notes on pages 79 and 80 and the disclosure note on page 89.

The inventory cost includes all direct costs and an appropriate allocation of fixed and variable overheads based upon estimated standard production levels. The costs to be absorbed and the estimated level of productivity are subjective areas and there is a risk that the valuation has not been calculated on a reasonable and consistent basis across the inventory portfolio.

The impairment against inventory is calculated on a formulaic basis which also considers management's assessment of each unit's sales values in the future. This involves a degree of judgement, which results in a fraud risk. Therefore, there is a risk that the inventory provision is materially misstated and that inventory is not being held at the appropriate value.

As a result, we consider inventory valuation as a key audit matter.

## How our scope addressed this matter

Our audit procedures included, but were not limited to:

**Occurrence of Revenue**

- Performed a substantive revenue to cash reconciliation. For reconciling items in the year, we disaggregated these into relevant categories and tested a sample to supporting documentation.
- Performed tests of detail over the cash reconciliation to ensure the transactions are truly revenue.
- Performed manual control effectiveness testing that support revenue occurrence.
- Utilising data analytics to identify and test outliers to revenue transactions and journals posted during the year.
- Critically assessed customer terms of trade, including discount and rebates, vouching these to supporting contracts and ensuring revenue recognition is in line with IFRS 15.

**Revenue recognition from export sale**

- Focused on export sales made in December and ensured the cut off between sales is reflective of the year end position and the performance obligation which triggers the revenue recognition has been met.

**Our observations**

The results of our testing were satisfactory. No significant matters or findings have been reported to the audit committee.

Our audit procedures included, but were not limited to:

With regards to the inventory costing:

- Assessed the appropriateness of the absorption rate methodology utilised by management.
- Verified that the costs included in the absorption calculation are appropriate to absorb into inventory in accordance with IAS 2.
- Assessed the reasonableness of the standard costs and scrutinised any changes made to the standard costs.
- Reconciled managements' calculation through to supporting documentation.
- Test of detail over the fixed and variable overhead absorption rates.
- We challenged management about the inclusion of inefficiencies in inventory valuation and performed independent analysis to determine whether there was evidence of absorption of inefficiencies into inventory costing.
- Tested on a sample basis that stock items are valued in accordance with the overhead absorption rates calculated.

With regards to the inventory provision:

- Challenged the Group stock provision policy to ensure it is appropriate based on our knowledge of the Group's products and current macro-economic factors.
- Assessed for consistency in the provisioning methodology used throughout the group compared to the prior year.
- Recalculated managements' inventory provision.
- Assessed the completeness and accuracy of the data used by management in computing the provision and verifying the source data.
- Assessed the mathematical accuracy and logic of the models underpinning the provision.
- Tested the accuracy of the process used by management to identify potentially impaired inventory across a representative sample of individual product lines.
- Assessed the completeness and accuracy of disclosures within the financial statements in accordance with IFRS.

**Our observations**

Based on the work performed, the level of provisioning adopted was considered reasonable. Internal control recommendations made in this area have been communicated to the Audit Committee



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

Key Audit Matter	How our scope addressed this matter
<p><b>Impairment of goodwill and intangible assets</b></p> <p>The Group's accounting policy for goodwill and intangible assets is set out in the accounting policy notes on pages 78 to 80 and in the disclosure note on pages 85 to 86.</p> <p>There is a risk that certain assets held on the Balance Sheet may be impaired, including goodwill and other intangible assets.</p> <p>Management is required to perform an annual impairment review in respect of goodwill to conclude on whether an adjustment to the carrying value of any potential impaired assets is required. Management estimation is required in determining value in use.</p> <p>The risk is focussed around the Home Fragrance Cash Generating Unit (CGU) due to this CGU reporting a loss. The CGU included a goodwill balance of £7.7m and other assets of £6.1m prior to impairment.</p> <p>An impairment charge of £10.9m has been made against the CGU in the year, impairing the goodwill to nil.</p>	<p>Our audit procedures included but were not limited to;</p> <p>We obtained copies of the impairment review calculations and conclusions prepared by management and undertook the following procedures:</p> <ul style="list-style-type: none"> <li>Assessed the appropriateness of the key underlying assumptions such as growth rate and discount rate.</li> <li>Agreed cashflow and profit forecasts to the latest budgets approved by the Board and challenged management on the assumptions used in these budgets.</li> <li>Challenged the accuracy of prior budgets, including retrospective review, and the rationale and support for any deviations in budget to outturn.</li> <li>Re-calculated the mechanical accuracy of the calculations performed.</li> <li>Critically assessed management's assessment by seeking supporting and disconfirming evidence.</li> <li>Utilised internal valuation experts who support the audit team to assess the assumptions used by management and performed sensitivity analysis on management's impairment review.</li> <li>Challenged the appropriateness of disclosures regarding impairment within the financial statements.</li> </ul> <p><b>Our observations</b></p> <p>The results of our testing were satisfactory, with no matters or findings reported to the audit committee.</p>

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

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

#### Materiality

<b>Overall materiality</b>	Group: £1,284,000 Parent: £290,000
<b>How we determined it &amp; rationale for the benchmark</b>	Group: 1.25% of revenue Parent: Capped from allocation from Group materiality.  We believe that revenue is an appropriate benchmark and is utilised as a KPI by management to monitor the success of the business. Revenue is a common benchmark to be used for materiality calculations across the manufacturing/ retail sector.  For the parent Company, this is set from a benchmark of net assets as it does not trade.
<b>Performance materiality</b>	Performance materiality is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the financial statements exceeds materiality for the financial statements as a whole.  For Portmeirion Group PLC this was taken as 65% of overall materiality to provide a figure of £834,000 for the Group. We are satisfied 65% is appropriate due to a historic low rate of errors.  For the parent this was taken at 80% of overall materiality to provide a figure of £232,000. We are satisfied 80% is appropriate due to a historic low rate of errors as well as low volumes of transactions given the entity does not trade.
<b>Reporting threshold</b>	We agreed with the directors that we would report to them misstatements identified during our audit above £38,500 for the Group and £8,700 for the parent as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.  These figures represent 3% of overall materiality.

For each component in the scope of the Group audit, we allocated a materiality that was less than our overall Group materiality. The range of performance materiality allocated across the components was between £761,000 and £186,000.

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



judgements, such as assumptions on significant accounting estimates.

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

Based on our risk assessment, our group audit scope included a full scope audit of the following components: Portmeirion Group PLC, Portmeirion Group UK Limited, Wax Lyrical Limited and Portmeirion Group USA, Inc. Analytical procedures were performed on the residual components of the Group using an allocation of Group materiality.

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

### Other information

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

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

We have nothing to report in this regard.

### Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

### Matters on which we are required to report by exception

In light of the knowledge and understanding of the Group and the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

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

### Responsibilities of Directors

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

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

### Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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



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

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

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

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

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### Use of the audit report

This report is made solely to the parent 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 parent 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 parent Company and the parent Company's members as a body for our audit work, for this report, or for the opinions we have formed.

### Charlene Lancaster (Senior Statutory Auditor)

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

25 March 2024



# Consolidated Income Statement

## for the year ended 31 December 2023

	Notes	Year to 31 December 2023 £'000	Year to 31 December 2022 £'000
Revenue	4,5	<b>102,743</b>	110,820
Operating costs before exceptionals	6	<b>(97,920)</b>	(102,154)
<b>Headline operating profit<sup>(1)</sup></b>		<b>4,823</b>	8,666
<b>Exceptional items</b>	6		
– restructuring costs		<b>(694)</b>	(958)
– impairment charge		<b>(10,867)</b>	—
– acquisition costs		—	(76)
<b>Operating (loss)/profit</b>		<b>(6,738)</b>	7,632
Interest income	9	<b>23</b>	29
Finance costs	10	<b>(1,813)</b>	(956)
Other income		—	265
<b>Headline profit before tax<sup>(1)</sup></b>		<b>3,033</b>	8,004
<b>Exceptional items</b>	6		
– restructuring costs		<b>(694)</b>	(958)
– impairment charge		<b>(10,867)</b>	—
– acquisition costs		—	(76)
<b>(Loss)/profit before tax</b>		<b>(8,528)</b>	6,970
Tax	11	<b>72</b>	(1,415)
<b>(Loss)/profit for the period attributable to equity holders</b>		<b>(8,456)</b>	5,555
<b>Earnings per share</b>	13		
Basic		<b>(61.46)p</b>	40.39p
Diluted		<b>(61.41)p</b>	40.35p
<b>Headline earnings per share</b>	13		
Basic		<b>21.36p</b>	46.59p
Diluted		<b>21.34p</b>	46.54p
Dividends proposed and paid per share	12	<b>5.50p</b>	15.50p

All the above figures relate to continuing operations.

- (1) Headline operating profit is the statutory operating loss of £6,738,000 (2022: £7,632,000 profit) adding back the exceptional items of £11,561,000 (2022: £1,034,000). Headline loss before tax is the statutory loss before tax of £8,528,000 (2022: £6,970,000 profit) adding back the exceptional items of £11,561,000 (2022: £1,034,000).



## Consolidated Statement of Comprehensive Income

### for the year ended 31 December 2023

	Notes	2023 £'000	2022 £'000
(Loss)/profit for the year		<b>(8,456)</b>	5,555
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Remeasurement of net defined benefit pension scheme liability	31	<b>504</b>	(1,517)
Deferred tax relating to items that will not be reclassified subsequently to profit or loss	25	<b>(126)</b>	380
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		<b>(1,400)</b>	2,466
Other comprehensive (loss)/income for the year		<b>(1,022)</b>	1,329
<b>Total comprehensive (loss)/income for the year attributable to equity holders</b>		<b>(9,478)</b>	6,884



# Consolidated Balance Sheet

## 31 December 2023

	Notes	2023 £'000	2022 £'000
<b>Non-current assets</b>			
Goodwill	14	1,749	9,416
Intangible assets	15	7,511	8,581
Property, plant and equipment	16	15,020	16,842
Right-of-use assets	17	7,325	5,869
Pension scheme surplus	31	1,144	317
<b>Total non-current assets</b>		<b>32,749</b>	41,025
<b>Current assets</b>			
Inventories	19	35,956	41,117
Trade and other receivables	20	19,053	19,887
Current income tax asset		—	792
Cash and cash equivalents	21	888	1,681
<b>Total current assets</b>		<b>55,897</b>	63,477
<b>Total assets</b>		<b>88,646</b>	104,502
<b>Current liabilities</b>			
Trade and other payables	22	(13,860)	(16,469)
Current income tax liability		(161)	—
Lease liabilities	23	(1,972)	(1,696)
Borrowings	28	(7,825)	(8,789)
<b>Total current liabilities</b>		<b>(23,818)</b>	(26,954)
<b>Non-current liabilities</b>			
Deferred tax liability	25	(3,015)	(3,230)
Lease liabilities	23	(5,840)	(4,654)
Borrowings	28	(983)	(2,981)
<b>Total non-current liabilities</b>		<b>(9,838)</b>	(10,865)
<b>Total liabilities</b>		<b>(33,656)</b>	(37,819)
<b>Net assets</b>		<b>54,990</b>	66,683
<b>Equity</b>			
Called up share capital	26	710	710
Share premium account		18,344	18,344
Investment in own shares	27	(3,108)	(3,108)
Share-based payment reserve		66	148
Translation reserve		2,252	3,652
Retained earnings		36,726	46,937
<b>Total equity</b>		<b>54,990</b>	66,683

These financial statements were approved by the Board of Directors and authorised for issue on 25 March 2024.

They were signed on its behalf by:

**M.T Raybould**

Director

**D. Sproston**

Director



# Company Balance Sheet

## 31 December 2023

	Notes	2023 £'000	2022 £'000
<b>Non-current assets</b>			
Investment in subsidiaries	18	<b>11,601</b>	11,601
<b>Total non-current assets</b>		<b>11,601</b>	11,601
<b>Current assets</b>			
Trade and other receivables	20	<b>14,775</b>	14,947
<b>Total current assets</b>		<b>14,775</b>	14,947
<b>Total assets</b>		<b>26,376</b>	26,548
<b>Total liabilities</b>		<b>—</b>	—
<b>Net assets</b>		<b>26,376</b>	26,548
<b>Equity</b>			
Called up share capital	26	<b>710</b>	710
Share premium account		<b>18,344</b>	18,344
Other reserves		<b>197</b>	197
Investment in own shares	27	<b>(3,108)</b>	(3,108)
Share-based payment reserve		<b>66</b>	148
Retained earnings		<b>10,167</b>	10,257
<b>Total equity</b>		<b>26,376</b>	26,548

The Company reported a profit for the financial year ended 31 December 2023 of £2,043,000 (2022: £1,589,000).

The financial statements of Portmeirion Group PLC, company registration number 124842, were approved by the Board of Directors and authorised for issue on 25 March 2024.

They were signed on its behalf by:

**M.T Raybould**

Director

**D. Sproston**

Director





## Consolidated Statement of Changes in Equity

### for the year ended 31 December 2023

	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 2022	710	18,344	(3,124)	128	1,186	44,703	61,947
Profit for the year	—	—	—	—	—	5,555	5,555
Other comprehensive income for the year	—	—	—	—	2,466	(1,137)	1,329
Total comprehensive income for the year	—	—	—	—	2,466	4,418	6,884
Dividends paid	—	—	—	—	—	(2,269)	(2,269)
Increase in share-based payment reserve	—	—	—	91	—	—	91
Transfer on exercise or lapse of options	—	—	—	(71)	—	71	—
Shares issued under employee share schemes	—	—	16	—	—	(16)	—
Deferred tax on share-based payment	—	—	—	—	—	30	30
<b>At 1 January 2023</b>	<b>710</b>	<b>18,344</b>	<b>(3,108)</b>	<b>148</b>	<b>3,652</b>	<b>46,937</b>	<b>66,683</b>
Loss for the year	—	—	—	—	—	(8,456)	(8,456)
Other comprehensive loss for the year	—	—	—	—	(1,400)	378	(1,022)
<b>Total comprehensive loss for the year</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(1,400)</b>	<b>(8,078)</b>	<b>(9,478)</b>
Dividends paid	—	—	—	—	—	(2,133)	(2,133)
Decrease in share-based payment reserve	—	—	—	(82)	—	—	(82)
<b>At 31 December 2023</b>	<b>710</b>	<b>18,344</b>	<b>(3,108)</b>	<b>66</b>	<b>2,252</b>	<b>36,726</b>	<b>54,990</b>

The nature of each reserve is explained in note 2.15 on page 79.



## Company Statement of Changes in Equity

### for the year ended 31 December 2023

	Share capital £'000	Share premium account £'000	Other reserves £'000	Investment in own shares £'000	Share-based payment reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2022	710	18,344	197	(3,124)	128	10,882	27,137
Profit for the year	—	—	—	—	—	1,589	1,589
Total comprehensive income for the year	—	—	—	—	—	1,589	1,589
Dividends paid	—	—	—	—	—	(2,269)	(2,269)
Increase in share-based payment reserve	—	—	—	—	91	—	91
Transfer on exercise or lapse of options	—	—	—	—	(71)	71	—
Shares issued under employee share schemes	—	—	—	16	—	(16)	—
<b>At 1 January 2023</b>	<b>710</b>	<b>18,344</b>	<b>197</b>	<b>(3,108)</b>	<b>148</b>	<b>10,257</b>	<b>26,548</b>
Profit for the year	—	—	—	—	—	2,043	2,043
<b>Total comprehensive income for the year</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>2,043</b>	<b>2,043</b>
Dividends paid	—	—	—	—	—	(2,133)	(2,133)
Decrease in share-based payment reserve	—	—	—	—	(82)	—	(82)
<b>At 31 December 2023</b>	<b>710</b>	<b>18,344</b>	<b>197</b>	<b>(3,108)</b>	<b>66</b>	<b>10,167</b>	<b>26,376</b>

The nature of each reserve is explained in note 2.15 on page 79.



## Consolidated Statement of Cash Flows

### for the year ended 31 December 2023

	Notes	2023 £'000	2022 £'000
<b>Operating (loss)/profit</b>		<b>(6,738)</b>	7,632
Adjustments for:			
Depreciation of property, plant and equipment	16	<b>1,459</b>	1,810
Depreciation of right-of-use assets	17	<b>2,058</b>	1,881
Amortisation of intangible assets	15	<b>884</b>	813
(Credit)/charge for share-based payments	33	<b>(82)</b>	91
Exchange loss		<b>(1,053)</b>	(559)
Impairment charge		<b>10,867</b>	—
Loss on sale of tangible fixed assets		<b>—</b>	251
<b>Operating cash flows before movements in working capital</b>		<b>7,395</b>	11,919
Decrease/(increase) in inventories		<b>5,161</b>	(9,869)
Decrease in receivables		<b>834</b>	239
Decrease in payables		<b>(2,609)</b>	(643)
<b>Cash generated from operations</b>		<b>10,781</b>	1,646
Contributions to defined benefit pension scheme	31	<b>(300)</b>	(900)
Interest paid		<b>(1,569)</b>	(686)
Income taxes received/(paid)		<b>684</b>	(300)
<b>Net cash inflow/(outflow) from operating activities</b>		<b>9,596</b>	(240)
<b>Investing activities</b>			
Interest received		<b>—</b>	5
Purchase of property, plant and equipment	16	<b>(1,340)</b>	(4,093)
Purchase of intangible assets	15	<b>(1,585)</b>	(1,933)
Other income		<b>—</b>	265
Acquisition of subsidiary		<b>—</b>	(821)
<b>Net cash outflow from investing activities</b>		<b>(2,925)</b>	(6,577)
<b>Financing activities</b>			
Equity dividends paid	12	<b>(2,133)</b>	(2,269)
Lease payments	28	<b>(2,283)</b>	(1,864)
(Repayment)/drawdown of short term borrowings	28	<b>(964)</b>	6,803
Repayments of borrowings	28	<b>(2,000)</b>	(2,000)
<b>Net cash (outflow)/inflow from financing activities</b>		<b>(7,380)</b>	670
Net decrease in cash and cash equivalents		<b>(709)</b>	(6,147)
Cash and cash equivalents at beginning of year		<b>1,681</b>	7,616
Effect of foreign exchange rate changes		<b>(84)</b>	212
<b>Cash and cash equivalents at end of year</b>		<b>888</b>	1,681



## Company Statement of Cash Flows

for the year ended 31 December 2023

	Notes	2023 £'000	2022 £'000
<b>Operating profit</b>		<b>2,043</b>	1,589
<i>Adjustments for:</i>			
(Credit)/charge for share-based payments	33	<b>(82)</b>	91
<b>Operating cash flows before movements in working capital</b>		<b>1,961</b>	1,680
Decrease in receivables		<b>172</b>	624
Decrease in payables		—	(35)
<b>Cash generated from operations</b>		<b>2,133</b>	2,269
Income taxes paid		—	—
<b>Net cash inflow from operating activities</b>		—	2,269
<b>Investing activities</b>		—	—
<b>Net cash inflow from investing activities</b>		—	—
<b>Financing activities</b>			
Equity dividends paid	12	<b>(2,133)</b>	(2,269)
<b>Net cash outflow from financing activities</b>		<b>(2,133)</b>	(2,269)
Net movement in cash and cash equivalents		—	—
Cash and cash equivalents at beginning of year		—	—
<b>Cash and cash equivalents at end of year</b>		—	—



# Notes to the Financial Statements

## 1. Basis of preparation

Portmeirion Group PLC is a company incorporated in England and Wales. The address of the registered office is given on the back cover. The nature of the Group's operations and its principal activities are that of a marketer and distributor of ceramic tableware, home fragrance, cookware and giftware, glassware, candles, placemats, coasters and other associated products and is engaged in manufacturing ceramics and home fragrance products. The financial statements have been prepared in accordance with UK-adopted International Accounting Standards (IFRS) in conformity with the requirements of the Companies Act 2006.

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

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

## Going Concern

The financial statements have been prepared on a going concern basis. The Group reported a headline profit before taxation of £3.0 million (2022: £8.0 million) and a statutory loss before taxation of £8.5 million after non-underlying items for the financial year to 31 December 2023, although the majority of the non-underlying items was a non-cash impairment charge (2022: profit before taxation of £7.0 million).

At the year end the Group had net debt of £7.9 million (comprising cash and cash equivalents of £0.9 million less borrowings of £8.8 million) with unutilised bank facilities with available funding of £16.7 million. This was a reduction in net debt of £2.2 million since the prior year end. Operating cash generation was positive during the year, with cash flow from operations of £10.8 million (2022: £1.6 million) driven by lower inventory levels.

The Group sells into over 80 countries worldwide and has a spread of customers and sales channels within its major UK and US markets. The Group manufactures approximately 45% of its products and sources the remainder from a range of third-party suppliers.

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

The Group has also produced a sensitivity analysis to its cash flow forecast based upon possible downside scenarios. We have modelled a 10% sales reduction to assess the potential impact of a significant downturn in trading performance similar to the reduction experienced in 2020 during the Covid-19 pandemic. This demonstrated the Group still has sufficient headroom within borrowing facilities and loan covenants in light of the overheads reduction measure already undertaken to reduce overheads by 10% (£4 million) over 2023.

We have also considered a reverse stress-tested scenario to try and assess the amount of sales reduction required before the Group begins to approach maximum facility and covenant headroom. This demonstrated that sales could reduce by approximately 10% before we breached facility limits or any covenants, assuming no further mitigating cost actions were undertaken. A number of additional cost mitigating actions are available to the Group and are closely monitored in the event of a sales downturn, and therefore we consider an event where sales reduce by 10% and no further cost mitigation is undertaken to be implausible. These cost savings include headcount reductions and eliminating non-essential expenditure – assuming these were undertaken promptly then sales could reduce by 18% before we breached facility limits or any covenants. As the sales downturn during the Covid pandemic in 2020 was only 11% and external market data on the homeware sector does not forecast a contraction of this magnitude, we do not consider the likelihood of an 18% sales reduction to be plausible.

## Conclusion – Going concern assumption appropriate with a material uncertainty

After making enquiries and reviewing budgets and forecasts for the Group, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future.

The Directors recognise that the current bank facilities, which include both a committed revolving credit facility of £10 million available until September 2025 and an uncommitted facility element of £12.5 million available until September 2024, are all required under both a base case and downside scenario in order to provide the Group with sufficient liquidity to continue trading. Under an unlikely but plausible scenario by September 2024 Lloyds could decline their option to extend the committed revolving credit facility beyond September 2025 and therefore decide not to renew the uncommitted facilities at the same date. Under this scenario alternative third party funding would need to be secured in order for the Group to meet liabilities as they fall due and therefore continue as a going concern.

The Group has a positive and long-standing relationship with our lenders however, if the Group could not secure alternative funding by this date, then the Directors acknowledge that this represents a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

The Board considers the likelihood of lenders removing facilities at this date and not being able to secure an alternative source of funding to be low, and therefore the Directors have a reasonable expectation that the Group has adequate resources to meet its liabilities over a period of at least twelve months from the date of signing the financial statements. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

## Other matters

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

In the current year, the Group has applied a number of amendments that are mandatorily effective for an accounting period beginning on 1 January 2023.

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



# Notes to the Financial Statements continued

## 1. Basis of preparation continued

	Effective date periods beginning on or after
Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements: Disclosure of Accounting Policies (Issued February 2021)	1 January 2023
Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Issued May 2021)	1 January 2023
Amendments to IAS 12 Income Taxes: International Tax Reform – Pillar Two Model Rules (Issued May 2023)	1 January 2023
Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (Issued February 2021)	1 January 2023

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

	Effective date periods beginning on or after
Amendments to IAS 1 Presentation of Financial Statements: - Classification of Liabilities as Current or Non-current (Issued January 2020) and – Non-current Liabilities with Covenants (Issued October 2022)	1 January 2024
Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures, Supplier Finance Arrangements (Issued on May 2023)	1 January 2024

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

## 2. Material 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 2023.

### 2.1 Basis of consolidation

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

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

All accounts for subsidiaries have been prepared for the year ended 31 December 2023.

### 2.2 Investments

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

### 2.3 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

Revenue is recognised when the Group has satisfied its performance obligations to its customers and the customer has obtained control of the goods and services being transferred. The Group generates revenue through a number of revenue channels, impacting the point in time when revenue is recognised. Revenue through retail channels is recognised at the point of sale. Revenue through our own e-commerce platforms is recognised when the customer receives the goods. Revenue through sales to third party retailers is recognised when the customer receives the goods.

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

### 2.4 Leases

#### The Group as a lessee

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

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



## 2. Material accounting policies continued

### 2.4 Leases continued

#### Measurement and recognition of leases as a lessee

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, and any initial direct costs incurred.

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

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

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

### 2.5 Foreign currencies

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

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

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

In order to hedge its exposure to certain foreign exchange risks, the Group enters into forward contracts.

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 other income.

### 2.7 Exceptional items

The Group's income statement separately identifies exceptional items. Such items are those that in the Director's judgement are one-off in nature or non-operating and need to be disclosed separately by virtue of their size or incidence and may include, but are not limited to, impairment costs, restructuring costs and acquisition-related costs. In determining whether an item should be disclosed separately as an exceptional item, the Directors consider quantitative as well as qualitative factors such as the frequency, predictability of occurrence and significance. This is consistent with the way financial performance is measured by management and reported to the Board. Disclosing exceptional items separately provides additional understanding and transparency of the performance of the Group. The impairment charge to the Home Fragrance division of £10,867,000 is considered to be exceptional given its magnitude and the Group's expectation that it is one-off in nature. The nature of the impairment is described further in note 14.

### 2.8 Group pension schemes

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

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

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



## Notes to the Financial Statements continued

### 2. Material accounting policies continued

#### 2.9 Taxation

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

##### Current tax

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

##### Deferred tax

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

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

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

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

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

#### 2.10 Property, plant and equipment

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

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

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

#### 2.11 Intangible assets

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

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

#### 2.12 Impairment of tangible assets, intangible assets and goodwill

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

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

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

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. Material accounting policies continued

### 2.12 Impairment of tangible assets, intangible assets and goodwill continued

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

### 2.13 Business combinations and goodwill

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

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

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

### 2.14 Inventories

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

### 2.15 Equity

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

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

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

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

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

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

### 2.16 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.

#### Receivables

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

#### Cash and cash equivalents

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

#### Financial liabilities and equity

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

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

Further details on the Group's financial instruments can be found in note 32. Financial liabilities measured at amortised cost includes trade payables, accruals, other payables and borrowings.



## Notes to the Financial Statements continued

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

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

#### Indicators of impairment in cash generating units (CGUs)

Judgement must be applied in determining whether cash generating units held show any signs of impairment. Factors considered include: changes to the weighted average cost of capital, which is used to discount future cash flows from the CGU; changes to the cash flow forecast, which is derived from adjusted budgeted cash flows.

Impairment would exist where the value in use of the cash generating unit is less than the carrying amount of the fixed assets associated with that cash generating unit. The outcome of the impairment review is outlined in note 14.

During the year, an impairment was recognised in the Home Fragrance division. The indicator of an impairment was the division's failure to return to pre-pandemic levels of profitability.

The following are key sources of estimation uncertainty in applying the Group and Company's accounting policies:

#### Impairment of inventory

Inventories are stated at the lower of cost and net realisable value. At the year end, the future sale value of some slow-moving and obsolete inventory is uncertain, and a provision has been included where management feels this value falls below cost. The level of provision is determined by management estimates based on historical and forecast sales and potential net realisable value.

The methodology used principally relies on slow moving inventory data, with the amount of provision scaling in line with the period in which there has been little to no movement for a particular item of inventory. The rate at which the provision increases is tailored to each category of inventory. Provision is also recognised on a specific basis for items that the Group believes will not achieve a sales value in excess of its carrying amount.

With a substantial component of the provision being on a specific and isolated basis, it is difficult to estimate the sensitivity of the Group provision in the event of a sales downturn against expectation. The Group believes it has taken a prudent approach in determining the provision, taking into account a realistic forecast for sales volumes in the next financial year.

At the year end, the Group held an inventory provision of £1,147,000 (2022: £1,897,000). There are no reasonable or possible changes in assumptions that would significantly impact the provision. There is no provision against discontinued items.

#### Defined benefit pension scheme

The valuation of the Group's defined benefit pension scheme assets and liabilities under IAS 19 'Employee Benefits' is disclosed in note 31. IAS 19 required a net asset or liability to be recognised in the Group balance sheet based upon relevant actuarial assumptions at each balance sheet date. The significant actuarial assumptions for the determination of the defined benefit obligation are discount rate, expected inflation assumptions and life expectancy. Management receives independent advice from an actuary in the preparation of these assumptions. The group recognises an asset based on surplus funds being available for distribution in line with the Trust Deed and Scheme rules.

#### Tangible assets, intangible assets and goodwill

The Group holds a number of tangible assets, intangible assets and goodwill that have been acquired in business combinations. These assets are held at cost (which on initial recognition would in all cases be expected to be fair value) less amortisation and any impairment. At each balance sheet date management estimates the value in use of these assets to ensure that it exceeds the carrying value of the cash generating unit. The value in use is the sum of the estimated future discounted cash flows associated with the cash generating unit. Impairment reviews were carried out for both the North America CGU and the Home Fragrance CGU during the year. Details of the key assumptions and inputs of the value in use estimate are described in note 14.

### 4. Revenue

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

Continuing operations	2023 £'000	2022 £'000
Sale of goods	102,477	110,598
Royalties	266	222
	<b>102,743</b>	110,820



## 5. Segmental analysis

IFRS 8 requires operating segments to be identified on the basis of internal reports about the components of the Group that are regularly reviewed by the Chief Executive to allocate resources to the segments and to assess their performance. Based upon the nature and extent of these internal reports, the Directors are of the opinion that there are two reportable segments under IFRS 8, namely UK and North America. The Home Fragrance division is a component of the UK segment. The Directors are of the opinion that only one class of business is being undertaken, that of the manufacture and sale of ceramics, home fragrances and associated homeware.

Revenue by origin	2023			2022		
	Total sales £'000	Inter- segment sales £'000	Sales to third parties £'000	Total sales £'000	Inter- segment sales £'000	Sales to third parties £'000
UK	65,107	(5,031)	60,076	63,997	(4,244)	59,753
North America	42,667	—	42,667	51,067	—	51,067
	107,774	(5,031)	102,743	115,064	(4,244)	110,820

Inter-segment sales are charged at prevailing market prices.

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

Revenue by destination	2023 £'000	2022 £'000
United Kingdom	30,782	28,255
North America <sup>1</sup>	42,407	48,944
South Korea	21,488	26,656
Rest of the World	8,066	6,965
	102,743	110,820

The accounting policies of the reportable segments are the same as the Group's accounting policies as described in note 2. Segment profit represents the profit earned by each segment without allocation of interest income, finance costs and income tax expense. This is the measure reported to the Group's Chief Executive for the purpose of resource allocation and assessment of segment performance.

For the purposes of monitoring segment performance and allocating resources between segments the Group's Chief Executive monitors the tangible, intangible and financial assets attributable to each segment. All assets are allocated to reportable segments with the exception of interests in associates. Assets used jointly by reportable segments are allocated on the basis of contribution earned by individual reportable segments.

Operating profit by origin	2023 £'000	2022 £'000
UK	2,282	6,498
North America	2,541	2,168
Headline operating profit	4,823	8,666
Unallocated items:		
Exceptional items	(11,561)	(1,034)
Profit on sale of associated undertaking	—	265
Interest income	23	29
Finance costs	(1,813)	(956)
(Loss)/profit before tax	(8,528)	6,970
Tax	72	(1,415)
(Loss)/profit after tax	(8,456)	5,555

(1) In the current year and comparative figures, we have reclassified United States as North America. The revenue of non-US North American countries is now recognised under North America rather than Rest of the World.



## Notes to the Financial Statements continued

## 5. Segmental analysis continued

Other information	2023			2022		
	UK £'000	North America £'000	Consolidated £'000	UK £'000	North America £'000	Consolidated £'000
Capital additions	1,694	1,231	2,925	5,488	2,311	7,799
Depreciation and amortisation	2,517	1,884	4,401	2,726	1,778	4,504
Balance sheet:						
<b>Assets</b>						
Non-current segment assets	19,736	13,013	32,749	31,116	9,909	41,025
Other segment assets	32,949	22,948	55,897	36,655	26,822	63,477
Consolidated total assets	52,685	35,961	88,646	67,771	36,731	104,502
<b>Liabilities</b>						
Consolidated total liabilities	23,574	10,082	33,656	30,557	7,262	37,819

## Reconciliation of headline earnings before interest, tax, depreciation and amortisation (Headline EBITDA)

	2023 £'000	2022 £'000
Headline operating profit	4,823	8,666
Add back:		
Depreciation	3,517	3,691
Amortisation	884	813
Headline earnings before interest, tax, depreciation and amortisation	9,224	13,170

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

	2023 £'000	2022 £'000
Statutory operating (loss)/profit	(6,738)	7,632
Add back:		
Depreciation	3,517	3,691
Amortisation	884	813
Impairment charge	10,867	—
Statutory earnings before interest, tax, depreciation and amortisation	8,530	12,136

## 6. Operating costs

	2023 £'000	2022 £'000
Cost of inventories recognised as an expense	46,793	49,717
Movement on inventory impairment provision	(750)	(1,424)
Other external charges	16,745	16,860
Staff costs (note 7)	29,817	31,742
Depreciation of property, plant and equipment	1,459	1,810
Depreciation of right-of-use assets	2,058	1,881
Amortisation of intangible assets	884	813
Impairment of trade receivables	212	169
Cost of research and development	679	837
Net foreign exchange losses/(gains)	23	(251)
	97,920	102,154

Exceptional items by type are as follows:

	2023 £'000	2022 £'000
Restructuring costs	694	958
Impairment charge	10,867	—
Acquisition costs	—	76
	11,561	1,034

Restructuring costs relate to a redundancy exercise undertaken within the Group. Acquisition costs relate to the acquisition of the trade and assets of AromaWorks. Impairment costs relate to the impairment of the Home Fragrance division. All of these costs are exceptional in nature and non-recurring.



## 7. Staff numbers and costs

	2023 Number	2022 Number
<i>The average number of persons employed during the year, including Directors:</i>		
Operatives	450	512
Support staff	352	356
	<b>802</b>	868

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

	2023 £'000	2022 £'000
<b>Staff costs</b>		
Wages and salaries	25,099	27,039
Social security costs	2,296	2,398
Other pension costs	1,398	1,319
	<b>28,793</b>	30,756
Non-monetary benefits	1,024	986
	<b>29,817</b>	31,742

	2023 £'000	2022 £'000
<b>Directors' emoluments:</b>		
Salary and fees, taxable benefits and incentive	1,434	1,818
Long-term incentive plan	—	48
Pension contributions	102	117
	<b>1,536</b>	1,983

The Directors' emoluments disclosed above reflect emoluments received by the Directors for the period in 2023 during which they were a Director of the company.

There were no gains made on the exercise of share options in 2023 (2022: £nil).

	2023 Number	2022 Number
Number of Directors who were members of a defined contribution pension scheme during the year	4	5
Number of Directors who exercised options over shares in the ultimate parent company	—	2

	2023 £'000	2022 £'000
<b>Remuneration of the highest paid Director:</b>		
Salary and fees, taxable benefits and incentive	418	444
Long-term incentive plan	—	30
Pension contributions	44	43
	<b>462</b>	517

## 8. Auditors' remuneration

	2023 £'000	2022 £'000
<b>Fees payable to the Group's auditors for the audit of the Group's annual accounts</b>		
The audit of the Company's subsidiaries	48	45
Total audit related fees	<b>243</b>	230

The audit fee for the Company was £3,000 (2022: £3,000).

Fees payable to Mazars LLP and their associates for non-audit services to the Company are £nil (2022: £nil). There were no non-audit services provided on a consolidated basis in 2023 (2022: £nil).



## Notes to the Financial Statements continued

## 9. Interest income

	2023 £'000	2022 £'000
Bank deposits	—	5
Net interest income on pension scheme asset (note 31)	23	24
	<b>23</b>	29

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

## 10. Finance costs

	2023 £'000	2022 £'000
Interest expense	1,568	686
Interest on lease liabilities	245	270
	<b>1,813</b>	956

Interest expense is recognised on a payable/effective interest rate basis.

## 11. Taxation on profit on ordinary activities

	2023 £'000	2022 £'000
<b>Current taxation</b>		
United Kingdom corporation tax rate at 23.5% (2022: 19%)	109	175
Overseas taxation	160	286
	<b>269</b>	461
<b>Deferred taxation</b>		
Origination and reversal of temporary differences	(422)	723
Pension scheme	81	231
	<b>(341)</b>	954
Tax (credit)/charge to income statement	<b>(72)</b>	1,415

United Kingdom corporation tax is calculated at 23.5% (2022: 19%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The actual tax charge for the current and the previous year differs from the standard rate for the reasons set out in the following reconciliation:

	2023 £'000	2022 £'000
(Loss)/profit on ordinary activities before taxation	<b>(8,528)</b>	6,970
Tax on (loss)/profit on ordinary activities at standard rate of 23.5% (2022: 19%)	<b>(2,004)</b>	1,324
<i>Factors affecting charge for the year:</i>		
Net effect of expenses not deductible and other adjustments	<b>(868)</b>	(56)
Non-deductible impairment charge	<b>2,554</b>	—
Foreign tax charged at higher rates than UK standard rate	<b>14</b>	114
Adjustments in respect of prior periods	<b>232</b>	(206)
Deferred tax rate change	—	239
Total tax on (loss)/profit on ordinary activities	<b>(72)</b>	1,415

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



## 12. Dividends paid

	2023 £'000	2022 £'000
Final dividend of 12.00p per share paid in respect of the year ended 31 December 2022 (2022: final dividend of 13.00p per share paid in respect of the year ended 31 December 2021)	1,651	1,788
Interim dividend of 3.50p per share paid in respect of the year ended 31 December 2023 (2022: interim dividend of 3.50p per share paid in respect of the year ended 31 December 2022)	482	481
Total dividends paid in the year	2,133	2,269

The Directors recommend that a final dividend for 2023 of 2.00p (2022: 12.00p) per ordinary share be paid. The final dividend will be paid, subject to shareholder approval, on 31 May 2024, to shareholders on the register at the close of business on 26 April 2024. This dividend has not been included as a liability in these financial statements. The total dividend paid and proposed for the year is 5.50p per share (2022: 15.50p).

## 13. Earnings per share

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

	2023			2022		
	Earnings £'000	Weighted average number of shares	Earnings per share (p)	Earnings £'000	Weighted average number of shares	Earnings per share (p)
Basic earnings per share	(8,456)	13,759,282	(61.46)	5,555	13,753,233	40.39
<i>Effect of dilutive securities:</i>						
– employee share options	—	10,566	—	—	14,773	—
Diluted earnings per share	(8,456)	13,769,848	(61.41)	5,555	13,768,006	40.35

The calculation of basic and diluted headline earnings per share adjusted for exceptional items and associated tax benefits is based on the following data:

	2023			2022		
	Earnings £'000	Weighted average number of shares	Earnings per share (p)	Earnings £'000	Weighted average number of shares	Earnings per share (p)
Basic earnings per share	2,939	13,759,282	21.36	6,407	13,753,233	46.59
<i>Effect of dilutive securities:</i>						
– employee share options	—	10,566	—	—	14,773	—
Diluted earnings per share	2,939	13,769,848	21.34	6,407	13,768,006	46.54

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

	2023 £'000	2022 £'000
(Loss)/profit for the year attributable to equity holders	(8,456)	5,555
Add back/(deduct):		
Exceptional items	11,561	1,034
Tax effect of exceptional items	(166)	(182)
Headline earnings	2,939	6,407

## 14. Goodwill

	Total £'000
Cost at 1 January 2022	8,978
Additions	438
Cost at 31 December 2022	9,416
Impairment	(7,667)
<b>Net book value at 31 December 2023</b>	<b>1,749</b>

Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating units, or group of units that are expected to benefit from that business combination.

The Group tests annually for impairment, or more frequently if there are indications that goodwill might be impaired. Goodwill has been tested for impairment during the year.



## Notes to the Financial Statements continued

**14. Goodwill continued**

Goodwill includes £nil (2022: £7,667,000) relating to Wax Lyrical and AromaWorks and £1,749,000 (2022: £1,749,000) relating to the Portmeirion North American division.

The recoverable amounts of the cash-generating units are determined from value in use calculations. The assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the year. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the cash-generating unit (CGU). Future growth rates and expected changes to selling prices and direct costs are estimated based upon historical and anticipated trading performance.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management and projects these cash flows by 5 years and then into perpetuity at a growth rate that is appropriate for the CGU, and does not exceed the long-term growth rate of the relevant markets. The cash flows are discounted using the post-tax WACC, which is calculated for each CGU.

The Group assessed both CGUs to which goodwill is allocated for impairment. These are the North American division and the Home Fragrance division. For the North American division, a value in use was calculated using a post-tax WACC of 11.1% and a pre-tax rate of 14.7%. The value in use calculated provided significant headroom over the carrying amount of the associated assets, which remained significant in the event of a 10% net cash flow shortfall. The WACC and growth rate are not deemed to be key assumptions as a similar sensitivity variance would not result in a significant impact to the value in use.

Following an impairment review of the Home Fragrance division (consisting of Wax Lyrical and AromaWorks), it was found that the carrying amount of the associated goodwill and other fixed assets exceeded the value in use of the division. The indication of an impairment was the division's failure to return to pre-pandemic levels of profitability. As a result, an impairment charge has been recognised against these associated fixed assets. The post-tax WACC used to discount the forecast cash flows is 17.5%. The pre-tax WACC is 24.2%.

The reportable segment to which the Home Fragrance division belongs is the UK segment.

The Directors performed sensitivity analysis on the estimated value in use by assuming a net cash flow shortfall of 10%. Such a scenario would result in a decline of value in use by £244,000. The WACC and growth rate are not deemed to be key assumptions as a similar sensitivity variance would not result in a significant impact to the value in use.

**15. Intangible assets**

	Computer software £'000	Customer lists £'000	Intellectual property £'000	Total £'000
<b>Cost</b>				
At 1 January 2022	2,475	2,070	8,734	13,279
Additions	1,933	—	—	1,933
Disposals	(563)	—	—	(563)
Acquired on acquisition	—	—	309	309
Exchange rate adjustments	13	—	270	283
At 1 January 2023	3,858	2,070	9,313	15,241
Additions	1,585	—	—	1,585
Exchange rate adjustments	(57)	—	(137)	(194)
<b>At 31 December 2023</b>	<b>5,386</b>	<b>2,070</b>	<b>9,176</b>	<b>16,632</b>
<b>Amortisation</b>				
At 1 January 2022	1,169	1,173	3,811	6,153
Charge for the year	346	207	260	813
Disposals	(333)	—	—	(333)
Exchange rate adjustments	1	—	26	27
At 1 January 2023	1,183	1,380	4,097	6,660
Charge for the year	386	207	291	884
Impairment	79	274	1,239	1,592
Exchange rate adjustments	(2)	—	(13)	(15)
<b>At 31 December 2023</b>	<b>1,646</b>	<b>1,861</b>	<b>5,614</b>	<b>9,121</b>
<b>Net book value</b>				
<b>At 31 December 2023</b>	<b>3,740</b>	<b>209</b>	<b>3,562</b>	<b>7,511</b>
At 31 December 2022	2,675	690	5,216	8,581





## 15. Intangible assets continued

Included within intellectual property are the rights to certain intellectual property and the trade names of Spode and Royal Worcester (purchased in April 2009), the intellectual property recognised at fair value on the acquisition of Wax Lyrical (purchased in May 2016), the intellectual property of Nambé (purchased July 2019) and the AromaWorks trademark (purchased August 2022).

Customer lists includes the amounts recognised at fair value on the acquisition of Wax Lyrical (purchased in May 2016).

At the year end the Spode and Royal Worcester intellectual property had a carrying value of £564,000 (2022: £564,000). There is no amortisation as the trade name has been classified as having an indefinite life.

At the year end the Wax Lyrical intellectual property had a carrying value of £824,000 (2022: £2,165,000) and the customer lists had a carrying value of £209,000 (2022: £690,000). The remaining amortisation periods are seven years four months and two years four months respectively.

At the year end the Nambé intellectual property had a carrying value of £2,054,000 (2022: £2,178,000). There is no amortisation as the trade name has been classified as having an indefinite life. The movement relates to year end exchange rate translation. Nambé is part of the North America CGU and the Group has conducted an impairment review annually to confirm this indefinite life intangible asset does not require impairment.

At the year end the AromaWorks intellectual property had a carrying value of £120,000 (2022: £309,000). The remaining amortisation period is nine years.

An impairment charge was recognised against the Home Fragrance division. This is explained further in note 14.

## 16. Property, plant and equipment

	Land and buildings			Plant and vehicles £'000	Total £'000
	Freehold £'000	Long leasehold £'000	Leasehold improvements £'000		
<b>Cost</b>					
At 1 January 2022	4,314	3,874	3,299	22,156	33,643
Additions	—	—	284	3,809	4,093
Disposals	—	—	—	(672)	(672)
Exchange rate adjustments	26	—	151	290	467
At 1 January 2023	4,340	3,874	3,734	25,583	37,531
Additions	2	—	73	1,265	1,340
Disposals	—	—	—	(203)	(203)
Exchange rate adjustments	(7)	—	(82)	(147)	(236)
<b>At 31 December 2023</b>	<b>4,335</b>	<b>3,874</b>	<b>3,725</b>	<b>26,498</b>	<b>38,432</b>
<b>Depreciation</b>					
At 1 January 2022	2,386	429	1,287	15,143	19,245
Charge for the year	147	48	207	1,408	1,810
On disposals	—	—	—	(651)	(651)
Exchange rate adjustments	12	—	96	177	285
At 1 January 2023	2,545	477	1,590	16,077	20,689
Charge for the year	132	51	234	1,042	1,459
Impairment	—	—	479	1,129	1,608
On disposals	—	—	—	(203)	(203)
Exchange rate adjustments	(1)	—	(50)	(90)	(141)
<b>At 31 December 2023</b>	<b>2,676</b>	<b>528</b>	<b>2,253</b>	<b>17,955</b>	<b>23,412</b>
<b>Net book value</b>					
<b>At 31 December 2023</b>	<b>1,659</b>	<b>3,346</b>	<b>1,472</b>	<b>8,543</b>	<b>15,020</b>
At 31 December 2022	1,795	3,397	2,144	9,506	16,842

The Long Leasehold property has a peppercorn rent where the lease premium was paid in total on completion of the purchase. At 31 December 2023, there are 132 years remaining on the lease. At 31 December 2023, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £407,000 (2022: £915,000).

An impairment charge was recognised against the Home Fragrance division. This is explained further in note 14.



## Notes to the Financial Statements continued

## 17. Right-of-use assets

	Land & buildings £'000	Other £'000	Total £'000
<b>Cost</b>			
At 1 January 2022	10,250	604	10,854
Additions	1,151	313	1,464
Disposals	(1,840)	(85)	(1,925)
Exchange rate adjustments	608	6	614
At 1 January 2023	10,169	838	11,007
Additions	208	267	475
Remeasurement of leases	3,248	—	3,248
Disposals	(171)	(170)	(341)
Exchange rate adjustments	(390)	(2)	(392)
<b>At 31 December 2023</b>	<b>13,064</b>	<b>933</b>	<b>13,997</b>
<b>Depreciation</b>			
At 1 January 2022	4,169	276	4,445
Charge for the year	1,697	184	1,881
Disposals	(1,514)	(75)	(1,589)
Exchange rate adjustments	398	3	401
At 1 January 2023	4,750	388	5,138
Charge for the year	1,807	251	2,058
Disposals	(171)	(166)	(337)
Exchange rate adjustments	(153)	(34)	(187)
<b>At 31 December 2023</b>	<b>6,233</b>	<b>439</b>	<b>6,672</b>
<b>Net book value</b>			
<b>At 31 December 2023</b>	<b>6,831</b>	<b>494</b>	<b>7,325</b>
At 31 December 2022	5,419	450	5,869

The Group leases land and buildings for its offices, warehouses and retail outlets under agreements of between five to one hundred years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated. The Group also leases plant and equipment under agreements of between three to seven years.

## 18. Investment in subsidiaries

Company investment in subsidiary undertakings:

	2023 £'000	2022 £'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
<b>Capital contributions made to subsidiary undertakings:</b>		
Portmeirion Group UK Limited	10,146	10,146
	<b>11,601</b>	11,601

No interest is charged on these capital contributions.



## 18. Investment in subsidiaries continued

At 31 December 2023 the Company had the following subsidiary undertakings:

	Country of operation and incorporation	Legal/registered address	Nature of business
<b>Subsidiary undertakings</b>			
Portmeirion Group UK Limited	England and Wales	London Road, Stoke-on-Trent ST4 7QQ	Ceramic manufacturer, marketing and distribution of homeware
Portmeirion Group USA, Inc. <sup>(1)</sup>	USA	105 Progress Lane, Waterbury, Connecticut, USA 06705	Marketing and distribution of homeware
Portmeirion Group Designs, LLC <sup>(2)</sup>	USA	105 Progress Lane, Waterbury, Connecticut, USA 06705	Online marketing and distribution of homeware
Nambé LLC <sup>(2)</sup>	USA	810 Calle Mejia Ste 103 Santa Fe, NM, 87501-1581	Design, marketing and distribution of homeware
Portmeirion Group Hong Kong Limited <sup>(1)</sup>	Hong Kong	Unit B, 17/F, United Centre, 95 Queensway, Admiralty, Hong Kong	Intermediate holding company
Portmeirion (Shenzhen) Trading Company Limited <sup>(3)</sup>	China	Room A807, Block A, Lianhe Plaza, Futian District, Shenzhen, People's Republic of China	Marketing and distribution of homeware
Wax Lyrical Limited <sup>(1)</sup>	England and Wales	Lindal-in-Furness, Ulverston, Cumbria LA12 0LD	Manufacture, marketing and distribution of home fragrances
Colony Deutschland GmbH <sup>(4)</sup>	Germany	Karlsplatz 3, 80335 München, Germany	Marketing and distribution of homeware
Portmeirion Canada Inc. <sup>(1)</sup>	Canada	20 Voyager Court South, Rexdale, Etobicoke, Toronto, Ontario, Canada	Marketing and distribution of homeware

The companies are incorporated in England and Wales and registered in England and Wales except where stated. The share capital of all subsidiary undertakings consists solely of ordinary shares. The Company holds 100% of the share capital of all subsidiaries.

At 31 December 2023 the Group had the following branches:

Branch office	Country of operation	Legal/registered address	Nature of business
Portmeirion Group UK Limited, Korea Liaison Office	South Korea	8F VPLEX, 501 Teheran-ro, Gangnam-gu, Seoul, South Korea, 06168	Branch liaison office for marketing and employment
Portmeirion Group UK Limited (DMCC Branch)	Dubai	Unit No: 1203, DMCC Business Centre, Level No 1, Jewellery & Gemplex 3, Dubai, United Arab Emirates	Branch liaison office for marketing and employment

Notes:

- (1) Wholly owned by Portmeirion Group UK Limited.
- (2) Wholly owned by Portmeirion Group USA, Inc.
- (3) Wholly owned by Portmeirion Group Hong Kong Limited.
- (4) Wholly owned by Wax Lyrical Limited.

## 19. Inventories

### Group

	2023 £'000	2022 £'000
Raw materials and other consumables	5,221	4,369
Work in progress	937	1,021
Finished goods	29,798	35,727
	<b>35,956</b>	41,117



## Notes to the Financial Statements continued

## 20. Trade and other receivables

Group	2023 £'000	2022 £'000
Amounts receivable for the sale of goods	17,095	17,290
Allowance for expected credit loss provision	(259)	(212)
Trade receivables	16,836	17,078
Other receivables	201	163
Prepayments and accrued income	2,016	2,646
	19,053	19,887

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. During the year no interest was charged on trade receivables.

Included in the Group's trade receivable balance are receivables with a carrying amount of £1,947,000 (2022: £1,263,000) 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 66 days (2022: 57 days).

In determining the recoverability of a trade receivable the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the Directors believe that there is no further credit provision required in excess of the allowance for expected credit loss provision.

Movement in the allowance for doubtful debts	2023 £'000	2022 £'000
Balance at the beginning of the year	212	292
Impairment losses recognised	212	169
Amounts written off as uncollectable	(165)	(249)
Balance at the end of the year	259	212

## Company

	2023 £'000	2022 £'000
Amounts owed by subsidiary undertakings	14,775	14,947

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

Amounts owed by subsidiary undertakings are deemed to be recoverable in full because the subsidiary has sufficient liquid resources. An assessment based on the expected credit loss basis has been performed and no impairment loss provision has been recognised. There is no due date and the amount is repayable on demand.

## 21. Cash and cash equivalents

Group	2023 £'000	2022 £'000
Cash and cash equivalents	888	1,681

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



## 22. Trade and other payables

### Group

	2023 £'000	2022 £'000
Trade payables and accruals	12,092	15,131
Other taxation and social security	1,053	744
Other payables	715	594
	<b>13,860</b>	16,469

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 49 days (2022: 54 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.

## 23. Lease liabilities

### Group

	2023 £'000	2022 £'000
Less than 1 month	171	141
1 – 3 months	342	283
Over 3 months	1,459	1,272
Total lease liability less than one year	1,972	1,696
Total lease liability 1 – 5 years	5,509	3,852
Total lease liability 5 – 10 years	5	473
Total lease liability greater than ten years	326	329
	<b>7,812</b>	6,350

## 24. Borrowings

The Group has four facilities:

- A £5,000,000 overdraft facility available until September 2024. Interest is calculated on the gross borrowing and is payable on amounts owing in each account at 2.50% per annum, plus bank base rate.
- A £10,000,000 loan facility repayable in equal quarterly instalments, followed by a final instalment on 12 January 2025. Interest is payable at an average 1.90% above three-month SONIA. At the year end the outstanding balance was £3,000,000 which net of deferred facility fee costs of £17,000 left the balance sheet value of £2,983,000.
- A £10,000,000 revolving credit facility available until February 2025. Interest is payable at 2.60% above three-month SONIA. Subsequent to the year end Lloyds extended the revolving credit facility agreement to September 2025 with a 1+1 annual renewal extension option (at their discretion) to extend to September 2026 and then September 2027.
- A £7,500,000 general export finance facility which is available until September 2024. Interest is calculated on the gross borrowing and is payable on amounts owing in each account at 2.00% per annum, plus bank base rate.

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

The Group and Company have given a guarantee of up to \$900,000 to the landlord of the premises of Portmeirion Group USA, Inc. located in Connecticut, USA. The fair value of the guarantee is immaterial.

As at 31 December 2023 total borrowings were as follows:

	2023 £'000	2022 £'000
Overdraft	—	553
Loan facility	2,983	4,967
Revolving credit facility	3,500	—
General export finance facility	2,325	6,250
	<b>8,808</b>	11,770

£983,000 (2022: £2,981,000) of the loan facility is payable in more than one year from the balance sheet date.



## Notes to the Financial Statements continued

## 25. Deferred tax

## Group

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior reporting years:

	Accelerated tax depreciation £'000	Retirement benefit obligations £'000	Share-based payment £'000	Capital gain rolled over £'000	Other temporary differences £'000	Temporary difference acquired intangibles £'000	Total £'000
At 1 January 2022	(1,755)	(228)	(48)	(282)	534	(830)	(2,609)
(Charge)/credit to income	(630)	(231)	17	—	(226)	116	(954)
Credit to equity	—	—	30	—	—	—	30
Credit to other comprehensive income	—	380	—	—	—	—	380
Acquired on acquisition of Aromaworks	—	—	—	—	—	(77)	(77)
At 1 January 2023	(2,385)	(79)	(1)	(282)	308	(791)	(3,230)
Credit/(charge) to income	(241)	(81)	(4)	—	171	496	341
Charge to other comprehensive income	—	(126)	—	—	—	—	(126)
<b>At 31 December 2023</b>	<b>(2,626)</b>	<b>(286)</b>	<b>(5)</b>	<b>(282)</b>	<b>479</b>	<b>(295)</b>	<b>(3,015)</b>

Deferred tax assets and liabilities are offset where the Group has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2023 £'000	2022 £'000
Deferred tax liability	(3,015)	(3,230)
Deferred tax asset	—	—
	<b>(3,015)</b>	(3,230)

At the balance sheet date, the Group had £119,000 of unused tax trading losses (2022: £nil) available for offset against future profits. This has been recognised as a deferred tax asset.

## 26. Share capital

	2023		2022	
	Number '000	£'000	Number '000	£'000
Allotted, called up and fully paid share capital:				
– ordinary shares of 5p each	14,204	710	14,204	710

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

There were no shares issued during the year (2022: none).



## 26. Share capital continued

Equity-settled share options and cash-settled share options granted to Directors and employees (note 33) and still outstanding at 31 December 2023 were as follows:

	Number of shares	Exercise price per share (p)	Dates on which exercisable	
			Earliest	Latest
2012 Approved Plan	66,104	632.5	26.03.2024	24.03.2031
2012 Unapproved Plan	208,396	632.5	26.03.2024	24.03.2031
2012 Approved Plan	9,934	570.0	26.04.2025	24.04.2032
2012 Unapproved Plan	218,066	570.0	26.04.2025	24.04.2032
Portmeirion Group Phantom Option Plan	32,500	570.0	26.04.2025	24.04.2027
2022 Approved Plan	55,636	469.0	03.05.2026	01.05.2033
2022 Unapproved Plan	267,364	469.0	03.05.2026	01.05.2033
Portmeirion Group Phantom Option Plan	60,000	469.0	03.05.2026	01.05.2028
2018 Deferred Incentive Plan	27,649	—	26.04.2025	24.07.2025
2018 Deferred Incentive Plan	13,912	—	03.05.2026	01.08.2026

Equity-settled share options and cash-settled share options granted to Directors and employees (note 33) and still outstanding at 31 December 2022 were as follows:

	Number of shares	Exercise price per share (p)	Dates on which exercisable	
			Earliest	Latest
Portmeirion Group Phantom Option Plan	33,000	446.0	05.05.2023	03.05.2030
2012 Approved Plan	48,616	446.0	05.05.2023	03.05.2030
2012 Unapproved Plan	105,884	446.0	05.05.2023	03.05.2030
2012 Approved Plan	77,319	632.5	26.03.2024	24.03.2031
2012 Unapproved Plan	227,181	632.5	26.03.2024	24.03.2031
Portmeirion Group Phantom Option Plan	42,500	570.0	26.04.2025	24.04.2027
2012 Approved Plan	13,934	570.0	26.04.2025	24.04.2032
2012 Unapproved Plan	245,066	570.0	26.04.2025	24.04.2032
2018 Deferred Incentive Plan	27,649	—	26.04.2025	24.07.2025

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

## 27. Own shares

	2023 £'000	2022 £'000
<b>Treasury shares</b>		
At 1 January	393	409
Shares issued under employee share schemes	—	(16)
<b>At 31 December</b>	<b>393</b>	393
<b>ESOP shares</b>		
At 1 January	2,715	2,715
Shares issued under employee share schemes	—	—
At 31 December	2,715	2,715
<b>Total at 31 December</b>	<b>3,108</b>	3,108

The Group currently holds 210,282 (2022: 210,282) ordinary shares of 5p each in treasury.

The ESOP share reserve represents the cost of shares in Portmeirion Group PLC purchased in the market and held by the Portmeirion Employees' Share Trust to satisfy options under the Group's share option schemes (note 33). The number of ordinary shares held by the Portmeirion Employees' Share Trust at 31 December 2023 was 234,523 (2022: 234,523).



## Notes to the Financial Statements continued

## 28. Notes to the statements of cash flows

Group	1 January 2023	Financing <sup>(1)</sup> cash flows	Other <sup>(2)</sup> changes	31 December 2023
Current borrowings	8,789	(2,135)	1,171	7,825
Non-current borrowings	2,981	(2,297)	299	983
Lease liabilities	6,350	(2,283)	3,745	7,812
<b>Total liabilities from financing activities</b>	<b>18,120</b>	<b>(6,715)</b>	<b>5,215</b>	<b>16,620</b>

	1 January 2022	Financing <sup>(1)</sup> cash flows	Other <sup>(2)</sup> changes	31 December 2022
Current borrowings	1,986	6,291	512	8,789
Non-current borrowings	4,965	(2,174)	190	2,981
Lease liabilities	6,814	(1,864)	1,400	6,350
<b>Total liabilities from financing activities</b>	<b>13,765</b>	<b>2,253</b>	<b>2,102</b>	<b>18,120</b>

Notes:

- (1) The cash flows make up the net amount of repayments of borrowings in the cash flow statement, plus interest payments in operating cash flows.  
(2) Other changes are the amortisation of upfront facility fees, interest accrued, new leases and translation adjustments.

## 29. Contingent liabilities

The Group and the Company have provided a guarantee to the Trustees of the UK defined benefit pension scheme which guarantees all present and future obligations and liabilities up to a maximum amount equal to the entire aggregate liability.

## 30. Related party transactions

Transactions between the Group and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its subsidiaries are disclosed below.

## Group

Transactions with Directors/Officers relate to the Company's grant of share options. On 2 May 2023, under The Portmeirion Group 2022 Approved and Unapproved Share Option Plan, when 50,000, 35,000, 35,000, 35,000 and 15,000 share options awards were granted to M Raybould, M Knapper, W Robedee, D Sproston and M MacDonald respectively at an option price of £4.69 per share when the market price was £4.69 per share.

In addition, on 2 May 2023, under The Portmeirion Group 2018 Deferred Incentive Share Option Plan, 5,275, 2,686, 3,864 and 2,087 share option awards were granted to M Raybould, M Knapper, W Robedee and D Sproston respectively at a total exercise price of £1 per individual when the market price was £4.69 per share.

Several of the Directors made purchases of goods from the Group during the year on the same terms as those available to all employees. Total purchases did not exceed £3,000 for any Director in the year or in the prior year.

No Director of the Company had a financial interest in any material contract, other than those for service, to which the Company was a party during the financial year.

The key management personnel of the Group are considered to be the Directors, the remuneration of whom is set out in note 7 on page 83.

## Company

During 2023 net transactions totalling £2,125,000 were credited (2022: £624,000 credited) to the intercompany account with the Company's subsidiary, Portmeirion Group UK Limited. These transactions represented payments made on behalf of the Company by Portmeirion Group UK Limited and a credit relating to share-based payments.

During the year there were no changes in the Portmeirion Employees' Share Trust (2022: £nil). The purpose of the loan is for acquiring shares to satisfy Group share option exercises (note 33). The total outstanding loan is now £2,715,000 (2022: £2,715,000). The ESOP share reserve is disclosed in note 27.

The outstanding balances with subsidiary undertakings at 31 December 2023 and 31 December 2022 are shown in note 20.





### 31. Pensions

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

The total cost charged to income of £1,398,000 (2022: £1,319,000) represents contributions payable to these schemes by the Group at rates specified in the rules of the schemes.

The UK defined benefit scheme was frozen, i.e. closed to new entrants and for future accrual of benefits, at 5 April 1999. Following the decision for the scheme to be frozen, formal notice was given to employees in January 1999. A defined contribution pension scheme commenced on 6 April 1999 for all eligible UK employees. This scheme was closed on 31 October 2002 and was replaced by a group stakeholder pension plan. Membership in this scheme was transferred to a group personal pension plan during 2013.

All equity and debt instruments (excluding insured pensions) have quoted prices in active markets.

#### Investment risk

The present value of the defined benefit liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan assets is below this rate, it will increase the scheme deficit.

#### Interest risk

A decrease in the bond interest rate will increase the scheme liability.

#### Longevity risk

The present value of the defined benefit scheme liability is calculated by reference to the best estimate of the mortality of the scheme participants both during and after their employment. An increase in the life expectancy of the scheme participants will increase the scheme's liability.

#### Salary risk

The present value of the defined benefit scheme liability is calculated by reference to the salary of scheme participants at the point the scheme was closed. As such, only inflationary increases in the salary of scheme participants will increase the scheme's liability.

#### Valuation and assumptions

For the defined benefit scheme, the most recent triennial valuation was at 5 April 2020. The main actuarial assumptions used in the valuation were:

- RPI for current pensioners of 3.00% per annum;
- RPI for future pensioners of 3.00% per annum;
- CPI of 2.40% per annum;
- pre-retirement valuation rate of interest of 2.10% per annum;
- post-retirement valuation rate of interest for current pensioners of 1.10% per annum;
- post-retirement valuation rate of interest for future pensioners of 1.10% per annum; and
- mortality experience based upon S2PA tables with projections based on year of birth with a long-term rate of improvement of 1.25% per annum.

At the date of the last valuation on 5 April 2020 the market value of the scheme assets was £35,596,000 and the scheme had a deficiency of £8,273,000. However, an additional valuation was carried out at 31 May 2021 due to changes in scheme assumptions and revealed a deficiency of £1,300,000.

The actuarial valuation of the scheme was updated at 31 December 2023 in accordance with IAS 19 by qualified actuaries based upon draft valuation results at 5 April 2023.



## Notes to the Financial Statements continued

**31. Pensions** continued**Valuation and assumptions** continued

The major assumptions used by the actuaries were:

	2023	2022
Rate of increase of pensions in payment:		
– Post 06.04.88 GMP	2.90%	3.00%
– Post 06.04.97 pension	2.90%	3.00%
– Rate of revaluation of pensions in deferment	2.25%	2.35%
Rate used to discount scheme liabilities	4.50%	4.90%
Inflation assumption:		
– RPI	3.05%	3.15%
– CPI	2.25%	2.35%
Life expectancy at 65 for a member:		
– Currently aged 65 – male	21.0	21.5
– Currently aged 45 – male	22.3	22.8
– Currently aged 65 – female	23.4	23.8
– Currently aged 45 – female	24.9	25.3

**Sensitivity analysis**

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate, expected inflation increases and life expectancy. The sensitivity analysis below has been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

If the discount rate is 0.25% lower, the defined benefit obligation would increase by £784,000 (2022: £786,000).

If inflation and related assumptions increased by 0.25%, the defined benefit obligation would increase by £154,000 (2022: £175,000).

If life expectancy increased by one year for both men and women, the defined benefit obligation would increase by £942,000 (2022: £1,295,000).

The sensitivity analysis presented may not be representative of the actual change in the defined benefit obligation as it is unlikely that the changes in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

In presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the balance sheet.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

**Analysis of scheme assets and liabilities**

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

	2023 Fair value £'000	2022 Fair value £'000
<b>Scheme assets</b>		
Equities	6,813	5,828
Bonds	7,350	6,691
Diversified growth funds	4,480	4,528
Liability driven investments	5,553	6,376
Insured pensions	2,387	2,730
Cash	241	67
<b>Total fair value of assets</b>	<b>26,824</b>	26,220
<b>Present value of defined benefit obligations</b>	<b>(25,680)</b>	(25,903)
<b>Asset in the scheme</b>	<b>1,144</b>	317



### 31. Pensions continued

#### Analysis of the amount included in the income statement

	2023 £'000	2022 £'000
Interest on pension scheme assets	1,263	730
Interest on pension scheme liabilities	(1,240)	(706)
<b>Amount credited to interest income</b>	<b>23</b>	24

#### Amounts recognised in the consolidated statement of comprehensive income

	2023 £'000	2022 £'000
Return on plan assets (excluding amounts included in net interest expense)	245	(14,984)
Actuarial gains and losses arising from changes in financial assumptions	(1,247)	13,956
Actuarial gains and losses arising from changes in demographic assumptions	543	(5)
Actuarial gains and losses arising from experience adjustments	963	(484)
<b>Remeasurement of the net defined benefit pension scheme liability</b>	<b>504</b>	(1,517)

The cumulative amount of actuarial gains and losses recognised in the consolidated statement of comprehensive income since adoption of IFRS is a loss of £8,475,000 (2022: £8,979,000).

#### Analysis of movements in scheme assets and liabilities

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

	2023 £'000	2022 £'000
At 1 January	25,903	39,696
Interest cost	1,240	706
Remeasurements (financial assumptions)	1,247	(13,956)
Remeasurements (demographic assumptions)	(543)	5
Remeasurements (experience adjustments)	(963)	484
Benefits paid	(1,204)	(1,032)
At 31 December	25,680	25,903

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

	2023 £'000	2022 £'000
At 1 January	26,220	40,606
Interest on assets	1,263	730
Remeasurement of assets	245	(14,984)
Contributions by the employer	300	900
Benefits paid	(1,204)	(1,032)
At 31 December	26,824	26,220



## Notes to the Financial Statements continued

### 31. Pensions continued

#### Pension contributions

The estimated amount of contributions expected to be paid to the scheme during the next financial year is £nil (2023: £300,000). The Group is not currently contracted to make further contributions to the scheme.

The average duration of the defined benefit obligation at the end of the reporting period is 17 years.

The asset has been recognised in full as the economic benefits of the scheme will be available as a refund, following the gradual settlement of the scheme liabilities over time as members leave the scheme.

At 31 December 2023, contributions of £178,000 (2022: £148,000) 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 £4,000 (2022: £102,000) at 31 December 2023.

### 32. Financial instruments

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2.

#### Financial risk management objectives

##### Capital management

The Group and the Company manage their capital to ensure that all entities in the Group will be able to continue as a going concern while maximising the return to stakeholders. The Group's overall strategy remains unchanged from 2022.

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

The Group is not subject to any externally imposed capital requirements. The Group Board reviews the capital structure at each Board meeting and considers the cost of capital and the risks associated with each class of capital.

##### Credit risk

The Group's principal financial assets are cash, short-term deposits and trade receivables. The Group's policy is to place funds on short-term deposit with highly rated institutions. Accounts receivable are monitored closely and provisions are made for expected credit loss where appropriate. The creditworthiness of customers is assessed prior to opening new accounts and on a regular basis for significant customers. The assessment of credit quality of trade receivables is outlined in note 20.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics that is not covered by credit insurance.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Group and Company's maximum exposure to credit risk.

##### Interest rate risk management and sensitivity analysis

The Group is exposed to interest rate risk because entities in the Group borrow funds at both fixed and floating interest rates as disclosed in note 24. The risk is managed by maintaining an appropriate mix between fixed and floating rate borrowings, and could further be mitigated by the use of interest rate swap contracts and forward interest rate contracts if deemed appropriate. If interest rates had been 1% higher and all the other variables were held constant, the Group's profit for the year ended 31 December 2023 would decrease by £169,000 (2022: £138,000).

##### Foreign currency risk management

The Group has exposure to foreign currency risk arising from its net investments in and cash flows from overseas subsidiaries. Its policy in managing this risk is to maintain appropriate levels of net assets in the overseas companies and utilise foreign currency forward contracts. The most significant risk of exposure to foreign currency arises from the US dollar sales made by Portmeirion UK to Portmeirion North America. The Group's net exposure to US dollar cash flows for the coming year is not expected to be significant. At the year end the Group had in place an average rate option in US dollars to manage the risk arising from the retranslation of profit made in the United States, and subsequent to the year end the Group placed a forward contract for US dollars.

The Group enters into derivative transactions only to manage exposure arising from its underlying businesses. No speculative derivative contracts are entered into.

The Group undertakes certain trading transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts when considered appropriate. Open derivative positions at the year end are not material.



## 32. Financial instruments continued

### Financial risk management objectives continued

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

	Liabilities		Assets	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Euro	51	627	239	467
US dollar	3,985	5,495	8,111	10,116

### Foreign currency sensitivity analysis

The Group is mainly exposed to the currencies of euro and US dollar.

The following table details the Group's sensitivity to a 10% increase and decrease in sterling against the relevant foreign currencies. 10% is the sensitivity rate which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 10% change in foreign currency rates. A negative number below indicates a decrease in profit where sterling strengthens 10% against the relevant currency. For a 10% weakening of sterling against the relevant currency, there would be an equal and opposite impact on profit.

	Euro impact		US dollar impact	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
(Loss)/profit	(19)	15	(17)	(114)

### Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and banking facilities, monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

### Liquidity and interest risk tables

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

	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
<b>At 31 December 2023</b>						
Financial assets	0.50	16,327	1,397	—	—	17,724
Other assets	—	—	—	—	69,778	69,778
Pension scheme asset	—	—	—	—	1,144	1,144
<b>Total assets</b>		<b>16,327</b>	<b>1,397</b>	<b>—</b>	<b>70,922</b>	<b>88,646</b>
Financial liabilities	—	(12,159)	—	(648)	—	(12,807)
Borrowings	7.25	(500)	—	(8,308)	—	(8,808)
Other liabilities	—	(1,039)	(527)	(7,460)	(3,015)	(12,041)
<b>Total liabilities</b>		<b>(13,698)</b>	<b>(527)</b>	<b>(16,416)</b>	<b>(3,015)</b>	<b>(33,656)</b>
<b>Cumulative gap</b>		<b>2,629</b>	<b>3,499</b>	<b>(12,917)</b>	<b>—</b>	<b>—</b>



## Notes to the Financial Statements continued

## 32. Financial instruments continued

## Liquidity and interest risk tables continued

At 31 December 2022	Weighted average effective interest rate %	Less than 1 month £'000	1-3 months £'000	Over 3 months £'000	Non-financial assets/ (liabilities) £'000	Total £'000
Financial assets	0.50	17,769	990	—	—	18,759
Other assets	—	—	—	—	85,426	85,426
Pension scheme assets	—	—	—	—	317	317
<b>Total assets</b>		17,769	990	—	85,743	104,502
Financial liabilities	—	(15,028)	(683)	(14)	—	(15,725)
Borrowings	4.00	(500)	—	(11,270)	—	(11,770)
Other liabilities	—	(590)	(578)	(5,926)	(3,230)	(10,324)
<b>Total liabilities and shareholders' funds</b>		(16,118)	(1,261)	(17,210)	(3,230)	(37,819)
<b>Cumulative gap</b>		1,651	1,380	(15,830)	—	—

Categories of financial instruments	2023 £'000	2022 £'000
Financial assets:		
Cash and cash equivalents	888	1,681
Loans and receivables	16,836	17,078
	<b>17,724</b>	18,759
Financial liabilities:		
Amortised cost*	21,615	27,495

\*Amortised cost includes Financial Liabilities and Borrowings as disclosed in the Liquidity and interest risk tables.

## 33. Share-based payments

## Equity-settled share option schemes

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

The Group recognised a credit of £82,000 in 2023 and an expense of £91,000 in 2022. The Company recharged this credit/expenditure to Portmeirion Group UK Limited.

## a) The Portmeirion Group 2018 Deferred Incentive Share Option Plan (LTIP)

Options are granted to Executive Directors in a year over shares with a market value not exceeding 50% of the gross incentive earned by the relevant Director in respect of the previous financial year. Options are exercisable at £1 per individual as the total exercise price. The vesting period is three years. If the options remain unexercised after a period of three years and three months from the date of grant the options expire.

Details of the share options outstanding during the year are as follows:

	2023		2022	
	Number of share options	Total exercise price £	Number of share options	Total exercise price £
Outstanding at 1 January	27,649	4	8,363	3
Granted during the year	13,912	4	33,355	5
Lapsed during the year	—	—	(5,706)	(1)
Surrendered during the year	—	—	—	—
Exercised during the year	—	—	(8,363)	(3)
Outstanding at 31 December	41,561	8	27,649	4
Exercisable at 31 December	—	—	—	—

The options outstanding at 31 December 2023 had a weighted average remaining contractual life of 1.9 years (2022: 2.5 years). In 2023 options were granted on 2 May. The aggregate of the estimated fair value of those options is £42,000.



### 33. Share-based payments continued

#### Equity-settled share option schemes continued

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

	2023	2022
Weighted average share price at date of grant	<b>£4.69</b>	£5.70
Weighted average exercise price	<b>£nil</b>	£nil
Expected volatility	<b>40%</b>	31%
Expected life	<b>3.125 years</b>	3.125 years
Risk-free rate	<b>4.50%</b>	2.05%
Expected dividend rate	<b>5.12%</b>	4.96%

Expected volatility was determined by calculating the historical volatility over the previous 3.125 years. The expected life used in the model assumes that the options will be exercised on average halfway through the period during which they can be exercised.

#### b) The Portmeirion 2022 and 2012 Approved and Unapproved Share Option Plans (Share schemes)

Options are exercisable at a price equal to the closing quoted market price of the Company's shares on the day prior to the date of the grant. The vesting period is three years. If the options remain unexercised after a period of ten years from the date of grant the options expire.

Details of the share options outstanding during the year are as follows:

	2023		2022	
	Number of share options	Weighted average exercise price £	Number of share options	Weighted average exercise price £
Outstanding at 1 January	<b>718,000</b>	<b>5.698</b>	524,500	5.722
Granted during the year	<b>323,000</b>	<b>4.690</b>	295,500	5.700
Lapsed during the year	<b>(215,500)</b>	<b>4.898</b>	(102,000)	5.827
Surrendered during the year	—	—	—	—
Exercised during the year	—	—	—	—
Outstanding at 31 December	<b>825,500</b>	<b>5.513</b>	718,000	5.698
Exercisable at 31 December	—	—	—	—

The options outstanding at 31 December 2023 had a weighted average remaining contractual life of 8.4 years (2022: 8.4 years).

In 2023, options were granted on 2 May. The aggregate of the estimated fair value of those options is £280,000.

The range of exercise prices for the options outstanding at 31 December is £4.690 to £6.325.

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

	2023	2022
Weighted average share price at date of grant	<b>£4.690</b>	£5.700
Weighted average exercise price	<b>£4.690</b>	£5.700
Expected volatility	<b>40%</b>	30%
Expected life	<b>4 years</b>	4 years
Risk-free rate	<b>4.50%</b>	2.05%
Expected dividend rate	<b>5.12%</b>	4.96%

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

### 34. Post balance sheet event

Subsequent to the year end Lloyds extended the revolving credit facility agreement to September 2025 with a 1+1 annual renewal extension option (at their discretion) to extend to September 2026 and then September 2027.



## Five-year Summary

### Consolidated income statement information

#### Years ended 31 December

	2023 £'000	2022 £'000	2021 £'000	2020 £'000	2019 £'000
Revenue	<b>102,743</b>	110,820	106,018	87,854	92,816
(Loss)/profit before tax	<b>(8,528)</b>	6,970	5,962	(232)	7,100
Tax	<b>72</b>	(1,415)	(2,721)	(503)	(1,286)
(Loss)/profit attributable to equity holders	<b>(8,456)</b>	5,555	3,241	(735)	5,814
Earnings per share	<b>(61.46)p</b>	40.39p	23.58p	(6.02)p	54.66p
Diluted earnings per share	<b>(61.41)p</b>	40.35p	23.49p	(6.02)p	54.58p
Dividends paid and proposed per share	<b>5.50p</b>	15.50p	13.00p	0.00p	8.00p

### Consolidated balance sheet information

#### At 31 December

	2023 £'000	2022 £'000	2021 £'000	2020 £'000	2019 £'000
<b>Assets employed</b>					
Non-current assets	<b>32,749</b>	41,025	37,821	35,180	35,051
Current assets	<b>55,897</b>	63,477	56,745	54,751	47,291
Current liabilities	<b>(23,818)</b>	(26,954)	(19,926)	(18,716)	(18,731)
Non-current liabilities	<b>(9,838)</b>	(10,865)	(12,693)	(15,506)	(15,513)
	<b>54,990</b>	66,683	61,947	55,709	48,098
<b>Financed by</b>					
Called up share capital	<b>710</b>	710	710	710	555
Share premium account and reserves	<b>54,280</b>	65,973	61,237	54,999	47,543
	<b>54,990</b>	66,683	61,947	55,709	48,098





Pictured: Sophie Conran for Portmeirion Lavandula.

# Company Information

## Board of Directors

**Non-executive Chairman**  
Dick Steele BCOM FCA CTA

**Senior Non-executive Director**  
Angela Luger BSc

**Chief Executive**  
Mike Raybould BSc ACA

**Group Finance Director**  
David Sproston BSc ACA

**Group Operations Director**  
Mick Knapper

**Global Sales Director**  
Bill Robedee JD BA

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

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

**Non-executive Director**  
Jeremy Wilson BSc ACA

## Company Secretary

Moira MacDonald FCG

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Registered number: 124842

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## Joint broker

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

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## Financial Calendar

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

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