

PORTMEIRION GROUP PLC

Report and Accounts for the year ended 31 December 2015

Stock code PMP

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Welcome to Portmeirion Group PLC Report and Accounts 2015

Our Performance

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Visit investor.portmeiriongroup.com

2015 Highlights

Revenue (£'000)

£68,669

+11.9%

Pre-tax Profit (£'000)

£8,649

+13.6%

Basic EPS (p)

66.02p

+14.5%

Dividends Paid & Proposed (p)

30.00p

+13.2%

Financial Highlights

- Seventh consecutive year of record Group revenue which increased by 11.9% to £68.7 million (2014: £61.4 million)
- Profit before tax increased 13.6% to an all-time high of £8.6 million (2014: £7.6 million)
- Total dividends paid and proposed for 2015 increased by 13.2% to 30.00p (2014: 26.50p)
- Revenue growth in USA, UK and Asia
- Stocks reduced by £2.8 million to £12.7 million (2014: £15.5 million)
- Cash balance increased to £11.1 million (2014: £5.9 million)

Operational Highlights

- New kiln installed within timescale and budget and now in production
- Ted Baker range wins Best Licensed Home Décor, Tableware or Housewares range at The Licensing Awards
- Attained Investors in People silver level and became first company in the UK to be awarded with the new Investment in Young People (IiYP) award
- 2016 celebrates 200th Anniversary of Blue Italian range

Who We Are

"Our aim is for our Group to be as successful and as profitable as possible. To achieve this we need to conduct ourselves in an efficient manner to maintain high levels of customer service, and drive forward targeted product development to grow our sales. We need to have a focused commitment to operational excellence, innovation and quality and work towards our vision with energy, integrity and a sense of purpose."

Portmeirion Group PLC is a British company based in Stoke-on-Trent. We are a market leader in high quality and innovatively designed tableware, cookware, giftware and tabletop accessories. Portmeirion Group encompasses four world leading brands, Portmeirion, Spode, Royal Worcester and Pimpernel and has a long track record of creating value for our shareholders.

We have 689 valued employees in the UK and the US and sell into over 60 countries around the world where our brands and products are enjoyed by millions of consumers.

Product Design and Development

Our value lies with our strong brands and the patterns which underpin these. Some of our major tableware patterns are also brand names in their own right such as

the classic Botanic Garden range which has a worldwide following. Our oldest continuous pattern, Spode Blue Italian, is celebrating its 200th anniversary in 2016.

Design is key to our business. We continue to develop, extend, refresh and refine our existing patterns, and to launch new patterns and products, so as to retain and improve customer appeal. Working closely with our major customers, our design studio in Stoke-on-Trent is the creative hub for new designs and extensions to existing ranges. Design talent comes from a strong in-house team working together with freelance artists and designers to deliver a broad portfolio. Our product offering is complemented by licensed designs such as the fashionable Ted Baker Portmeirion collections and popular Royal Worcester Wrendale range.

Production and Sourcing

We manufacture finest English earthenware from our factory in Stoke-on-Trent as well as sourcing from overseas bone china and porcelain products. All are produced to the same exacting quality standards. The mix between own manufactured and sourced product was 46:54 for 2015. Production from our Stoke-on-Trent factory is well placed to keep pace with the growing demand for UK made product with a fully operational new kiln installed.

Routes to Market

Portmeirion Group sells its products to a worldwide marketplace through a variety of channels including to trade customers such as large high street retailers and independent stores, via a network of agents and distributors as well as from our own retail shops and websites.

We serve our customers from warehouses in the UK, the US and China.

Our Paths to Market



Where We Operate

United States

Connecticut warehouse,
New York showroom
and offices

*US sales of £22.3 million
represent 32% of Group
revenue*

*We sell to major department
stores, over 1,200
independent retailers,
major internet retailers of
both general and home
goods merchandise,
national chains of 'big box'
retailers, warehouse club
merchandisers and a growing
website*

United Kingdom

Stoke-on-Trent
incorporating head office,
manufacturing operation,
warehouse and retail
outlets

*UK sales of £17.9 million
represent 26% of Group
revenue*

*Our routes to market include
major department stores, over
500 independent retailers,
10 retail outlets, nationwide
mail order companies and
UK based websites dedicated
to each Portmeirion Group
brand*

South Korea

Exclusive distributor

*South Korea sales of
£12.3 million represent
18% of Group revenue*

*We sell through an exclusive
distributor, with routes to
markets via wholesale outlets,
over 100 retail stores, major
department stores, TV home
shopping channels and
distributor and third party
websites*

Other Growing Markets

India, Taiwan and Thailand

*These markets accounted for
£9.5 million which represented
14% of Group revenue*

*Total sales for these three
key markets were more than
double the 2014 level. All
are serviced via an exclusive
distributor with access to a
range of different distribution
channels*

Our Brands

Portmeirion is recognised worldwide for producing unique designs as epitomised by its best-selling and classic Botanic Garden range. The award winning Sophie Conran for Portmeirion and Ted Baker collections showcase the diverse, high quality products within the brand which deliver both beautiful designs and practicality for modern day living.

Visit www.portmeirion.co.uk

Pictured: Portmeirion Botanic Garden

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

Visit www.spode.co.uk

Our Brands

continued

Founded in 1751, Royal Worcester has a rich and diverse design heritage. The brand offers a wide spectrum of quality products from fashionable fine bone china mugs and sophisticated, competitively priced tableware sets to the unique and opulent Painted Fruit collection. Quirky new characters have enhanced the popularity of the brand's Wrendale Designs licensed collection of mugs and giftware.

Visit www.royalworchester.co.uk

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

Visit www.pimpernelinternational.co.uk

Snapshot of 2015

Awards success

In 2015 Portmeirion won the Large Exporter Award for the West Midlands area in the Business Desk Awards. We were also a finalist for the Large Manufacturer Award. In addition, we were finalists for the Staffordshire Business Awards in the categories Export Large, Apprentice of the Year and Business of the Year.

Ted Baker Portmeirion

Ted Baker range wins Best Licensed Home Décor, Tableware or Housewares range at The Licensing Awards

Insider Midlands Award

Portmeirion were delighted to be awarded the 2015 Insider Midlands Trade Award for Medium/Large Exporter of the Year

Portmeirion were recognised as an Investor in People (IIP) at the higher level silver standard

Corporate Games
Over 50 employees participated across
11 different sports in the 2015 Corporate
Games, held in Stoke-on-Trent

Apprentice Day

In 2015 Portmeirion held its first
apprentice recruitment day at our
Stoke-on-Trent head office
This provided 12 new apprentices,
one new entrant to our
graduate scheme and 11 work
experience candidates

Charity Event

Over £5,000 was raised
for the Douglas Macmillan
Hospice at the Portmeirion
Charity Event held in
October 2015.

Sophie Conran For Portmeirion

12 inch frying pan, winner of
"Cookware Innovation Award 2015,
Housewares Conference & Awards"

Strategic Report

for the year ended 31 December 2015

Lawrence Bryan
Chief Executive

Richard J. Steele
Non-executive Chairman

"We are delighted to be reporting another record year. Our core values of innovation, targeted product development and operational excellence remain unchanged. Trading in the first two months of the current year is ahead of the comparative period in 2015. The outlook for 2016 is positive."

The Directors present their Strategic Report for the Group for the year ended 31 December 2015

Business Model and Strategy

Portmeirion Group is an AIM listed company which sells ceramic tableware, cookware and giftware, glassware and associated houseware to a worldwide marketplace, our key markets are detailed on page 3. Portmeirion manufactures ceramics in a factory based in Stoke-on-Trent, England, where our head office and one of our warehouses are also based. We have a showroom and office in New York, a warehouse in Connecticut USA and a warehouse in Guangdong, China.

Guiding Principles	<i>Underlying everything that we do are the guiding principles of nurturing our brands, continuing product development, assured quality, conservative financing and the drive to improve dividends. These principles are reinforced by an emphasis on diversity, we continue to seek diversity in our markets, products, suppliers and workforce so as to ensure the long term prosperity of the business.</i>
Income	<i>Portmeirion's revenue is generated through a variety of channels, marketplaces and currencies. Products are sold directly to consumers from our own UK shops, via the internet, through a network of agents and distributors throughout the world and directly to retailers. We also enjoy some royalty income from the intellectual property embedded in our brands, in-house patterns and designs. Our continued emphasis on customer attentive product development has delivered a seventh successive year of growth in revenues in 2015.</i>
Profitability	<i>The business profitability and cash generation depends on sales volumes and prices, manufacturing levels, sourcing costs, overhead costs and levels of working capital. Growing sales and controlling costs drive healthy operating margins and cash balances. Sales volumes and prices, which are supported by product innovation, are carefully measured and our progress in key markets is constantly monitored by customer feedback with particular focus on new product launches. We remain committed to product development, in the last twelve months we have launched over 350 new products including Ted Baker Portmeirion, Sophie Conran for Portmeirion Blue and new Royal Worcester Wrendale items.</i>

Brands

Much of the value of Portmeirion Group lies with its four strong brands and the patterns which underpin these. Our brands are described in detail on pages 4 to 7.

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

The Spode and Royal Worcester brands were acquired in 2009, their heritage goes back as far as the mid-eighteenth century. Spode Christmas Tree is an important North American pattern for us and has been selling well since 1938. Spode Blue Italian owes its design to Josiah Spode the Younger who introduced it to the market in 1816, we are celebrating the 200th anniversary of Blue Italian this year with a series of events and new products.

Our expenditure on maintaining and building our brands and patterns is significant and our future success as a business depends on it. On average, over 40,000 individual items are sold every day carrying one of our prestigious brand names. Every item that we sell carries our reputation with it.

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

Funding

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

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

Portmeirion is cash generative, having generated some £34.5 million from operating profits over the last seven years, and aims to provide a return to shareholders primarily through a progressive dividend policy, increasing dividends where profitability, cash generation and forecasts allow.

Review of the Business

Portmeirion enjoyed a seventh consecutive year of record sales in 2015 with revenues and earnings being driven to their highest ever levels. This outcome, together with our confidence for the future, has enabled us to increase our dividend for the seventh successive year. While we have improved our sales in the United States and the United Kingdom we have suffered what we believe to be a temporary slowdown in South Korean sales as the local economic conditions and attitudes towards luxury goods have softened. However, our diversified product range, supply base and wide markets have enabled us to maintain our steady progress elsewhere.

Dividends

The Board is recommending a final dividend of 23.90 pence per share bringing the total paid and proposed for the year to 30.00 pence per share, an increase of 13.2% over the total amounts paid in respect of 2014, this is a 13.8% increase over the final dividend for 2014.

The final dividend will be paid, subject to shareholders' approval at the AGM on 19 May 2016, on 25 May 2016 to shareholders on the register on 22 April 2016.

The dividends paid and proposed for 2015 are covered 2.2 times by earnings (2014 2.2 times). The Board continues

to consider that a level of dividend being twice covered is an appropriate and sustainable level for the business.

Over the last seven years we have increased our total dividends by an average of 10.7% per annum compound and our total dividend is now more than double the amount for 2008.

We listed on the London Stock Exchange 28 years ago in 1988, the issue price of our shares at flotation was £1.80 each. Our share price has grown some sixfold since 1988 and our total dividends have amounted to £3.66 per share during that period. We have never cut or withheld our dividend as a listed company.

Review of the Business

continued

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

Revenues

Revenues were £68.7 million for the year, an increase of 11.9% over the previous year (2014: £61.4 million). This represents a seventh consecutive year of record revenues for the Group. At a constant US dollar exchange rate our revenue increase would have been a little lower at 8.4%.

Our largest market remains the United States, which represents nearly a third of our sales. We finished the year 11.1% above last year in translated figures in the United States, but by 3.1% ahead in local currency. Continuing improvements in economic conditions in the United States give cause for optimism, however set against this must be the uncertainty around the upcoming presidential elections.

The United Kingdom remains our second largest market accounting for just over a quarter of our revenues, here we increased sales by 12.5% over 2014. The EU referendum is imminent and that carries its own uncertainties both for the UK market and our wider EU markets. However, our sales into the EU (other than the UK) are less than 3% of our revenues, so the short term impact of an exit would be slight in terms of global sales. We do continue to identify the EU as a market of major potential.

Our sales to South Korea fell back by 18.1% compared to 2014. This is the first notable sales slowdown for us in South Korea since we first started trading there nearly two decades ago, the economy has been weak and this has translated

into a greater effect on the sales of luxury brands such as Portmeirion. We believe that this market is now stabilising for us. Despite such a drop in our third largest market we have still achieved overall sales growth, this is because of our emphasis on diversified global sales.

Sales growth in the rest of the world was a very impressive 56.4% during the year, with a starring performance in India which grew by 140.8% to consolidate that market as our fourth largest at over 8% of sales. Thailand and Taiwan were also areas of high growth for us. We supply our products to over sixty countries throughout the world.

Online sales, principally to United Kingdom and United States customers, were £2.5 million and are included in the sales figures quoted above. This was an excellent increase at 26.6% above 2014. This route to market continues to provide growth opportunities and sits firmly within our emphasis on diversity.

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

Profits

Earnings before interest, taxation, depreciation and amortisation (EBITDA) increased by 9.8% to £9.7 million in the year (2014: £8.9 million). Profit before taxation was £8.6 million, an increase of 13.6% over the comparative year (2014: £7.6 million). Both of these figures represent another record year for Portmeirion.

Basic earnings per share increased by 14.5%, dividends have been increased by 13.2%, dividend cover is well within comfort levels.

Profit growth remains ahead of revenue growth, as we have a manufacturing facility with a fixed cost base then revenue growth feeds through to improved profit growth.

We continue to suffer from the imposition of Anti-Dumping Duty which has been

applied to some of our European sales. The cost to the business is cumulatively over £2 million.

Nearly all of our corporate profits are subject to taxation in either the United Kingdom or the United States. We do not engage in any exotic tax planning exercises. The corporate taxation which we paid in 2015 amounted to £2.0 million.

Balance Sheet

A significant reduction in inventories has been achieved this year, peak stocks in 2015 were £17.4 million (2014 peak £17.3 million), our year end stock balances were £12.7 million (2014 year end £15.5 million). This is an area for ongoing management focus in 2016. Our stock provisioning policies are unchanged and rigorous.

Cash balances finished the year at £11.1 million, being £5.2 million above 2014 year end (2014: £5.9 million). In addition to the strong revenue, profit and dividend growth this excellent increase in our cash balances is one of the most significant achievements of the year. These cash balances were delivered after paying dividends of £2.9 million (2014: £2.6 million), corporate taxation of £2.0 million (2014: £1.5 million) and capital investments of £1.5 million (2014: £0.9 million) during the year. We have a large working capital swing during the year, our year end cash balances being broadly the peak level that we achieve, it is not unreasonable for us to assume a cash swing approaching £9 million for 2016 and

so in the light of this our year end cash balance is comfortable, but not excessive

The pension scheme deficit on the defined benefit scheme which we closed seventeen years ago reduced to £3.1 million from £4.2 million at the previous year end predominantly because of the cash payment made and the discount rates used to evaluate the liabilities. £0.9 million of cash contributions were made to this scheme in 2015, there was no trading benefit to Portmeirion Group from the payment

We have used treasury shares with a book value of £74,000 to satisfy share options exercised during the year, these treasury shares were originally bought at an average price of £1.87 each. We have 242,780 treasury shares remaining on the balance sheet which will be used to satisfy share options where appropriate. We have also acquired a further 149,377 shares for an employee benefit trust during the year. Our balance of such employee benefit trust shares now stands at 339,048, these will also be used to satisfy share options

Products and Brands

We have four brand names – Portmeirion, Spode, Royal Worcester and Pimpernel. It is in our brands that much of the value of Portmeirion Group lies, explaining in part the difference between our balance sheet value and our stock market value. The long and illustrious history of our brands stretches back to the mid-eighteenth century with Spode and Royal Worcester. Some of our major tableware patterns are also brand names in their own rights

Portmeirion Botanic Garden is a major pattern with a worldwide following. Since its launch in 1972 it has continued to evolve and grow. Sales last year were over £33 million, a conservative estimate would be that over 50 million pieces of Botanic Garden are still in use and on display all over the world. Other companies have tried to imitate the success of Botanic Garden and we are alert to any infringement of our intellectual property. Botanic Garden remains at the heart of our future prosperity

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

Our oldest continuously produced pattern is Spode Blue Italian, a traditional cobalt blue on finest English earthenware. 2016 marks the 200th anniversary of the launch of Blue Italian. Josiah Spode the Younger numbered his designs consecutively, Blue Italian being Number 2614 which gives some indication of his work ethic which we are proud to maintain. The pattern around the outer edge is an Iman design, Iman being the Japanese port from which much fine porcelain was exported to Europe five hundred years ago. The central motif of Blue Italian may be based on work by Frederik de Moucheron or perhaps that by Giovanni Battista Piranesi, the truth is lost in the mists of time. What is certain is that our annual sales of Blue Italian exceed £1.5 million. Shareholders may wish to visit YouTube and search for 'Spode UK' and watch the short video which shows how the pattern is made today in our Stoke-on-Trent factory

Ted Baker Portmeirion tableware patterns, a range of licensed designs produced in collaboration with the popular British fashion designer, were launched in 2015, sales were above budget

Product development remains key to our future. We continue to develop, extend, refresh and refine our existing patterns, and to launch new patterns and products, so as to retain and improve customer appeal. Central to our product development work is commercial reality, innovation is important but it is subordinate to profit. The Giallo extension to Blue Italian is a good example of how some product development can build on existing ranges, as is the continuing strengthening of our Wrendale offering

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

and www.pimpernelinternational.co.uk. Customers in the United States should go to www.portmeirion.com

Production and Sourcing

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

Our Stoke-on-Trent factory produced volumes in 2015 at a similar level as in 2014 and maintained high quality standards at the same time as successfully coping with the building of a new tunnel kiln and major movements of equipment to accommodate it. The installation of the new kiln was not without its challenges, but it is now fully commissioned and we have just started to increase production by some 20,000 best quality pieces per week. Other bottlenecks will occur as we increase this even further, particularly in decoration, but we continue to believe that we can add another 80,000 pieces a week on top of this 20,000 pieces – subject of course to there being sufficient customer demand

Review of the Business

continued

We have purchased a hollowware decal application machine and will be increasing our use of heat transfer decals in order to drive greater production efficiencies

The mix between own manufactured and sourced product during the year was 46.54 whereas in 2014 it was 48.52, in 2013 it was 44.56 and in 2012 it was 41.59. Our factory has remained at the forefront of our results for 2015 as excellent production volumes have continued to be driven out, albeit at some cost to production efficiencies

Average weekly production of best quality pieces is a reasonable proxy for production volume, in 2015 it was 148,000 per week, in 2014 we achieved 150,000 per week, in 2013 it was 128,000 per week and in 2012 115,000 per week

People

We created 19 new jobs in 2015, the average number of employees during the year increased from 631 to 684. We have an apprenticeship programme and a graduate programme. We anticipate further job creation in 2016. Average sales per employee were £100,393 in 2015, a marginal increase on 2014 slightly above the increase in average employment costs per person. EBITDA per employee was £14,235, also showing a marginal increase on 2014.

Staff costs are the biggest item of expense in our business. Most of our people are in the United Kingdom, and the majority are based at our Stoke-on-Trent factory and warehouse sites. We employ 37 people in the United States, mainly at our Connecticut warehouse, but also in our Manhattan office and showroom.

Total staff costs were £19.6 million in 2015, an increase of 9.5% over 2014 compared to an 8.4% increase in average staff numbers. Average staff cost per head is £28,610.

We operate a non-contractual annual incentive scheme, for 2015 most of our

people will receive a payment under this scheme by way of thanks for their contribution to the continuing success of Portmeirion.

We continue to recruit new people and in 2016 we anticipate making a number of senior appointments below board level with a view to helping to secure our results in future years.

The Environment

We recognise our environmental responsibilities and strive for more efficient use of resources and elimination of waste with considerable success. For example, the Company continued to beat the challenging targets on energy efficiency set as part of its ongoing membership of a Climate Change Agreement.

Risks

Page 17 lists the principal risks to which we consider the business is subject, five of these risks merit a little more discussion here.

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

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

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

conservation.

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

Our long closed defined benefit pension scheme continues to absorb cash. In 2015 we paid in £0.9 million with no future economic benefit for the business, however this does not affect reported profits by this amount. We continue to take action to de-risk this scheme.

Corporate Governance

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

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

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

"Product development remains key to our future. We continue to develop, extend, refresh and refine our existing patterns, and to launch new patterns and products, so as to retain and improve customer appeal."

Key Performance Indicators

The following table lists a number of Key Performance Indicators that the Group reviews on a regular basis and by which overall business performance is measured

KPI	Definition	Performance
Revenue	<i>Revenue growth is key, in existing markets and in new markets. 2015 was our seventh successive year of revenue growth.</i>	
Return on sales	<i>Return on sales expresses operating profit as a percentage of revenue. Because of our high fixed cost base increases in revenue growth can have great effect on return on sales.</i>	
New products launched	<i>New products launched include new ranges and extensions to existing ranges, these are essential to help drive revenue growth in future years and so in many ways represent expenditure today for benefit tomorrow. Portmeirion has a strong track record of launching new products.</i>	
Earnings per share	<i>Earnings per share is a shorthand measure of profitability, it takes all the revenue and costs from the year and divides the after tax profit arising by the number of active shares in issue. It is a measure which helps determine the amount of dividend which can be declared and paid and, as such, together with dividend cover, summarises the final annual output for shareholders.</i>	
Dividend cover	<i>Dividend cover shows the extent to which profits exceed dividends paid.</i>	

Principal Risks and Uncertainties

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

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

Risk	Mitigation
Economic environment <i>Whilst there is renewed optimism regarding the general world economy and hope for an economic recovery, retail conditions remain challenging and further adverse conditions in the retail sector would have a detrimental impact on trading.</i>	<i>The Group monitors and maintains close relationships with its key customers and suppliers to be able to identify signs of financial difficulties early in order to prevent or limit any potential losses. Customer orders and sales trends in major markets are constantly reviewed to enable early action to be taken in the event of sales declining.</i> <i>The general economic factors affecting the Group during the period are discussed further in the review of the business on pages 11 to 14.</i>
Competitors <i>The Group faces strong competition in most of the major markets in which it operates, which presents a risk of losing market share, revenue and profit.</i>	<i>This risk is managed by ensuring that high quality and innovative products are brought to market, maintaining strong relationships with key customers and ensuring the Group is aware of local market conditions, trends and industry specific issues and initiatives. This enables the Group to identify and address any specific matters within the overall business strategy.</i>
People <i>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.</i>	<i>Existing staff are provided with relevant training and career progression to improve motivation. The Group has a clearly defined recruitment policy which ensures that new employees meet the required standard and experience for each position.</i> <i>Management also seeks to ensure that key personnel are appropriately remunerated to ensure that good performance is recognised.</i>
Suppliers <i>The Group's purchasing activities could expose it to overreliance on certain key suppliers or markets and, as a result, inflationary pricing pressure. Production is split between our UK factory and outsourced supply, which allows the Group to mitigate some of the risk presented by suppliers.</i>	<i>For the manufacturing process conducted in the UK, the Group ensures that key raw materials are available from more than one source to ensure continuity of supplies.</i> <i>For the sourcing process, suppliers are carefully selected and the Group seeks to maintain a sufficient breadth in its supplier base such that the risk remains manageable. The Group also ensures that all intellectual property rights are retained and easily transferable should an alternative supplier be required.</i>
Financial risk <i>Financial risk is wide-ranging and covers capital management, credit risk, currency risk and liquidity risk. The risks presented in these areas include the failure to achieve business goals, potential financial losses caused by default, reduction in profitability due to currency fluctuations and insufficient funds to complete the daily business function and consequent threat to the going concern basis of the organisation.</i>	<i>Details of the Group's approach to management of these risks and the systems in place to mitigate them are covered in the financial risk management objectives in note 30 on pages 68 to 70.</i>

Corporate and Social Responsibility

Environmental policy

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

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

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

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

Portmeirion's commitment to reducing its carbon emissions is evidenced by having been subject to a Climate Change Agreement since 2000. During 2015, the Company continued to beat the challenging targets on energy efficiency set as part of its ongoing membership of a Climate Change Agreement.

Employees

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

The Group has established people centred policies which are communicated to staff and updated via our new internal noticeboards and the virtual noticeboard on our intranet. Employee engagement is measured by our annual employee opinion survey that has been reviewed and amended to include a new layout and style of questioning. In 2015, 84% of employees who responded said that they were happy to be working for the Group.

In 2015 the Group released its 'Company Aim' to ensure we are aligning everything we do. We have introduced a team appraisal wall to visually demonstrate how every department is contributing to the business' success.

Recognition

The Reward & Recognition scheme has been in place for a year, to date we have given out 251 'thank you' cards to employees to recognise and reward staff when they exceed expectations. From this we have selected one individual each month to be our Employee of the Month who is formally presented with their prize and personalised glass trophy. Building on this scheme, we are introducing an 'Employee of the Year' award, voted for by employees.

100% attendance awards have been given out to employees for the first time in 2015.

These schemes reinforce employee actions which support Company values, foster a sense of belonging and a recognition culture.

Training

The Group provides a number of training opportunities across all areas of the business to ensure staff are competent to perform their role. Within our manufacturing and distribution centres we aim to train all of our employees to be multi-skilled so they can work across roles in the factory and warehouse. To enable us to manage multi-skilling a Training Needs Analysis has been carried out across the factory which highlighted

any skills gaps within manufacturing. The results from this allow us to deliver a succession plan to ensure that we have the correct skills within this vital area of our business. From September 2015 the Group has also invested in a management development programme with managers from all areas of the business undertaking an accredited Qualification in Leadership and Management. The Group also provides access to a variety of development initiatives including other National Vocational Qualifications, professional development, First Aid training and other specific job-related training courses.

Due to the increase of in-house training, the Group has invested in a new Development Suite that includes full conferencing facilities and training laptops.

Reward strategy

Our reward strategy aims to provide a package that offers competitive pay and distinctive benefits. All of the Group's employees now receive free access to a health cash plan along with free life cover. Our people are also offered membership of our Group personal pension plan which provides an employer contribution for all members.

Health and Safety

The Group promotes a positive health and safety culture throughout the business to ensure all of our people consider health, safety and welfare issues while at work and make an effective contribution towards maintaining and improving health and safety standards. By using this approach the Group aims to reduce accidents and provide a healthy workplace and working environment. Near miss reporting was introduced during 2015 which allows employees to inform management of any potential issues before an accident occurs.

Recruitment

Youth unemployment remains one of the biggest social issues that the UK faces. As part of our Home Grown Talent recruitment drive and commitment to developing young people, in 2015 we held our first 'Apprenticeship Recruitment Day' at our head office. This provided 12 new apprentices, one new entrant to our graduate scheme and 11 work experience candidates. Giving people the opportunities to succeed is at the heart of our ethos and we recognise the value young people can bring in building a dynamic and productive workforce.

As a result of continued growth and demand for product manufactured at our Stoke-on-Trent site, 19 new jobs were created in the year 2015.

Wellbeing

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

66 of the Group's employees took part in the Corporate Games in the summer of 2015. This was a hugely successful event enjoyed by our employees and all that came to watch. This event raised morale, allowed cross-departmental interaction and strengthened teams within the business as well as getting people active.

We have plans to complete the Health and Wellbeing Charter in 2016 which advocates healthy lifestyles for our employees, provides support and encourages wellness.

Community

Helping the community is important to us. Most of our financial contributions to charities come from the efforts and personal involvement of our staff, with support from the Board.

The Group has been supportive of staff organising several charitable fundraising events that have taken place on and off-site for their local communities and charitable concerns. This has included an Easter Egg collection, charity sales, an employee charity event held locally, an employee survey, a wear it pink day, a toy appeal and many more.

As well as charitable engagement, where relevant and where business needs allow, employees have been encouraged to work closely with local schools and colleges providing CV workshops, mock interviews and to share information about the Group at careers fairs for young people. During 2015, three of our managers volunteered to be part of the Career Ready Mentoring Scheme, this involves mentoring a young person in the local area until the end of the school year.

Our charity partner for 2016, selected by our employees, is the Douglas Macmillan Hospice.

Investor in People

In July 2015 the Group received official recognition as an Investor in People (IIP) at silver level. This prestigious accreditation is recognised across the world as a mark of excellence.

The additional demands of the silver standard included demonstrating that the Company was working proactively to increase employee engagement levels, has an excellent approach to employee health and wellbeing, and has a strong commitment to enhancing skills through a variety of development opportunities.

Investment in Young People

In March 2015 we attended an award ceremony at Staffordshire Chamber of Commerce to collect our Investment in Young People award. This award was received by the Company for its commitment to the development of employability skills in young people.

We are very proud to be the first company in the UK to receive this award.

Corporate and Social Responsibility

continued

Apprentice of the Year finalist/ Business of the Year finalist — Staffordshire Chamber of Commerce Business Awards

During 2015 we were nominated as finalists in the categories of Apprentice of the Year and Business of the Year at the prestigious Staffordshire Chamber of Commerce Business Awards

Annual Charity Night

A group of employees formed a social committee in January 2015 to plan and organise the Group's first ever charity night for employees. Working with the Douglas Macmillan Hospice we raised £5,000 for the charity on the night. This event proved to be a great success and future charity nights are planned.

Ethics and Human Rights

The Group aims to conduct its business with honesty, integrity and openness, respecting human rights and the interests of its employees, customers and third parties. The Group advocates high ethical standards in carrying out its business activities and has policies for dealing with gifts, hospitality, bribery, corruption, whistle-blowing, conflicts of interest and inside information.

Relations with suppliers, partners and contractors

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

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

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

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

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

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

Relations with customers

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

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

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

Going Concern and Outlook

Going Concern

The business activities of the Group, its current operations and factors likely to affect its future development, performance and position are set out in the review of the business on pages 11 to 14. In addition, note 30 to the accounts includes an analysis of the Group's financial risk management objectives, details of its financial instruments and hedging activities and its exposures to credit and liquidity risk.

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

At the year end the Group had cash balances of £11.1 million and, as disclosed in note 21, had unutilised bank facilities with available funding of £4 million. Operating cash generation was strong during the year at £10.7 million (2014: £3.8 million). Overall cash increased by £5.2 million largely due to a £3.1 million decrease in inventory.

The Group sells into over 60 countries worldwide and has a spread of customers within its major UK and US markets with adequate credit insurance cover in export markets where required. The Group manufactures approximately 46% of its products and sources the remainder from a range of third party suppliers.

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

Outlook

Our business is worldwide for revenues and for supplies, our ranges have longevity and our brands are very strong.

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

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

Trading in the first two months of the current year is ahead of the comparative period in 2015. However, as we have become increasingly second-half weighted, sales in these months are low in comparison to the rest of the year. Our brands, quality standards, people, production facilities, suppliers, logistics, designs and finances are all in fine fettle. We remain confident in our business model for the short, medium and long terms.

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

Richard J Steele

Non-executive Chairman



Lawrence Bryan

Chief Executive

8 March 2016



Board of Directors

Lawrence Bryan
Chief Executive

Lawrence Bryan oversees all the Group's business and is responsible for formulating the Group's objectives and strategy. In addition, all operations in the United States report directly to him as President of Portmeirion Group USA, Inc. Lawrence has extensive experience in the glass, ceramics and gift industry. He was previously the Vice President, Sales of Waterford Wedgwood USA, President, Waterford Wedgwood USA Retail and President of International China Company. He is a Fellow of the Royal Society of Arts.

Brett W.J. Phillips
Group Finance Director and
Company Secretary

Brett Phillips is responsible for all aspects of financial control, information systems, human resources, legal and company secretarial matters, production and logistics. He is Managing Director of Portmeirion Group UK Limited, the Group's main operating company, and sits on all subsidiary Boards. Brett is a Chartered Accountant. He is Chairman of the Board of Furlong Mills Limited, an associated undertaking of the Group, and is also a Non-executive Director of The Stafford Railway Building Society.

Philip E. Atherton
Group Sales and Marketing Director

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

Richard J. Steele
Non-executive Chairman

Dick Steele is responsible for leading the Board and ensuring that it operates in an effective manner whilst promoting communication with shareholders. He is a Fellow of the Institute of Chartered Accountants in England and Wales and also a Member of the Institute of Taxation. He is a Non-executive Director of the Quoted Companies Alliance and Non-executive Chairman of two private equity backed businesses: ASL and Country Baskets.

Janis Kong OBE
Non-executive Director

Janis Kong OBE has extensive experience in retail, consumer products and risk management. She is a Non-executive Director of Bristol Airport, Copenhagen Airports A/S, Network Rail and Tui Group. Formerly, she held positions as Non-executive Director of the Royal Bank of Scotland Group PLC and Visit Britain, Executive Chairman of Heathrow Airport Limited, Chairman of Heathrow Express Limited and as a member of the BAA plc Board.

Lady Judge CBE
Non-executive Director

Lady Barbara Judge was previously an international corporate lawyer with significant experience as a senior executive and non-executive director and chairman in the private and public sectors. She is the first female Chairman of the Institute of Directors and Chairman of the UK Pension Protection Fund. Formerly she was Chairman of the UK Atomic Energy Authority, Deputy Chairman of the UK Financial Reporting Council and a Commissioner of the United States Securities and Exchange Commission.

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 2015. The Corporate Governance Statement set out on pages 34 to 36 forms part of this report.

The Company is a public limited company, registered in England and Wales and listed on the Alternative Investment Market (AIM) of the London Stock Exchange. The Company has been permanently domiciled in the UK since incorporation and is the ultimate parent company of the Portmeirion Group.

As permitted by Paragraph 1A of Schedule 7 to the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008 certain matters which are required to be disclosed in the Directors' Report have been omitted as they are included in the Strategic Report on pages 10 to 21. These matters relate to a full review of the performance of the Group for the year, current trading and future outlook.

Information about the use of financial instruments by the Company and its subsidiaries is given in note 30 on pages 68 to 70. 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.

Dividends

On 1 October 2015 an interim dividend of 6.10p (2014: 5.50p) per share was paid on the ordinary share capital. The Directors recommend that a final dividend of 23.90p per share be paid (2014: 21.00p), making a total for the year of 30.00p (2014: 26.50p) per share. The final dividend will be paid, subject to shareholders' approval, on 25 May 2016 to shareholders on the register at the close of business on 22 April 2016.

Research and development

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

Directors and their interests

The Directors of the Company are listed on page 22 together with biographical and committee membership details. All Directors have served throughout the year.

In accordance with our commitment to good corporate governance practice that is relevant to our business, the Board has voluntarily adopted the practice that all Directors stand for re-election on an annual basis in line with recommendations of the UK Corporate Governance Code 2014. All Directors will therefore retire at the Annual General Meeting to be held on 19 May 2016 and being eligible, are offering themselves for re-election. The Board has formally reviewed the performance of each Director and concluded that they remain effective and are committed to their roles at Portmeirion Group PLC.

Further details on the composition of the Board and appointment of Directors are given in the Corporate Governance Statement on pages 34 to 36.

With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Association, the Companies Act 2006 and related legislation. The Articles themselves may be amended by special resolution of the shareholders. The powers of Directors are described in the Corporate Governance Statement on pages 34 to 36.

The Directors who held office at 31 December 2015 had the following beneficial interests in the share capital of the Company:

	At 31 December 2015 5p ordinary shares Beneficial	At 31 December 2014 5p ordinary shares Beneficial
L. Bryan	140,728	236,236
Lady Judge	5,000	5,000
J. Kong	5,000	5,000
B. W. J. Phillips	90,548	106,309
R. J. Steele	22,000	22,000

Directors' share interests include the interests of their spouses, civil partners and infant children or stepchildren as required by Section 822 of the Companies Act 2006. There were no changes in the beneficial interests of the Directors in the Company's shares between 31 December 2015 and 8 March 2016.

Details of Directors' share options are provided in the Directors' Remuneration Report on pages 32 and 33.

Details of transactions with Directors and other related parties are to be found in note 28 on page 65.

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.

Report of the Directors

continued

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 24 on page 63. 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 24 and 31 on page 63 and pages 70 to 72.

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

Substantial shareholdings

On 31 December 2015 the Company had been notified, in accordance with chapter 5 of the Disclosure and Transparency Rules, of the following beneficial interests in 3% or more of its issued share capital excluding treasury shares:

	Percentage of voting rights and issued share capital	Number of ordinary shares
Trustees of Caroline Fulbright Settlement	16.66%	1,792,272
Investec Wealth & Investment Limited	13.01%	1,399,867
Marlborough Multi Cap Income Fund ⁽²⁾	7.70%	828,500
The Late Euan Cooper-Willis	6.18%	664,612
Shahrazad Farhadi	5.88%	632,333
Kamrouz Farhadi	5.23%	562,917
Henderson UK Equity Income Fund ⁽²⁾	3.46%	372,500
The Portmeirion Employees' Share Trust ⁽³⁾	3.15%	339,048

Notes

- (1) The percentages are of the total shares in issue excluding treasury shares (10,760,374).
 (2) All holdings are direct holdings unless otherwise indicated.
 (3) Shareholding held indirectly through a nominee.

During the period between 31 December 2015 and 8 March 2016, the Company did not receive any notifications under chapter 5 of the Disclosure and Transparency Rules.

Annual General Meeting

The Annual General Meeting will be held at the registered office of the Company at London Road, Stoke-on-Trent, on 19 May 2016 at 12.00 noon (the "2016 AGM"). All ordinary and special resolutions to be proposed at that meeting are detailed in the Notice of Annual General Meeting. As special business at the 2016 AGM, the following resolutions will be proposed together with the resolution described below regarding market purchases of the Company's shares:

- Authority to allot shares – under section 551 of the Companies Act 2006, the Directors of a Company may only allot unissued shares or any rights to subscribe for or to convert any security into shares in the Company if authorised to do so. The resolution giving authority to allot shares, if passed, will continue to provide flexibility for the Directors to act in the best interests of shareholders, when opportunities arise, by issuing new shares, and replaces the authority given at the Annual General Meeting of the Company held on 19 May 2015. The authority will allow the Directors to allot new shares up to a nominal value of £179,339, approximately equal to a third of the present issued share capital excluding treasury shares as at 8 March 2016. The Directors have no current intention of exercising this authority except in relation to the allotment of shares under the share option schemes.
- Disapplication of pre-emption rights – if equity securities are to be allotted for cash, section 561(1) of the Companies Act 2006 requires that those equity securities are offered first to existing shareholders in proportion to the number held by them at the time of the offer and otherwise in compliance with the technical requirements of that Act. Those pre-emption provisions also apply to the sale of treasury shares by the Company. However, it may be in the interests of the Company for the Directors to allot shares and/or sell treasury shares other than to shareholders in proportion to their existing holdings or otherwise than strictly in compliance with those requirements. This resolution would allow the Directors, pursuant to section 570 and section 573 of the Companies Act 2006, to allot shares and to sell treasury shares for cash without first offering them to shareholders in accordance with that Act. The authority is limited to the issue of equity securities and/or sale of treasury shares for cash up to a maximum nominal amount of £53,801, which is approximately equal to 10% of the present issued share capital excluding treasury shares as at 8 March 2016, and allotments of equity securities and/or sale of treasury shares in connection with a rights issue or other in proportion offer to shareholders.

Acquisition of the Company's own shares

The Company did not purchase any of its own shares during the year. The Company holds 242,780 treasury shares, purchased at an average cost of 187p per share. At the end of the year, the Directors had authority, under a shareholders' resolution of 19 May 2015, to purchase through the market 1,070,576 of the Company's ordinary shares. This authority expires on 30 June 2016.

The Directors believe that it is in the interests of the Company and its members to continue to have the flexibility to purchase its own shares and resolution 13 of the 2016 AGM seeks authority from members to allow the Company to make market purchases, subject to the restrictions set out in the Notice of Annual General Meeting, and in particular to the maximum number of ordinary shares that may be purchased being 1,076,037, approximately equal to 10% of the present issued share capital of the Company excluding treasury shares as at 8 March 2016. The Directors intend to renew this authority annually but only to exercise the authority where, after considering market conditions prevailing at the time, the investment needs of the Company, its opportunities for expansion and its overall financial position, they believe the effect of such exercise would be to increase the earnings per share and be in the best interests of shareholders generally.

The Portmeirion Employees' Share Trust (the "Trust") was set up in 2013 to encourage and facilitate the acquisition and holding of shares in the Company by and for the benefit of the employees of the Group. The Trust purchased 149,377 ordinary shares of 5p each in the Company on 27 April 2015 representing approximately 1.39% of the issued share capital of the Company excluding treasury shares as at 27 April 2015. The shares are held in the Trust to provide for an award under an employee share option scheme. Of the 149,377 shares purchased, 119,377 were acquired from L. Bryan and 30,000 from B. W. J. Phillips (10,000 in his name and 20,000 in his wife's name) at market value (935p). The Trust holds a total of 339,048 shares.

Employees

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

The Group recognises the importance of good communications with its employees and considers that the most effective form of communication regarding its activities, performance and plans is by way of informal daily discussions between management and other employees. During 2015, to complement these discussions, the Group has continued communicating information from Board level to all employees on a regular basis via a programme of team briefings and by use of the Company's intranet and notice boards.

Share option and profit related incentive schemes are operated to encourage the involvement of employees in the Group's performance. Portmeirion Group UK Limited, the employer of the Group's UK based employees, is an Investor in People (silver standard) and has received the Investment in Young People Award. The Directors are committed to the continuing development of the Group's employees through the principles of Investors in People. Details of staff numbers and costs are set out in note 7 on pages 55 and 56.

Political contributions

There were no political contributions during the year.

Auditors

Each of the persons who is a Director at the date of approval of this annual report confirms that

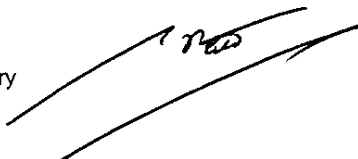
- 1 so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- 2 the Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish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

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

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

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

B.W. J. Phillips
Company Secretary
8 March 2016



Directors' Remuneration Report

This report is on the activities of the Remuneration Committee for the year ended 31 December 2015 and sets out the remuneration policy and remuneration details for the Executive and Non-executive Directors of the Company. As a company listed on the Alternative Investment Market ("AIM"), the Company is not required to comply with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in August 2013 (the "Regulations"), nor is it required to comply with the principles relating to directors' remuneration in the UK Corporate Governance Code 2014 (the "Code"). This report has not been audited. This report, excluding the Remuneration Policy section, will be subject to an advisory shareholder vote at the Annual General Meeting on 19 May 2016 at which approval of the financial statements will be sought.

Statement by the Chairman of the Remuneration Committee

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ended 31 December 2015.

The work of the Remuneration Committee is governed by a number of overriding principles. Key among these is seeking a fair outcome in reward that is linked to the Group's immediate and long-term performance and strategy delivery. Portmeirion Group has continued, again in 2015, to deliver sustainable returns and growth for our shareholders as shown by our record results on page 1. This is achieved through the commitment and determination of our employees and senior management team.

There have been no structural changes to the remuneration policy during 2015, nor are any proposed for 2016.

Performance of our Executive Directors is assessed against a range of financial and operational measures ensuring value is delivered to shareholders. Annual incentive payments are based on a demanding profit before tax and exceptional items target. The annual incentive paid to Executive Directors for the year ended 31 December 2015 is 42.4% of base salary. Details of the Directors' shareholdings are given on page 23.

We are committed to maintaining an open and transparent dialogue with shareholders. The objective of this report is to communicate clearly how much our Executive Directors are earning and how this is strongly linked to performance. Each year, we review how shareholders voted on the Directors' Remuneration Report, together with any feedback received.

I welcome any comments from shareholders regarding Directors' remuneration.

R.J. Steele

Chairman of the Remuneration Committee

8 March 2016



Remuneration Committee

The members of the Remuneration Committee during 2015 are set out on page 22. The terms of reference of the Remuneration Committee are available at www.portmeiriongroup.com

R J Steele is Chairman of the Remuneration Committee. The Board considers it appropriate that R J Steele, with his experience in this area, chairs this committee. There have been no changes in the composition or chairmanship of the Remuneration Committee during the year. None of the Committee have any personal financial interest (other than as shareholders), conflicts of interest arising from cross-directorships or day to day involvement in running the business. No Director plays a part in any discussion about his or her own remuneration.

The Committee meets at least twice a year to undertake the following actions:

- Review the market competitiveness of the remuneration policy and the remuneration of the Executive Directors,
- Agree the incentive policy and payments for the Executive Directors,
- Agree the individual share option and long term share awards for the forthcoming financial period,
- Review the performance measures, targets and achievement thereof in relation to share scheme awards,
- Approve the Directors' Remuneration Report, and
- Administer the Group's share schemes

During 2015, the Committee held three scheduled meetings. In addition, the Committee held meetings at other times throughout the year to deal with share option awards, exercises and other related matters.

Pinsent Masons LLP provided advice on the administration of the Company's share schemes in 2015. In determining the Directors' remuneration for the year, the Committee consulted L. Bryan, Chief Executive, about its proposals.

Remuneration Policy

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

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

The Company's policy is that a substantial proportion of the remuneration of the Executive Directors should be performance related in order to encourage and reward improving business performance and shareholder returns. In determining the remuneration arrangements for Executive Directors the Committee is sensitive to pay and employment conditions elsewhere in the Group, especially when determining base salary increases.

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

The Company recognises that Executive Directors may be invited to become non-executive directors of other companies and that this can help broaden the skills and experience of a Director. Executive Directors are entitled to accept appointments outside the Group providing that the Chairman grants his permission. B W J Phillips holds directorships outside the Group which are detailed on page 22. B W J Phillips retains earnings in respect of his directorship at The Stafford Railway Building Society.

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

Directors' Remuneration Report

continued

Key aspects of the Remuneration Policy for Executive Directors

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

Purpose and link to strategy	Operation	Maximum opportunity	Performance conditions
Base salary			
To provide competitive fixed remuneration that will attract and retain key employees and reflect their experience and position in the Group	Reviewed annually taking into account industry standard executive remuneration and pay levels elsewhere within the Group	Salaries for the year ended 31 December 2015 are set out on page 31. Changes in the scope or responsibilities of a Director's role may require an adjustment to salary levels above the normal level of increase	None
Benefits			
To provide market levels of benefits on a cost-effective basis	Private health cover for the executive and their family, life insurance cover of up to 4x salary, critical illness cover and a company car or cash alternative. Other benefits may be offered from time to time broadly in line with market practice	Private healthcare benefits are provided through third party providers and therefore the cost to the Company and the value to the Director may vary from year to year It is intended the maximum value of benefits offered will remain broadly in line with market practice	None
Pension			
Providing post retirement benefits	The Group operates defined contribution pension schemes	Dependant on the value of the fund at retirement	None
Annual Incentive			
Recognises achievement of annual objectives which support the short to medium term strategy of the Group	The performance targets are set by the Remuneration Committee at the start of the year with input, as appropriate, from the Chief Executive	Maximum incentive potential is 100% of salary	Based on achievement of a demanding profit before tax and exceptional items target
Deferred Incentive Plan			
Incentivising and retaining Executive Directors whilst aligning their interests with those of shareholders through delivery and retention of shares	Discretionary award over shares not exceeding a market value of 20% of the gross annual incentive payment earned by the Executive Director in respect of the previous financial year	Maximum award is 20% of the prior year's gross annual incentive payment	Options under the plan can only be granted to the extent performance targets relating to the annual incentive arrangements are met
Executive Share Option Plans			
Setting value creation through share price growth as a major objective for Executive Directors and senior managers Alignment of option holder interests with those of shareholders through delivery of shares	Subject to earnings per share ("EPS") performance measurement to reflect operational performance as EPS is a significant factor in determining the market's view of the Group's value	The Portmeirion 2012 Approved Share Option Plan has a limit of £30,000 for any "approved" options in accordance with HMRC limits	Growth in earnings per share targets as detailed on page 30

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

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

Purpose and link to strategy	Operation	Maximum opportunity	Performance conditions
Base fee			
To provide competitive fixed fees in order to procure and retain the appropriate skills required and expected time commitment	Non-executive Director fees are reviewed on a periodic basis and are subject to the Articles of Association. The Board will exercise judgement in determining the extent to which Non-executive Director fees are altered in line with market practice and rates	Fees for the year ended 31 December 2015 are set out on page 31 Increases above those awarded for the rest of the Group may be made to reflect the periodic nature of any review Changes in the scope and responsibilities of a Director's role, or the time commitment required, may require an adjustment to the level of fees	None
Pension			
Providing post retirement benefits if the Non-executive Director does not opt out of the auto enrolment process	The Group operates defined contribution schemes	Dependent on the value of the fund at retirement	None

Current service contracts and terms of engagement

It is the Company's policy that Executive Directors should have contracts with an indefinite term providing for a maximum of one year's notice

The details of the Executive Directors' contracts are summarised in the table below

	Date of Contract	Notice Period
P E Atherton	22 11 2012	12 months
L Bryan	08 11 2002	12 months
B W J Phillips	15 03 2000	12 months

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

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

All Directors are proposed for re-election at the next Annual General Meeting on 19 May 2016

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

Directors' Remuneration Report

continued

Annual Report on Remuneration

Application of Remuneration Policy for the year ended 31 December 2015

Basic salary and benefits

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

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

Annual incentive payments

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

For the year ended 31 December 2015, the profit target was met and the Executive Directors achieved an incentive payment of 42.4% of basic salary.

Share options

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

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

Options granted in 2013 and 2014 can normally only be exercised if the increase in the average of the Group's basic adjusted (for changes in accounting standards and exceptional items) earnings per share for each of the three years beginning with the financial year in which the option was granted is at least 13% higher than that for the year before the option was granted.

Options granted in 2015 can normally only be exercised if the increase in the average of the Group's basic adjusted (for changes in accounting standards and exceptional items) earnings per share for each of the three years beginning with the financial year in which the option was granted is at least 10% higher than that for the year before the option was granted.

Basic earnings per share is considered to be an appropriate figure because it is a significant factor used by the market in determining the value of the Company and by the Company in determining the level of dividend to be paid. These targets align management interests closely with those of shareholders.

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

Long-term incentive schemes

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

The 2010 Deferred Incentive Plan permits the grant of an option to a participant in any year over shares with a market value not exceeding 20% of the gross incentive earned by the relevant employee in respect of the previous financial year. Options are exercisable normally only after the third anniversary of the date of grant. On exercise, provided that the participant is still employed by the Group (or has left due to limited good leaver provisions as specified in the rules of the 2010 Deferred Incentive Plan) the participant will be entitled to receive a "grossed-up" payment (i.e. a payment which after discharge of necessary taxes (including National Insurance contributions) leaves a net amount) sufficient to pay the taxes (including National Insurance rates covered). The Remuneration Committee believes this payment is appropriate so as to ensure that the shares are acquired without any need to sell the shares to generate cash to cover tax liabilities. Options may be satisfied by an issue of shares (including out of treasury).

Options under the 2010 Deferred Incentive Plan can only be granted to the extent performance targets relating to the annual incentive payment arrangements are met. The exercise of options granted under the 2010 Deferred Incentive Plan, are not, therefore, subject to the satisfaction of performance targets.

Pensions

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

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

On 5 April 1999, the Group's defined benefit UK pension scheme was frozen, i.e. closed to new entrants and to future accrual. B W J Phillips was a member of the scheme at that time and holds preserved benefits. He became an active pensioner on 31 March 2014 and has received pension payments from that date. During 2015, B W J Phillips received a gross pension of £15,000.

Non-executive Directors

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

Aggregate Directors' remuneration

The total amounts for Directors' remuneration were as follows:

	2015 £'000	2014 £'000
Emoluments	1,328	1,089
Long term incentive plan (LTIP)	210	284
Gains made on exercise of share options	111	–
Money purchase pension contributions	70	64
	1,719	1,437

Directors' emoluments

	Salary & fees £'000	Taxable benefits ⁽¹⁾ £'000	Incentive £'000	LTIP ⁽²⁾ £'000	Gains made on exercise of share options £'000	Pension contributions £'000	2015 Total £'000	2014 Total £'000
Executive								
PE Atherton	181	16	77	–	–	20	294	258
L Bryan ⁽³⁾	380	22	187	135	65	20	809	632
B W J Phillips	213	14	90	75	46	29	467	402
Non-executive								
Lady Judge	30	–	–	–	–	–	30	30
J Kong	30	–	–	–	–	–	30	30
R J Steele	88	–	–	–	–	1	89	85
	922	52	354	210	111	70	1,719	1,437

Notes

- (1) The taxable benefits shown above arise from the provision of a company car, critical illness and private medical insurance. Life assurance provided is not a taxable benefit.
- (2) On 21 April 2015 options granted in 2012 under the 2010 Deferred Incentive Plan vested. The mid-market closing price of the Company's shares on 21 April 2015 was 942.5p. L Bryan and B W J Phillips exercised options granted in 2012 on 21 April 2015. The amounts in the table above include the value of the shares on exercise by reference to the mid-market closing price of the Company's shares on the day before exercise (942.5p) and the amount paid in accordance with the rules of the Plan such that after discharge of necessary taxes a net amount was left sufficient to pay the taxes due in respect of the exercise of the options. Further details on the exercises are shown under the long-term incentive schemes section of this report on page 33.
- (3) L Bryan is remunerated in US dollars and his remuneration is translated into sterling at the average exchange rate for the year. In 2015, this was \$1,5282 / £ (2014 \$1,6476 / £). Included in the incentive figure above is £26,000 paid in lieu of additional pension contributions.

Directors' Remuneration Report

continued

Directors' share options and long-term incentives

Aggregate emoluments disclosed on page 31 do not include any amounts for the value of options to acquire ordinary shares in the Company granted to or held by the Directors

Executive Share Option Plans

The Company has three share option plans, the 2002 Share Option Scheme, the 2012 Approved Plan and the 2012 Unapproved Plan as described on page 30. Details of options held under these schemes by Directors who served during the year are as follows

	At	Number of options		At	Exercise price (pence)	Dates on which exercisable	
	01 01 2015	Granted	Exercised	31 12 2015		Earliest	Latest
PE Atherton	30,000	–	–	30,000	610 0	03 05 2016	01 05 2023
PE Atherton	30,000	–	–	30,000	740 0	01 05 2017	29 04 2024
PE Atherton	–	33,000	–	33,000	935 0	28 04 2018	26 04 2025
L Bryan	15,000	–	(15,000)	–	487 5	21 04 2015	19 04 2022
L Bryan	45,000	–	–	45,000	610 0	03 05 2016	01 05 2023
L Bryan	45,000	–	–	45,000	740 0	01 05 2017	29 04 2024
L Bryan	–	49,500	–	49,500	935 0	28 04 2018	26 04 2025
B W J Phillips	10,000	–	(10,000)	–	487 5	21 04 2015	19 04 2022
B W J Phillips	30,000	–	–	30,000	610 0	03 05 2016	01 05 2023
B W J Phillips	30,000	–	–	30,000	740 0	01 05 2017	29 04 2024
B W J Phillips	–	33,000	–	33,000	935 0	28 04 2018	26 04 2025

Notes

- (1) The performance criteria attaching to share options are detailed on page 30
- (2) The Company's share price reached a high of 972 5p and a low of 870 0p during 2015. The average share price during 2015 was 918 7p. The share price on 31 December 2015 was 942 5p.
- (3) There have been no changes to the Directors' interests in the shares or options over shares of the Company between 31 December 2015 and 8 March 2016.

Details of the options exercised under the 2002 Share Option Scheme during the year are as follows

Director	Date of exercise	Number of options exercised	Total exercise price	Market price on exercise	Gains on exercise	Total gains on exercise	Total gains on exercise
			(pence)	per share (pence)	£'000	2015 £'000	2014 £'000
L Bryan	12 08 2015	15,000	487 5	922 5	65	65	–
B W J Phillips	21 04 2015	10,000	487 5	942 5	46	46	–

Long-term incentive schemes

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

Director	At 01 01 2015	Number of options		At 31 12 2015	Dates on which exercisable	
		Granted	Exercised		Earliest	Latest
PE Atherton	392	–	–	392	16 04 2017	14 07 2017
PE Atherton	–	1,102	–	1,102	22 04 2018	20 07 2018
L Bryan	7,369	–	(7,369)	–	21 04 2015	19 07 2015
L Bryan	2,106	–	–	2,106	20 04 2016	18 07 2016
L Bryan	833	–	–	833	16 04 2017	14 07 2017
L Bryan	–	2,034	–	2,034	22 04 2018	20 07 2018
B W J Phillips	4,239	–	(4,239)	–	21 04 2015	19 07 2015
B W J Phillips	1,197	–	–	1,197	20 04 2016	18 07 2016
B W J Phillips	509	–	–	509	16 04 2017	14 07 2017
B W J Phillips	–	1,321	–	1,321	22 04 2018	20 07 2018

Notes

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

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

Director	Date of exercise	Number of options exercised	Total exercise price (pence)	Market price on exercise per share (pence)	Gains on exercise £'000	Total gains on exercise 2015 £'000	Total gains on exercise 2014 £'000
L Bryan	21 04 2015	7,369	100 0	942 5	69	69	92
B W J Phillips	21 04 2015	4,239	100 0	942 5	40	40	51

Consultations with shareholders and statement of voting at general meeting

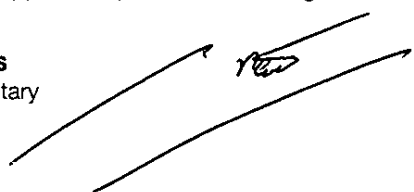
At the Annual General Meeting of the Company held on 19 May 2015, a resolution to approve the Directors' Remuneration Report for the year ended 31 December 2014 was passed with 4,282,011 proxy votes lodged, of which 99.0% were in favour, 0.9% gave discretion and 0.1% voted against

In February 2016, the Chairman wrote to significant institutional shareholders offering a meeting to discuss corporate governance matters. The Chairman is in contact with all other significant shareholders in the Company.

Approval

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

B.W.J. Phillips
Company Secretary
8 March 2016



Corporate Governance Statement

As a company listed on the Alternative Investment Market ("AIM") the Company is not required to adhere to the UK Corporate Governance Code September 2014 (the "Code"). The Company has regard to the Code as best practice guidance and has sought to comply with a number of its provisions in so far as it considers them to be appropriate to a company of its size, however, we have not sought to comply with the full Code.

The Board

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

R J Steele, the Non-executive Chairman, is responsible for the running of the Board and L Bryan, the Chief Executive, has executive responsibility for running the Group's business and implementing Group strategy. The Board has not appointed a Senior Non-executive Director. The Board believes that, given its size, there is sufficient opportunity for shareholders to raise any concerns they may have with the Non-executive Chairman, Chief Executive, Group Finance Director or the other two Non-executive Directors. The Board meets at least five times each year and has a formal schedule of matters reserved to it. It is responsible for overall Group strategy, approval of major capital expenditure projects, approval of the annual and interim results, annual budgets, dividend policy, and Board structure. It monitors the exposure to key business risks and reviews the strategic direction of all trading subsidiaries, their annual budgets, their performance in relation to those budgets and their capital expenditure. The Board delegates day-to-day responsibility for managing the business to the Executive Directors and senior management team.

All Directors receive regular and timely information on the Group's operational and financial performance. Relevant information is circulated to the Directors in advance of meetings. In addition, minutes of the meetings of the Directors of the main UK subsidiary are circulated to the Group Board of Directors. All Directors have direct access to the advice and services of the Company Secretary and are able to take independent professional advice in the furtherance of their duties, if necessary, at the Company's expense.

The following table shows the attendance of the Directors at meetings of the Board and its principal committees during 2015.

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

Notes

- (1) During the year additional Board and Remuneration Committee meetings were held and attended by a duly authorised committee of members of the Board, principally to discuss share option matters.
- (2) Meetings which the Director attended, in whole or in part, by invitation.

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

The Company Secretary supports the Chairman in addressing the training and development needs of Directors. During 2015, all Directors participated in a tailored training session delivered by the Company's legal advisors, Pinsent Masons LLP.

The Board has three committees which assist in the discharge of its responsibilities – the Nomination, Remuneration and Audit Committees. The terms of reference for each committee are available on the Company's website at www.portmeiriongroup.com. These terms of reference are reviewed annually together with committee composition and performance.

Nomination Committee

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

Remuneration Committee

The Remuneration Committee is chaired by R J Steele and comprises all the Non-executive Directors. The Board considers it appropriate that R J Steele, with his experience in this area, chairs this committee. The Remuneration Committee is responsible for making recommendations to the Board in relation to all aspects of remuneration for Executive Directors. The Remuneration Committee believes that the presence of the Chief Executive is important when determining the remuneration of the other Executive Directors. The Chief Executive does not participate in discussions relating to his personal remuneration. In framing its policy, the Remuneration Committee takes into account any factors which it deems necessary, including industry standard executive remuneration, differentials between executive and employee remuneration and differentials between executives. When designing schemes of performance related remuneration the Remuneration Committee considers the provisions in Schedule A to the Code. The remuneration of the Non-executive Directors is determined by the Executive Directors.

Audit Committee

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

The Committee has considered the following significant issues in relation to the financial statements with management and the external auditors during the financial period: internal controls, defined benefit pension scheme, goodwill and intangible assets, revenue and income recognition and stock provisions.

Annually, the 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 review, in November 2015, concluded that the Committee was satisfied with the effectiveness of the external audit. Mazars LLP has acted as the Company's auditor since 2010. The external auditors are required to rotate the audit partner responsible for the Company and subsidiary audits every five years and a new lead audit partner was appointed in 2014. Mazars LLP will be recommended for reappointment as auditors at the AGM on 19 May 2016. Whilst the Code recommends that FTSE 350 companies should tender their external audit contract at least every ten years, this does not apply to the Company which is AIM listed.

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

Internal control

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

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

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

As might be expected in a Group of this size, a key control procedure is the day to day supervision of the business by the Executive Directors, supported by the senior managers with responsibility for key operations. The Board has considered the impact of the values and culture of the Group and ensures that, through staff communication, the Board's expectations and attitude to risk and internal control are embedded in the business.

Corporate Governance Statement

continued

The Executive Directors are involved in the budget setting process, constantly monitor key performance indicators and review management accounts on a monthly basis, noting and investigating major variances. All significant capital expenditure decisions are approved by the Board as a whole.

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

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

The Group's system of internal control is designed to identify fraud or material error and manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Non-audit services

The Audit Committee is responsible for keeping under review the nature and extent of non-audit services provided by the external auditors in order to ensure that objectivity and independence are maintained. For non-audit work, the policy is that the Group does not use the external auditors unless they have the necessary skills and experience to make them the most suitable supplier. There are appropriate safeguards in place to eliminate or reduce to an acceptable level any threat to the objectivity and independence of the external auditors in the provision of non-audit services. Fees paid to the auditors for non-audit services are disclosed in note 8 on page 56.

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

Conflicts of interest

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

Relations with shareholders

The Group encourages two way communications with both its institutional and private investors and responds quickly to all queries received. The Chairman talks regularly with the Group's major shareholders and ensures that their views are communicated fully to the Board. The Chairman wrote to significant institutional shareholders in February 2016 offering a meeting to discuss corporate governance matters. The Non-executive Directors are offered the opportunity to attend meetings with major shareholders. All shareholders receive notice of the Annual General Meeting ("AGM") at which the chairmen of all committees will be available for questions.

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

Financial reporting

The Board seeks to present a fair, balanced and understandable assessment of the Group's position and prospects. Details are given in the Strategic Report on pages 10 to 21.

Approval

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

R.J. Steele

Non-executive Chairman
8 March 2016



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 Financial Reporting Standards (IFRS) as adopted by the European Union.

International Accounting Standard 1 requires that IFRS financial statements present fairly for each financial year the Group 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 IFRS as adopted by the European Union have been followed subject to any material departures disclosed and explained in the financial statements,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information, and
- provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The Directors have elected to prepare the Company financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. 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 IFRS as adopted by the European Union have been followed subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

Independent Auditors' Report

Independent auditors' report to the members of Portmeirion Group PLC

We have audited the financial statements of Portmeirion Group PLC for the year ended 31 December 2015 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Statements of Cash Flows and the related notes. The financial reporting framework that has been applied in the preparation of the Group and Company financial statements is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

Respective responsibilities of Directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 37, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. This report is made solely to the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body for our audit work, for this report, or for the opinions we have formed.

Scope of the audit of the financial statements

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

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2015 and of the Group's profit for the year then ended,
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union,
- the Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

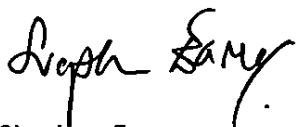
In our opinion the information given in the Strategic Report and in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

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



Stephen Eames

(Senior Statutory Auditor)

for and on behalf of Mazars LLP,

Chartered Accountants and Statutory Auditors

45 Church Street

Birmingham

8 March 2016

Consolidated Income Statement

for the year ended 31 December 2015

	Notes	2015 £'000	2014 £'000
Revenue	4,5	68,669	61,370
Operating costs	6	(60,102)	(53,811)
Operating profit		8,567	7,559
Interest income	9	19	16
Finance costs	10	(177)	(152)
Share of profit of associated undertakings		240	188
Profit before tax		8,649	7,611
Tax	11	(1,752)	(1,538)
Profit for the year attributable to equity holders		6,897	6,073
Earnings per share	13	66.02p	57.64p
Diluted earnings per share	13	65.48p	57.30p
Dividends paid and proposed per share	12	30.00p	26.50p

All the above figures relate to continuing operations

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2015

	Notes	2015 £'000	2014 £'000
Profit for the year		6,897	6,073
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Remeasurement of net defined benefit pension scheme liability	29	261	(2,455)
Deferred tax relating to items that will not be reclassified subsequently to profit or loss	23	(245)	491
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		385	368
Deferred tax relating to items that may be reclassified subsequently to profit or loss	23	17	45
Other comprehensive income for the year		418	(1,551)
Total comprehensive income for the year attributable to equity holders		7,315	4,522

Consolidated Balance Sheet

31 December 2015

	Notes	2015 £'000	2014 £'000
Non-current assets			
Intangible assets	14	1,032	1,177
Property, plant and equipment	15	9,639	9,168
Interests in associates	16	2,044	1,854
Deferred tax asset	23	566	832
Total non-current assets		13,281	13,031
Current assets			
Inventories	18	12,700	15,544
Trade and other receivables	19	9,312	10,772
Cash and cash equivalents	20	11,130	5,905
Total current assets		33,142	32,221
Total assets		46,423	45,252
Current liabilities			
Trade and other payables	22	(5,986)	(6,856)
Current income tax liabilities		(830)	(1,196)
Total current liabilities		(6,816)	(8,052)
Non-current liabilities			
Pension scheme deficit	29	(3,085)	(4,153)
Total non-current liabilities		(3,085)	(4,153)
Total liabilities		(9,901)	(12,205)
Net assets		36,522	33,047
Equity			
Called up share capital	24	550	549
Share premium account		6,612	6,456
Investment in own shares	25	(3,137)	(1,814)
Share-based payment reserve		370	292
Translation reserve		1,414	1,012
Retained earnings		30,713	26,552
Total equity		36,522	33,047

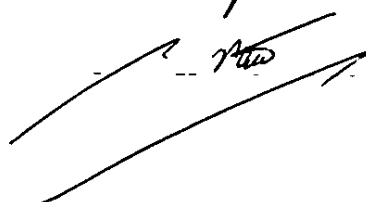
These financial statements were approved by the Board of Directors and authorised for issue on 8 March 2016

They were signed on its behalf by

L. Bryan

B.W.J. Phillips

} Directors

Company Balance Sheet

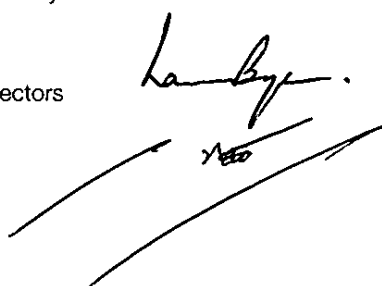
31 December 2015

	Notes	2015 £'000	2014 £'000	Opening IFRS 01 01 2014 £'000
Non-current assets				
Investment in subsidiaries	17	12,366	12,366	12,366
Total non-current assets		12,366	12,366	12,366
Current assets				
Trade and other receivables	19	721	182	40
Cash and cash equivalents		12	12	–
Total current assets		733	194	40
Total assets		13,099	12,560	12,406
Current liabilities				
Current income tax liabilities		(13)	(40)	(45)
Total current liabilities		(13)	(40)	(45)
Total liabilities		(13)	(40)	(45)
Net assets		13,086	12,520	12,361
Equity				
Called up share capital	24	550	549	548
Share premium account		6,612	6,456	6,375
Other reserves		197	197	197
Investment in own shares	25	(3,137)	(1,814)	(1,139)
Share-based payment reserve		370	292	742
Retained earnings		8,494	6,840	5,638
Total equity		13,086	12,520	12,361

The financial statements of Portmeirion Group PLC, company registration number 124842, were approved by the Board of Directors and authorised for issue on 8 March 2016

They were signed on its behalf by

L. Bryan
B.W.J. Phillips } Directors



Consolidated Statement of Changes in Equity

for the year ended 31 December 2015

	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 2014	548	6,375	(1,139)	742	599	24,376	31,501
Profit for the year	-	-	-	-	-	6,073	6,073
Other comprehensive income for the year	-	-	-	-	413	(1,964)	(1,551)
Total comprehensive income for the year	-	-	-	-	413	4,109	4,522
Dividends paid	-	-	-	-	-	(2,587)	(2,587)
Increase in share-based payment reserve	-	-	-	194	-	-	194
Transfer on exercise or lapse of options	-	-	-	(644)	-	644	-
Shares issued under employee share schemes	1	81	38	-	-	(34)	86
Purchase of own shares	-	-	(713)	-	-	(3)	(716)
Deferred tax on share-based payment	-	-	-	-	-	47	47
At 1 January 2015	549	6,456	(1,814)	292	1,012	26,552	33,047
Profit for the year	-	-	-	-	-	6,897	6,897
Other comprehensive income for the year	-	-	-	-	402	16	418
Total comprehensive income for the year	-	-	-	-	402	6,913	7,315
Dividends paid	-	-	-	-	-	(2,852)	(2,852)
Increase in share-based payment reserve	-	-	-	175	-	-	175
Transfer on exercise or lapse of options	-	-	-	(97)	-	97	-
Shares issued under employee share schemes	1	156	74	-	-	(21)	210
Purchase of own shares	-	-	(1,397)	-	-	(7)	(1,404)
Deferred tax on share-based payment	-	-	-	-	-	31	31
At 31 December 2015	550	6,612	(3,137)	370	1,414	30,713	36,522

Company Statement of Changes in Equity

for the year ended 31 December 2015

	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 2014	548	6,375	197	(1,139)	742	5,638	12,361
Profit for the year	-	-	-	-	-	3,182	3,182
Total comprehensive income for the year	-	-	-	-	-	3,182	3,182
Dividends paid	-	-	-	-	-	(2,587)	(2,587)
Increase in share-based payment reserve	-	-	-	-	194	-	194
Transfer on exercise or lapse of options	-	-	-	-	(644)	644	-
Shares issued under employee share schemes	1	81	-	38	-	(34)	86
Purchase of own shares	-	-	-	(713)	-	(3)	(716)
At 1 January 2015	549	6,456	197	(1,814)	292	6,840	12,520
Profit for the year	-	-	-	-	-	4,437	4,437
Total comprehensive income for the year	-	-	-	-	-	4,437	4,437
Dividends paid	-	-	-	-	-	(2,852)	(2,852)
Increase in share-based payment reserve	-	-	-	-	175	-	175
Transfer on exercise or lapse of options	-	-	-	-	(97)	97	-
Shares issued under employee share schemes	1	156	-	74	-	(21)	210
Purchase of own shares	-	-	-	(1,397)	-	(7)	(1,404)
At 31 December 2015	550	6,612	197	(3,137)	370	8,494	13,086

Consolidated Statement of Cash Flows

for the year ended 31 December 2015

	2015 £'000	2014 £'000
Operating profit	8,567	7,559
<i>Adjustments for</i>		
Depreciation of property, plant and equipment	978	1,001
Amortisation of intangible assets	192	311
Contributions to defined benefit pension scheme	(937)	(800)
Charge for share-based payments	175	194
Exchange gain/(loss)	58	(20)
Profit on sale of tangible fixed assets	(1)	-
Operating cash flows before movements in working capital	9,032	8,245
Decrease/(increase) in inventories	3,096	(3,506)
Decrease in receivables	1,607	332
(Decrease)/increase in payables	(934)	316
Cash generated from operations	12,801	5,387
Interest paid	(50)	(59)
Income taxes paid	(2,045)	(1,525)
Net cash from operating activities	10,706	3,803
Investing activities		
Interest received	19	16
Proceeds on disposal of property, plant and equipment	2	16
Purchase of property, plant and equipment	(1,420)	(860)
Purchase of intangible assets	(47)	(69)
Net cash outflow from investing activities	(1,446)	(897)
Financing activities		
Equity dividends paid	(2,852)	(2,587)
Shares issued under employee share schemes	210	86
Purchase of own shares	(1,404)	(716)
Net cash outflow from financing activities	(4,046)	(3,217)
Net increase/(decrease) in cash and cash equivalents	5,214	(311)
Cash and cash equivalents at beginning of year	5,905	6,205
Effect of foreign exchange rate changes	11	11
Cash and cash equivalents at end of year	11,130	5,905

Company Statement of Cash Flows

for the year ended 31 December 2015

	2015 £'000	2014 £'000
Operating profit	4,421	3,222
<i>Adjustments for</i>		
Charge for share-based payments	175	194
Operating cash flows before movements in working capital	4,596	3,416
Increase in receivables	(539)	(142)
Cash generated from operations	4,057	3,274
Income taxes paid	(11)	(45)
Net cash from operating activities	4,046	3,229
Financing activities		
Equity dividends paid	(2,852)	(2,587)
Shares issued under employee share schemes	210	86
Purchase of own shares	(1,404)	(716)
Net cash outflow from financing activities	(4,046)	(3,217)
Net increase in cash and cash equivalents	–	12
Cash and cash equivalents at beginning of year	12	–
Cash and cash equivalents at end of year	12	12

Notes to the Financial Statements

1. Basis of preparation

Portmeirion Group PLC is a company incorporated in England and Wales. The address of the registered office is given on page 74. The nature of the Group's operations and its principal activities are set out in the Strategic Report on pages 10 to 21.

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

Prior to 2015, the Company prepared its individual financial statements under United Kingdom Generally Accepted Accounting Principles (UK GAAP). For the year ended 31 December 2015 the Company has prepared its annual financial statements in accordance with accounting standards adopted for use in the European Union (International Financial Reporting Standards (IFRS)). The transition date for the Company's application of IFRS is 1 January 2014 and an opening balance sheet has been disclosed accordingly. No adjustments were required to the opening balance sheet or comparatives for the transition to IFRS other than the reclassification of long term receivables to investments.

The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present an income statement. The profit of the Company for the year was £4,437,000 (2014: £3,182,000).

The going concern basis has been considered in the Strategic Report on page 21.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with the policies set out in note 2.6.

In the current year, the Group has applied a number of amendments to IFRSs and a new Interpretation issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on 1 January 2015. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

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

Annual Improvements to IFRSs 2011-2013 Cycle

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

IFRS 9	<i>Financial Instruments</i>
IFRS 11 (amendments)	<i>Accounting for Acquisitions of Interests in Joint Operations</i>
IFRS 14	<i>Regulatory Deferral Accounts</i>
IFRS 15	<i>Revenue from Contracts with Customers</i>
IFRS 16	<i>Leases</i>
IAS 1 (amendments)	<i>Disclosure Initiative</i>
IAS 16 and IAS 38 (amendments)	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
IAS 16 and IAS 41 (amendments)	<i>Agriculture: Bearer Plants</i>
IAS 19 (amendments)	<i>Defined Benefit Plans: Employee Contributions</i>
IAS 27 (amendments)	<i>Equity Method in Separate Financial Statements</i>
IFRS 10 and IAS 28 (amendments)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>
IFRS 10, IFRS 12 and IAS 28 (amendments)	<i>Investment Entities: Applying the Consolidation Exception</i>

Annual Improvements to IFRSs 2010-2012 Cycle

Annual Improvements to IFRSs 2012-2014 Cycle

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

Notes to the Financial Statements

continued

2. Significant accounting policies

The accounting policies which follow set out those policies which were applied in preparing the financial statements for the year ended 31 December 2015

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

2.1 Basis of consolidation

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

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

All accounts for subsidiaries and associated undertakings have been prepared for the year ended 31 December 2015 except for the accounts of Portmeirion Canada Inc. which have a year end of 30 June 2015. The Group accounts include interim financial information to 31 December 2015 for Portmeirion Canada Inc.

2.2 Investments

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

2.3 Investment in associated undertakings ("associates")

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

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

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

2.4 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes.

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

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

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

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

2.5 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value.

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

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

2. Significant accounting policies continued

2.6 Foreign currencies

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

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

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

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

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

2.7 Operating profit

Operating profit is stated before interest income, finance costs and share of profit of associated undertakings.

2.8 Group pension schemes

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

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

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

2.9 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. 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.

Notes to the Financial Statements

continued

2. Significant accounting policies continued

2.9 Taxation continued

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

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

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

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

2.10 Property, plant and equipment

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

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

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

2.11 Intangible assets

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

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

2.12 Impairment of tangible and intangible assets

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

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

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

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

2. Significant accounting policies continued

2.13 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.

2.14 Research and development

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

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

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

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

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

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 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 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.

Derivative financial instruments

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

Notes to the Financial Statements

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2. Significant accounting policies continued

2.16 Financial instruments continued

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

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

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

Receivables

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

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or 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 30.

2.17 Share-based payments

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non market-based vesting conditions. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 31.

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

3. Critical accounting judgements and key sources of estimation uncertainty

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

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

Critical judgements in applying the Group's accounting policies

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

Impairment of inventory

Provision is made for the impairment of slow-moving and obsolete inventory based on historical and forecast sales and estimates of net realisable value. The carrying value of inventory at the year end was £12,700,000 (2014: £15,544,000).

Defined benefit pension scheme

The valuation of the Group's defined benefit pension scheme assets and liabilities under IAS 19 *Employee Benefits* requires assumptions to be made regarding inflation, discount rates, mortality, salary and pension increases. The carrying value of the scheme liability at the year end was £3,085,000 (2014: £4,153,000).

4. Revenue

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

	2015 £'000	2014 £'000
Continuing operations		
Sale of goods	68,480	61,145
Royalties	189	225
	68,669	61,370

5. Segmental analysis

IFRS 8 requires operating segments to be identified on the basis of internal reports about the components of the Group that are regularly reviewed by the Chief Executive to allocate resources to the segments and to assess their performance. Based upon the nature and extent of these internal reports, the Directors are of the opinion that there are two reportable segments under IFRS 8, namely the UK and US operations. The Directors are of the opinion that only one class of business is being undertaken, that of the manufacture and sale of ceramics and associated homeware.

	Total sales £'000	2015 Inter- segment sales £'000	Sales to third parties £'000	Total sales £'000	2014 Inter- segment sales £'000	Sales to third parties £'000
Revenue by origin						
United Kingdom	50,667	(4,134)	46,533	46,402	(4,898)	41,504
United States	22,136	-	22,136	19,866	-	19,866
	72,803	(4,134)	68,669	66,268	(4,898)	61,370

Included in revenues arising from the United Kingdom are revenues of £12,346,000 (2014: £15,077,000) which arose from sales to the Group's largest customer in South Korea.

Inter-segment sales are charged at prevailing market prices.

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5. Segmental analysis continued

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

Revenue	2015 £'000	2014 £'000
United Kingdom	17,924	15,939
United States	22,287	20,052
South Korea	12,346	15,077
Rest of the World	16,112	10,302
	68,669	61,370

The accounting policies of the reportable segments are the same as the Group's accounting policies as described in note 2. Segment profit represents the profit earned by each segment without allocation of the share of profits of associates, interest income, finance costs and income tax expense. This is the measure reported to the Group's Chief Executive for the purpose of resource allocation and assessment of segment performance.

For the purposes of monitoring segment performance and allocating resources between segments the Group's Chief Executive monitors the tangible, intangible and financial assets attributable to each segment. All assets are allocated to reportable segments with the exception of interests in associates. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments.

Operating profit by origin	2015 £'000	2014 £'000
United Kingdom	7,459	6,565
United States	1,108	994
Operating profit	8,567	7,559
Unallocated items		
Share of profit of associated undertakings	240	188
Interest income	19	16
Finance costs	(177)	(152)
Profit before tax	8,649	7,611
Tax	(1,752)	(1,538)
Profit after tax	6,897	6,073

Other information	United Kingdom £'000	2015 United States £'000	Con- solidated £'000	United Kingdom £'000	2014 United States £'000	Con- solidated £'000
Capital additions	1,449	18	1,467	846	83	929
Depreciation and amortisation	1,023	147	1,170	1,141	171	1,312
Balance sheet						
Assets						
Non-current segment assets	10,100	571	10,671	9,674	671	10,345
Other segment assets	25,797	7,449	33,246	23,605	9,136	32,741
Total segment assets	35,897	8,020	43,917	33,279	9,807	43,086
Interests in associates			2,044			1,854
Other assets			462			312
Consolidated total assets			46,423			45,252
Liabilities						
Segment liabilities	8,737	1,070	9,807	10,872	1,311	12,183
Other liabilities			94			22
Consolidated total liabilities			9,901			12,205

5. Segmental analysis continued

	2015 £'000	2014 £'000
Reconciliation of earnings before interest, tax, depreciation and amortisation (EBITDA)		
Operating profit	8,567	7,559
Add back		
Depreciation	978	1,001
Amortisation	192	311
Earnings before interest, tax, depreciation and amortisation	9,737	8,871

6. Operating costs

	2015 £'000	2014 £'000
Cost of inventories recognised as an expense	27,201	23,869
Movement on inventory impairment provision	1,238	412
Other external charges	10,691	10,045
Staff costs (note 7)	19,569	17,877
Depreciation of property, plant and equipment	978	1,001
Amortisation of intangible assets	192	311
Impairment of trade receivables	28	36
Cost of research and development	214	261
Net foreign exchange gains	(9)	(1)
	60,102	53,811

7. Staff numbers and costs

	2015 Number	2014 Number
<i>The average number of persons employed during the year, including Directors</i>		
Operatives	439	395
Salaries employees	245	236
	684	631

	2015 £'000	2014 £'000
Staff costs:		
Wages and salaries	16,565	15,171
Social security costs	1,389	1,237
Other pension costs	1,166	1,081
Non-monetary benefits	449	388
	19,569	17,877

The Company had no employees throughout 2015 or 2014

	2015 £'000	2014 £'000
<i>Directors' emoluments</i>		
Salary and fees, taxable benefits and incentive	1,328	1,089
Gains made on exercise of share options	111	—
Long term incentive plan	210	284
Pension contributions	70	64
	1,719	1,437

Notes to the Financial Statements

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7. Staff numbers and costs continued

	2015 Number	2014 Number
Number of directors who were members of a defined contribution pension scheme during the year	4	4
Number of directors who exercised options over shares in the ultimate parent Company	2	2
	2015 £'000	2014 £'000
<i>Remuneration of the highest paid director</i>		
Salary and fees, taxable benefits and incentive	589	428
Gains made on exercise of share options	65	–
Long term incentive plan	135	187
Pension contributions	20	17
	809	632

The highest paid director exercised options in the year over shares in the Company

8. Auditors' remuneration

	2015 £'000	2014 £'000
Fees payable to the Group's auditors for the audit of the Group's annual accounts	49	49
Other audit-related services – interim review	6	6
Total audit-related fees	55	55
Fees payable to the Group's auditors and their associates for other services to the Group		
Other taxation advisory services	5	22
Total non-audit fees	5	22
Fees payable to the Group's auditors and their associates in respect of associated pension schemes		
Audit of the Portmeirion Potteries Limited Retirement Benefits Scheme	4	4
	4	4

The audit fee for the Company was £1,600 (2014 £1,600)

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

9. Interest income

	2015 £'000	2014 £'000
Bank deposits	19	16

10. Finance costs

	2015 £'000	2014 £'000
Interest paid	20	43
Realised losses on financial derivatives	10	3
Unrealised losses on financial derivatives	17	12
Net interest expense on pension scheme deficit	130	94
	177	152

11. Taxation on profit on ordinary activities

	2015 £'000	2014 £'000
<i>Current taxation</i>		
United Kingdom corporation tax at 20.25% (2014: 21.5%)	1,201	1,195
Overseas taxation	482	370
	1,683	1,565
<i>Deferred taxation</i>		
Origination and reversal of temporary differences	38	(168)
Pension scheme	31	141
	69	(27)
	1,752	1,538

UK corporation tax is calculated at 20.25% (2014: 21.5%) 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:

	2015 £'000	2014 £'000
Profit on ordinary activities before taxation	8,649	7,611
Tax on profit on ordinary activities at standard rate of 20.25% (2014: 21.5%)	1,751	1,636
<i>Factors affecting charge for the year</i>		
Expenses not deductible for tax purposes and other adjustments	(253)	(261)
Foreign tax charged at higher rates than UK standard rate	272	170
Differences relating to associates tax charge	(18)	(7)
Total tax on profit on ordinary activities	1,752	1,538

12. Dividends paid

	2015 £'000	2014 £'000
Final dividend of 21.00p per share paid in respect of the year ended 31 December 2014 (2014: final dividend of 19.00p per share paid in respect of the year ended 31 December 2013)	2,216	2,008
Interim dividend of 6.10p per share paid in respect of the year ended 31 December 2015 (2014: interim dividend of 5.50p per share paid in respect of the year ended 31 December 2014)	636	579
Total dividends paid in the year	2,852	2,587

The Directors recommend that a final dividend for 2015 of 23.90p (2014: 21.00p) per ordinary share be paid, making a total for the year of 30.00p (2014: 26.50p) per share. The final dividend will be paid, subject to shareholders' approval, on 25 May 2016, to shareholders on the register at the close of business on 22 April 2016. This dividend has not been included as a liability in these financial statements.

13. Earnings per share

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

	2015			2014		
	Earnings £'000	Weighted average number of shares	Earnings per share (pence)	Earnings £'000	Weighted average number of shares	Earnings per share (pence)
Basic earnings per share	6,897	10,446,483	66.02	6,073	10,535,950	57.64
Effect of dilutive securities: employee share options	-	87,095	-	-	62,308	-
Diluted earnings per share	6,897	10,533,578	65.48	6,073	10,598,258	57.30

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14. Intangible assets

	Development costs £'000	Computer software £'000	Intellectual property £'000	Total £'000
<i>Cost</i>				
At 1 January 2014	41	521	2,693	3,255
Additions	18	51	–	69
Disposals	–	(16)	–	(16)
At 1 January 2015	59	556	2,693	3,308
Additions	–	47	–	47
Disposals	–	(314)	–	(314)
At 31 December 2015	59	289	2,693	3,041
<i>Amortisation</i>				
At 1 January 2014	4	296	1,536	1,836
Charge for the year	10	84	217	311
On disposals	–	(16)	–	(16)
At 1 January 2015	14	364	1,753	2,131
Charge for the year	45	84	63	192
On disposals	–	(314)	–	(314)
At 31 December 2015	59	134	1,816	2,009
<i>Net book value</i>				
At 31 December 2015	–	155	877	1,032
At 31 December 2014	45	192	940	1,177

Included within intellectual property are the rights to certain intellectual property and the trade names of Spode and Royal Worcester, purchased in April 2009. At the year end this had a carrying value of £877,000 (2014: £940,000). The remaining amortisation period was re-evaluated during the year and is now fourteen years.

At 31 December 2015, the Group had entered into contractual commitments for the acquisition of intangible assets amounting to £nil (2014: £nil).

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

15. Property, plant and equipment

	Land and buildings			Plant and vehicles	Total
	Freehold £'000	Leasehold £'000	Leasehold improvements £'000	£'000	£'000
Cost					
At 1 January 2014	3,857	3,874	1,285	12,898	21,914
Additions	–	–	8	852	860
Disposals	(2)	–	–	(598)	(600)
Exchange rate adjustments	–	–	33	58	91
At 1 January 2015	3,855	3,874	1,326	13,210	22,265
Additions	–	–	–	1,420	1,420
Disposals	–	–	–	(919)	(919)
Exchange rate adjustments	–	–	32	57	89
At 31 December 2015	3,855	3,874	1,358	13,768	22,855
Depreciation					
At 1 January 2014	1,752	21	729	10,127	12,629
Charge for the year	70	51	87	793	1,001
On disposals	(1)	–	–	(583)	(584)
Exchange rate adjustments	–	–	16	35	51
At 1 January 2015	1,821	72	832	10,372	13,097
Charge for the year	70	51	90	767	978
On disposals	–	–	–	(918)	(918)
Exchange rate adjustments	–	–	17	42	59
At 31 December 2015	1,891	123	939	10,263	13,216
Net book value					
At 31 December 2015	1,964	3,751	419	3,505	9,639
At 31 December 2014	2,034	3,802	494	2,838	9,168

At 31 December 2015, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £nil (2014 £699,000)

16. Interests in associates

	2015 £'000	2014 £'000
Associated undertakings		
Furlong Mills Limited		
2,080 ordinary shares of £1 each, representing 27.58% of the issued share capital		
Share of net assets	1,347	1,223
Discount on acquisition	(13)	(13)
Impairment of investment in Furlong Mills Limited	–	(154)
	1,334	1,056
Portmeirion Canada Inc		
100 common shares representing 50% of the issued share capital		
Share of net assets	710	798
	2,044	1,854
Aggregated amounts relating to associates	2015 £'000	2014 £'000
Profit or loss from continuing operations	484	108

A list of the investments in subsidiaries and associates, including the name, country of incorporation and proportion of ownership interest is given in note 17

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

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17. Investment in subsidiaries

Company investment in subsidiary undertakings

	2015 £'000	2014 £'000	Opening IFRS 01 01 2014 £'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	1,455
Capital contributions made to subsidiary undertakings			
Portmeirion Group UK Limited	10,146	10,146	10,146
Portmeirion Enterprises Limited	705	705	705
Portmeirion Distribution Limited	60	60	60
	12,366	12,366	12,366

Long term receivables have been reflected as capital contributions within investments to better represent their nature

At 31 December 2015 the Company had the following subsidiary and associated undertakings

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

The companies are incorporated in England and Wales and registered in England and Wales except where stated. The share capital of all subsidiary undertakings consists solely of ordinary shares. The Company holds 100% of the share capital of all subsidiaries, 50% of the ordinary share capital of Portmeirion Canada Inc and 27.58% of the ordinary share capital of Furlong Mills Limited. Furlong Mills Limited supplies Portmeirion Group UK Limited with all of its clay and most of its glaze raw materials.

* Wholly owned by Portmeirion Group UK Limited

† Wholly owned by Portmeirion Enterprises Limited

^ Wholly owned by Portmeirion Group USA, Inc

~ Wholly owned by Portmeirion Group Hong Kong Limited

18. Inventories

	2015 £'000	2014 £'000
Raw materials and other consumables	1,984	1,819
Work in progress	545	595
Finished goods	10,171	13,130
	12,700	15,544

19. Trade and other receivables

Group	2015 £'000	2014 £'000
Amounts receivable for the sale of goods	8,647	9,924
Allowance for doubtful debts	(210)	(196)
Trade receivables	8,437	9,728
Amounts owed by associated undertakings	215	287
Other receivables	33	6
Prepayments and accrued income	627	751
	9,312	10,772

Generally no interest is charged on receivables, however, there is provision in the Group's terms and conditions for interest to be charged on late payments. The allowance for doubtful debts has been determined by reference to past default experience and a review of specific customers' debts at the year end.

Included in the Group's trade receivable balance are debtors with a carrying amount of £1,573,000 (2014: £1,613,000) 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 55 days (2014: 51 days).

Ageing of past due but not impaired receivables	2015 £'000	2014 £'000
31-60 days	1,158	1,328
61-90 days	222	170
91+ days	193	115
Total	1,573	1,613

Movement in the allowance for doubtful debts	2015 £'000	2014 £'000
Balance at the beginning of the year	196	272
Impairment losses recognised	28	36
Amounts written off as uncollectable	(14)	(112)
Balance at the end of the year	210	196

In determining the recoverability of a trade receivable the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the Directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

Ageing of individually impaired trade receivables	2015 £'000	2014 £'000
120+ days	91	62

Included in the allowance for doubtful debts are individually impaired trade receivables with a balance of £13,000 (2014: £3,000), the companies of which have been placed into liquidation. The impairment recognised represents the difference between the carrying amount of these trade receivables and the present value of the expected liquidation proceeds. The Group does not hold any collateral over these balances.

Company	2015 £'000	2014 £'000	Opening IFRS 01 01 2014 £'000
Amounts owed by subsidiary undertakings	721	182	40

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

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20. Cash and cash equivalents

	2015 £'000	2014 £'000
Cash and cash equivalents	11,130	5,905

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

21. Borrowings

The Group has two facilities:

- a) A £2,000,000 overdraft facility available until 31 May 2016. Interest is payable at 1.9% on the net pooled fund balance, plus bank base rate on net sterling borrowings.
- b) A £2,000,000 revolving credit facility available until 30 June 2016. Interest is payable at 2.3% above three month LIBOR.

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

Neither of these facilities were being utilised at 31 December 2015.

22. Trade and other payables

	2015 £'000	2014 £'000
Trade payables and accruals	5,003	5,731
Amounts owed to associated undertakings	–	79
Other taxation and social security	449	133
Other payables	534	913
	5,986	6,856

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 34 days (2014: 35 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. Deferred tax

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior reporting years:

	Accelerated tax depreciation £'000	Retirement benefit obligations £'000	Share- based payment £'000	Capital gain rolled over £'000	Other temporary differences £'000	Total £'000
At 1 January 2014	(517)	481	59	(277)	476	222
(Charge)/credit to income	(2)	(141)	(1)	–	171	27
Credit to equity	–	–	47	–	–	47
Credit to other comprehensive income	–	491	–	–	45	536
At 1 January 2015	(519)	831	105	(277)	692	832
Credit/(charge) to income	27	(31)	(27)	28	(66)	(69)
Credit to equity	–	–	31	–	–	31
(Charge)/credit to other comprehensive income	–	(245)	–	–	17	(228)
At 31 December 2015	(492)	555	109	(249)	643	566

23. Deferred tax continued

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

	2015 £'000	2014 £'000
Deferred tax liabilities	(741)	(796)
Deferred tax assets	1,307	1,628
	566	832

At the balance sheet date, the Group had no unused tax trading or capital losses (2014: £nil) available for offset against future profits

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

24. Share capital

	2015		2014	
	Number '000	£'000	Number '000	£'000
Allotted, called up and fully paid share capital				
ordinary shares of 5p each	11,003	550	10,988	549

The market price of the Company's shares at 31 December 2015 was 942.5p per share. During the year the price ranged between 870.0p and 972.5p per share.

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

During the year the Company issued 15,000 new ordinary shares of 5p each for a total of £73,000 in order to satisfy the exercise of share options.

Options granted to Directors and employees (note 31) to acquire ordinary shares of 5p in the Company and still outstanding at 31 December 2015 were as follows:

	Number of shares	Exercise price per share (p)	Dates on which exercisable	
			Earliest	Latest
2010 Deferred Incentive Plan	3,303	—	20 04 2016	18 07 2016
2010 Deferred Incentive Plan	1,734	—	16 04 2017	14 07 2017
2010 Deferred Incentive Plan	4,457	—	22 04 2018	20 07 2018
2012 Approved Plan	28,902	610.0	03 05 2016	01 05 2023
2012 Unapproved Plan	118,098	610.0	03 05 2016	01 05 2023
2012 Approved Plan	11,194	740.0	01 05 2017	29 04 2024
2012 Unapproved Plan	135,806	740.0	01 05 2017	29 04 2024
2012 Approved Plan	7,573	935.0	28 04 2018	26 04 2025
2012 Unapproved Plan	157,427	935.0	28 04 2018	26 04 2025

Options held by the Directors are shown in the Directors' Remuneration Report on pages 32 and 33.

Notes to the Financial Statements

continued

25. Own shares

	2015 £'000	2014 £'000
Treasury shares		
At 1 January	527	565
Shares purchased	–	–
Shares issued under employee share schemes	(74)	(38)
At 31 December	453	527
ESOP shares		
At 1 January	1,287	574
Shares purchased	1,397	713
Shares issued under employee share schemes	–	–
At 31 December	2,684	1,287
Total at 31 December	3,137	1,814

The Group currently holds 242,780 (2014 282,388) 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 31). The number of ordinary shares held by the Employees' Share Trust at 31 December 2015 was 339,048 (2014 189,671)

26. Commitments

Operating lease arrangements

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

The Group as lessee

	2015 £'000	2014 £'000
Lease payments under operating leases recognised as an expense in the year	1,271	1,175

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

	2015 £'000	2014 £'000
Within one year	1,139	1,156
In the second to fifth years inclusive	2,487	2,787
After five years	–	191
	3,626	4,134

The Group as lessor

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

	2015 £'000	2014 £'000
Within one year	–	88
In the second to fifth years inclusive	–	–
	–	88

27. Contingent liabilities

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

28. Related party transactions

Transactions between the Group and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its associates and the Company and its subsidiaries and associates are disclosed below

Group

The transactions during the year with associated undertakings were

	Purchases 2015 £'000	Purchases 2014 £'000	Sales 2015 £'000	Sales 2014 £'000
Portmeirion Canada Inc	–	–	1,603	2,315
Furlong Mills Limited	916	782	–	–

The outstanding balances at 31 December 2015, with associated undertakings were

	Debtor 2015 £'000	Debtor 2014 £'000	Creditor 2015 £'000	Creditor 2014 £'000
Portmeirion Canada Inc	145	287	–	–
Furlong Mills Limited	70	–	–	79

Sales to Portmeirion Canada Inc are made at prices agreed between Portmeirion Group UK Limited and Portmeirion Canada Inc. The sales figure includes management fees for Group services.

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

Several of the Directors made purchases of goods from the Group during the year on the same terms as those available to all employees. Total purchases did not exceed £1,000 for any Director in the year or in the prior year.

During the year The Portmeirion Employees' Share Trust purchased 119,377 shares from L. Bryan and 30,000 shares from B W J. Phillips (10,000 in his name and 20,000 in his wife's name) at market value.

No Director of the Company had a financial interest in any material contract, other than those for service, to which the Company was a party during the financial year.

The key management personnel of the Group are considered to be the Directors, the remuneration of whom is set out in note 7 on pages 55 and 56.

Company

During 2015 net transactions totalling £539,000 were debited (2014: £142,000 debited) to the intercompany account with the Company's subsidiary, Portmeirion Group UK Limited. These transactions represented payments and receipts made on behalf of the Company by Portmeirion Group UK Limited, an intergroup dividend and the charge for share-based payments.

During the year the Company arranged an intercompany loan with The Portmeirion Employees' Share Trust for £1,404,000 (2014: £716,000) for the purpose of acquiring shares to satisfy Group share option exercises (note 31). The total outstanding loan is now £2,697,000 (2014: £1,293,000). The ESOP share reserve is disclosed in note 25.

The outstanding balances with subsidiary undertakings at 31 December 2015 and 31 December 2014 are shown in note 19.

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

Notes to the Financial Statements

continued

29. Pensions

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

The total cost charged to income of £1,166,000 (2014 £1,081,000) 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.

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 future salary of scheme participants. As such, an increase in the salary of scheme participants will increase the scheme's liability.

For the defined benefit scheme, the most recent triennial valuation was at 5 April 2014. The main actuarial assumptions used in the valuation were:

- RPI of 3.60% per annum and CPI of 2.80% per annum
- Pre-retirement valuation rate of interest of 5.00% per annum
- Post-retirement valuation rate of interest of 3.70% per annum
- Mortality experience based upon PCA00 tables with projections based on year of birth with a long term rate of improvement of 1.75% per annum

At the date of the last valuation on 5 April 2014 the market value of the scheme assets was £26,336,000 and the scheme had a deficiency of £7,295,000.

The actuarial valuation of the scheme was updated at 31 December 2015 in accordance with IAS 19 by qualified actuaries.

The major assumptions used by the actuaries were:

	2015	2014
Rate of increase of pensions in payment		
Post 06/04/88 GMP	3.00%	3.00%
Pre 06/04/97 excess over GMP	5.00%	5.00%
Post 06/04/97 pension	3.20%	3.20%
Rate of revaluation of pensions in deferment	2.20%	2.20%
Rate used to discount scheme liabilities	3.70%	3.60%
Inflation assumption		
RPI	3.30%	3.30%
CPI	2.20%	2.20%
Life expectancy at 65 for a member		
Currently aged 65 – male	22.1	22.4
Currently aged 45 – male	23.8	24.1
Currently aged 65 – female	24.1	24.6
Currently aged 45 – female	26.0	26.5

29. Pensions continued

The most significant actuarial assumption for the determination of the defined benefit obligation is the discount rate. If the discount rate was 0.1% higher, the defined benefit obligation would reduce by £537,000 (2014: £650,000).

The average duration of the defined benefit obligation at the end of the reporting period is 18 years.

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

	2015 Fair value £'000	2014 Fair value £'000
Scheme assets		
Equities	4,123	4,036
Bonds	6,316	5,895
Gilts	7,532	8,348
Diversified growth funds	4,706	3,833
Insured pensions	5,713	6,185
Cash	52	51
Total fair value of assets	28,442	28,348
Present value of defined benefit obligations	(31,527)	(32,501)
Deficit in the scheme	(3,085)	(4,153)

Analysis of the amount charged to operating profit

	2015 £'000	2014 £'000
Current service cost	-	-
Past service cost	-	-
	-	-

Analysis of the amount included in the income statement

	2015 £'000	2014 £'000
Interest on pension scheme assets	1,024	1,178
Interest on pension scheme liabilities	(1,154)	(1,272)
Amount charged to other finance costs	(130)	(94)

Amounts recognised in the Consolidated Statement of Comprehensive Income

	2015 £'000	2014 £'000
Return on plan assets (excluding amounts included in net interest expense)	(964)	2,261
Actuarial gains and losses arising from changes in financial assumptions	789	(5,124)
Actuarial gains and losses arising from changes in demographic assumptions	436	(193)
Actuarial gains and losses arising from experience adjustments	-	601
Remeasurement of the net defined benefit pension scheme liability	261	(2,455)

The cumulative amount of actuarial gains and losses recognised in the Consolidated Statement of Comprehensive Income since adoption of IFRS is a loss of £4,701,000 (2014: loss of £4,962,000).

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

	2015 £'000	2014 £'000
At 1 January	32,501	27,612
Service cost	-	-
Interest cost	1,154	1,272
Remeasurements (financial)	(789)	5,124
Remeasurements (member data)	-	(601)
Remeasurements (demographic)	(436)	193
Benefits paid	(903)	(1,099)
At 31 December	31,527	32,501

Notes to the Financial Statements

continued

29. Pensions continued

Movements in the fair value of scheme assets were as follows

	2015 £'000	2014 £'000
At 1 January	28,348	25,208
Interest on assets	1,024	1,178
Remeasurement of assets	(964)	2,261
Contributions by the employer	937	800
Benefits paid	(903)	(1,099)
At 31 December	28,442	28,348

The estimated amount of contributions expected to be paid to the scheme during the current financial year is £1,200,000 (2015 £937,000)

At 31 December 2015, contributions of £129,000 (2014 £442,000) 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 £134,000 (2014 £100,000) at 31 December 2015

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

Credit risk

The Group's principal financial assets are cash, short-term deposits and trade receivables. The Group's policy is to place funds on short-term deposit with highly rated institutions. Accounts receivable are monitored closely and provisions are made for bad and doubtful debts where appropriate. The creditworthiness of customers is assessed prior to opening new accounts and on a regular basis for significant customers. The assessment of credit quality of trade receivables is outlined in note 19

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

Foreign currency risk management

The Group has exposure to foreign currency risk arising from its net investments in and cash flows from overseas subsidiaries and associates. Its policy in managing this risk is to maintain appropriate levels of net assets in the overseas companies and utilise foreign currency forward contracts. The most significant risk of exposure to foreign currency arises from the US dollar sales made by the UK subsidiary to the US subsidiary. The Group's net exposure to US dollar cash flows for the coming year is not expected to be significant. At the year end the Group had in place forward contracts for US dollars and an average rate option in US dollars to manage the risk arising from the retranslation of profit made in the USA, and subsequent to the year end the Group placed an additional 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

30. Financial instruments continued

The Group undertakes certain trading transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts when considered appropriate. Open derivative positions at the year end are not material.

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

	Liabilities		Assets	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Euro	268	211	297	252
US dollar	1,884	3,756	5,946	3,600
Canadian dollar	-	-	121	80
Swedish krona	8	5	209	143
Norwegian krone	6	2	34	55
Chinese yuan	94	22	154	41

Foreign currency sensitivity analysis

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

The following table details the Group's sensitivity to a 10% increase and decrease in sterling against the relevant foreign currencies. 10% is the sensitivity rate which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 10% change in foreign currency rates. A negative number below indicates a decrease in profit where sterling strengthens 10% against the relevant currency. For a 10% weakening of sterling against the relevant currency, there would be an equal and opposite impact on profit.

	Euro impact		US dollar impact		Canadian dollar impact		Swedish krona impact		Norwegian krone impact		Chinese yuan impact	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000	2015 £'000	2014 £'000	2015 £'000	2014 £'000	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Profit or loss	(3)	(4)	(65)	7	(11)	(7)	(18)	(13)	(2)	(5)	(5)	(2)

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and banking facilities, by monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

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
At 31 December 2015						
Financial assets	-	4,373	4,279	-	-	8,652
Other assets	-	-	-	-	26,641	26,641
Cash and cash equivalents	0.5	11,130	-	-	-	11,130
Total assets		15,503	4,279	-	26,641	46,423
Shareholders' funds	-	-	-	-	(36,522)	(36,522)
Financial liabilities	-	(4,552)	(1,276)	(158)	-	(5,986)
Other liabilities	-	(270)	-	(560)	-	(830)
Pension scheme deficit	-	-	-	-	(3,085)	(3,085)
Total liabilities and shareholders' funds		(4,822)	(1,276)	(718)	(39,607)	(46,423)
Cumulative gap		10,681	13,684	12,966	-	-

Notes to the Financial Statements

continued

30. Financial instruments continued

At 31 December 2014	Weighted average effective interest rate %	Less than 1 month £'000	1-3 months £'000	Over 3 months £'000	Non- financial assets/ (liabilities) £'000	Total £'000
Financial assets	-	4,807	5,208	-	-	10,015
Other assets	-	-	-	-	29,332	29,332
Cash and cash equivalents	0.5	5,905	-	-	-	5,905
Total assets		10,712	5,208	-	29,332	45,252
Shareholders' funds	-	-	-	-	(33,047)	(33,047)
Financial liabilities	-	(5,714)	(932)	(210)	-	(6,856)
Other liabilities	-	(231)	(250)	(715)	-	(1,196)
Pension scheme deficit	-	-	-	-	(4,153)	(4,153)
Total liabilities and shareholders' funds		(5,945)	(1,182)	(925)	(37,200)	(45,252)
Cumulative gap		4,767	8,793	7,868	-	-

31. Share-based payments

Equity-settled share option schemes

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

The Group recognised total expenses of £175,000 and £194,000 related to share-based payment transactions in 2015 and 2014 respectively. The Company recharged these expenses to Portmeirion Group UK Limited.

a) The Portmeirion 2002 Share Option Scheme

Options are exercisable at a price equal to the average quoted market price of the Company's shares on the three trading days prior to the date of the grant. The vesting period is three years. If the options remain unexercised after a period of ten years from the date of grant the options expire.

Details of the share options outstanding during the year are as follows:

	2015		2014	
	Number of share options	Weighted average exercise price £	Number of share options	Weighted average exercise price £
Outstanding at 1 January	43,000	4.875	61,000	4.842
Granted during the year	-	-	-	-
Lapsed during the year	-	-	-	-
Surrendered during the year	-	-	-	-
Exercised during the year	(43,000)	4.875	(18,000)	4.763
Outstanding at 31 December	-	-	43,000	4.875
Exercisable at 31 December	-	-	-	-

There were no options outstanding at 31 December 2015.

No options were granted in the current or prior years.

31. Share-based payments continued

b) The Portmeirion Group 2010 Deferred Incentive Share Option Plan

Options are granted to Executive Directors in a year over shares with a market value not exceeding 20% of the gross incentive earned by the relevant Director in respect of the previous financial year. Options are exercisable at £1 per individual as the total exercise price. The vesting period is three years. If the options remain unexercised after a period of three years and three months from the date of grant the options expire.

Details of the share options outstanding during the year are as follows

	2015		2014	
	Number of share options	Total exercise price £	Number of share options	Total exercise price £
Outstanding at 1 January	16,645	7	33,143	6
Granted during the year	4,457	3	1,734	3
Lapsed during the year	–	–	–	–
Surrendered during the year	–	–	–	–
Exercised during the year	(11,608)	2	(18,232)	2
Outstanding at 31 December	9,494	8	16,645	7
Exercisable at 31 December	–	–	–	–

The options outstanding at 31 December 2015 had a weighted average remaining contractual life of 1.7 years (2014: 1.0 years). In 2015, options were granted on 21 April. The aggregate of the estimated fair value of those options is £38,141. In 2014, options were granted on 15 April. The aggregate of the estimated fair value of those options is £12,321.

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

	2015	2014
Weighted average share price at date of grant	£9.350	£7.800
Weighted average exercise price	Nil	Nil
Expected volatility	16%	17%
Expected life	3.125 years	3.125 years
Risk-free rate	0.70%	1.22%
Expected dividend rate	2.83%	3.08%

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.

Notes to the Financial Statements

continued

31. Share-based payments continued

c) The Portmeirion 2012 Approved and Unapproved Share Option Plans

Options are exercisable at a price equal to the average quoted market price of the Company's shares on the three trading days prior to the date of the grant. The vesting period is three years. If the options remain unexercised after a period of ten years from the date of grant the options expire.

Details of the share options outstanding during the year are as follows

	2015		2014	
	Number of share options	Weighted average exercise price £	Number of share options	Weighted average exercise price £
Outstanding at 1 January	294,000	6.750	151,000	6.100
Granted during the year	165,000	9.350	151,000	7.400
Lapsed during the year	–	–	(8,000)	6.750
Surrendered during the year	–	–	–	–
Exercised during the year	–	–	–	–
Outstanding at 31 December	459,000	7.685	294,000	6.750
Exercisable at 31 December	–	–	–	–

The options outstanding at 31 December 2015 had a weighted average remaining contractual life of 8.4 years (2014: 8.8 years).

In 2015, options were granted on 27 April. The aggregate of the estimated fair value of those options is £136,837. In 2014, options were granted on 30 April. The aggregate of the estimated fair value of those options is £165,776.

The range of exercise prices for the options outstanding at 31 December is from £6.100 to £9.350.

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

	2015	2014
Weighted average share price at date of grant	£9.250	£7.350
Weighted average exercise price	£9.350	£7.400
Expected volatility	17%	24%
Expected life	4 years	4 years
Risk-free rate	0.98%	2.20%
Expected dividend rate	2.86%	3.27%

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

Five Year Summary

Consolidated income statement information

Years ended 31 December

	2015 £'000	2014 £'000	2013 £'000	2012 £'000	2011 £'000
Revenue	68,669	61,370	58,295	55,525	53,610
Profit before tax	8,649	7,611	7,009	6,595	6,330
Tax	(1,752)	(1,538)	(1,400)	(1,709)	(1,861)
Profit attributable to equity holders	6,897	6,073	5,609	4,886	4,469
Earnings per share	66.02p	57.64p	53.26p	47.28p	43.94p
Diluted earnings per share	65.48p	57.30p	52.84p	46.60p	43.12p
Dividends paid and proposed per share	30.00p	26.50p	24.00p	21.80p	19.60p

Consolidated balance sheet information

At 31 December

	2015 £'000	2014 £'000	2013 £'000	2012 £'000	2011 £'000
Assets employed					
Non-current assets	13,281	13,031	12,704	9,774	10,189
Current assets	33,142	32,221	28,807	28,683	26,762
Current liabilities	(6,816)	(8,052)	(7,606)	(6,637)	(7,647)
Non-current liabilities	(3,085)	(4,153)	(2,404)	(4,973)	(4,907)
	36,522	33,047	31,501	26,847	24,397
Financed by					
Called up share capital	550	549	548	541	536
Share premium account and reserves	35,972	32,498	30,953	26,306	23,861
	36,522	33,047	31,501	26,847	24,397

Company Information

Board of Directors

Richard J Steele BCOM FCA CTA
Non-executive Chairman

Lawrence Bryan BA
Chief Executive

Brett W J Phillips BSc ACA
Group Finance Director

Philip E Atherton
Group Sales and Marketing Director

Barbara Thomas Judge CBE BA JD
Non-executive Director

Janis Kong OBE BSc
Non-executive Director

Company Secretary

Brett W J Phillips BSc ACA

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Financial Calendar

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

Retail Outlets

Bridgend Shop

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

Colne Shop 'Boundary Mill'

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

Longton Shop

Phoenix Works
Unit 1 & 2 500 King Street
Stoke-on-Trent
Staffordshire
ST3 1EZ
Tel +44 (0)1782 326661

Rotherham Shop 'Boundary Mill'

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

Shiremoor Shop 'Boundary Mill'

Boundary Mill Stores
Park Lane
Shiremoor
Newcastle-Upon-Tyne
NE27 0BS
Tel +44 (0)1912 972420

Stoke Shop

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

Street Shop

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Farm Road
Street
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Swindon Shop 'Style Your Home'

Swindon Designer Outlet
Kemble Drive
Swindon
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Tel +44 (0)1793 422910

Trentham Shop

Unit 230, Trentham Shopping Village
Trentham
Stoke-on-Trent
Staffordshire
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Walsall Shop 'Boundary Mill'

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Details of opening times and directions to the outlets can be found on our website at
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