



CHURCHiLL

China plc



Annual Report
2014

Over 200 years of... **INNOVATION, PASSION & EXPERTISE**

Within the hospitality sector, the choice of tableware must meet the highest standards for presentation, practicality and performance. Over 200 years of innovation, passion and expertise make Churchill the natural partner for providing tabletop solutions.

The Churchill brand has achieved global recognition and is a reputable supplier of the highest quality ceramics. Respected for service excellence, product quality, environmental responsibilities and product innovation...





Churchill China plc is a manufacturer and distributor of high performance tabletop products to the Hospitality and Retail sectors worldwide.

Our principal business services the growing Hospitality market worldwide, providing high performance tableware and other products to a number of sectors. Our customers include pub, restaurant and hotel chains, sports and conference venues, health and education establishments and contract caterers. We are the market leader in hospitality tableware in the UK and have significant and growing positions in many export markets.

We also manufacture and source product sold through Retail customers for consumer use in the home, again in many markets across the world.

At the heart of our business are our UK based design, technical and production operations. We offer a high level of service, design and manufacture of an engineered, performance product. Our steady investment in new product development produces a leading edge range meeting exacting customer requirements. We maintain our manufacturing and technical excellence through a consistent programme of investment in improved capability, process development and new manufacturing technology.

We maintain a strong ungeared, balance sheet. We aim to improve performance steadily on a long term basis and to generate cash each year to re-invest within our business and to provide an attractive return to shareholders.



Vintage Prints



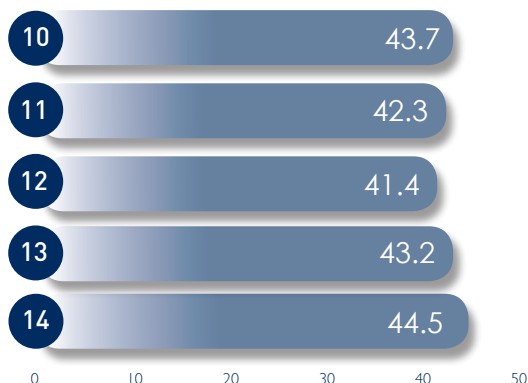
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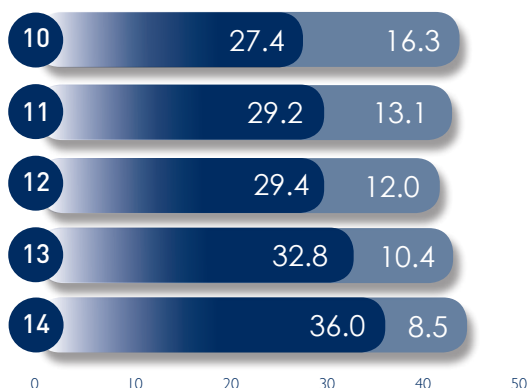
Five Year Performance

Group Revenue (£m)



Group revenues up 3% to £44.5m

Segment Revenue (£m)

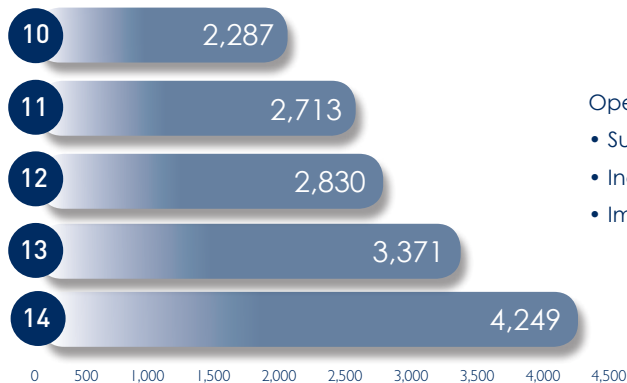


Strong growth in Hospitality revenues, up 10%

- Driven by UK and European investment and market growth
- Hospitality revenues represent 81% of overall Group revenues

- Dark Blue (Left) - Hospitality
- Light Blue (Right) - Retail

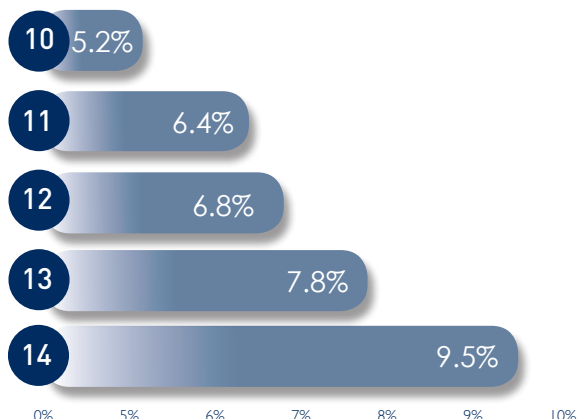
Operating Profit (£'000)



Operating Profit up 26% to £4.2m

- Successful new product introductions
- Increased sales of value added product
- Improved factory efficiency

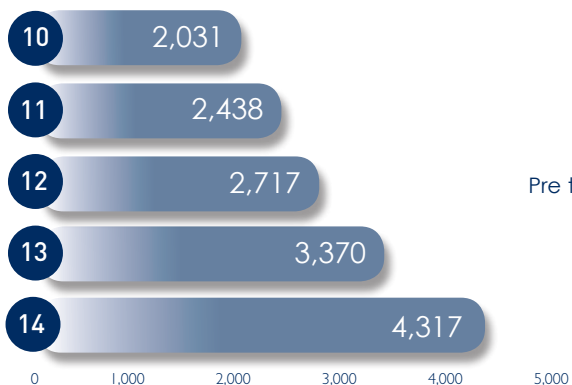
Operating Margin (%)



Operating margin increased to 9.5%

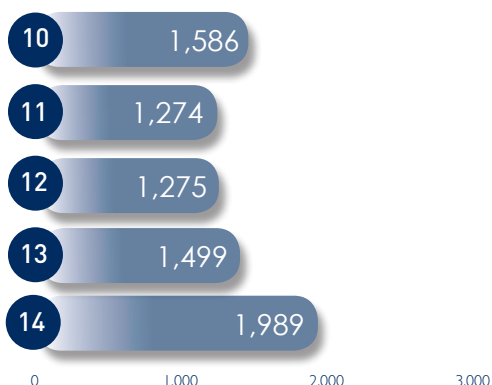


Pre Tax Profit (£'000)



Pre tax profit up 28% to £4.3m

Capital Expenditure (£'000)



Capital expenditure of £2.0m principally in new manufacturing facilities

Other Highlights

Net cash and deposit balances £10.5m

Earnings per Share up 24%

Dividends declared up 10%

Total shareholder return 42%



Wooden Crates



Results

	2014	2013
	£'000	£'000
Revenue	44,518	43,157
Operating profit	4,249	3,371
Share of results of associate company	116	116
Net finance cost	(48)	(117)
Profit before income tax	4,317	3,370
Dividends paid	1,619	1,564

Key Ratios

Operating margin	9.5%	7.8%
Earnings before interest, tax, depreciation and amortisation (£000)	5,876	4,967
Basic earnings per share	31.2p	25.2p
Diluted basic earnings per share	30.8p	24.9p
Dividends paid per share	14.8p	14.3p





Stonecast

EXECUTIVE DIRECTORS

D M O'Connor
D J S Taylor

NON-EXECUTIVE DIRECTORS

A J McWalter (Chairman) **
A D Roper **
J W Morgan **
B M Hynes **

COMPANY SECRETARY AND REGISTERED OFFICE

D J S Taylor ACA
No 1 Marlborough Way
Tunstall
Stoke-on-Trent
Staffordshire
ST6 5NZ

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cornwall Court
19 Cornwall Street
Birmingham
B3 2DT

SOLICITORS

Addleshaw Goddard
100 Barbirolli Square
Manchester
M2 3AB

STOCKBROKERS AND ADVISERS

N+1 Singer Advisory LLP
West One
Wellington Street
Leeds
LS1 1BA

BANKERS

Lloyds Bank plc
8th Floor
40 Spring Gardens
Manchester
M2 1EN

REGISTRARS

Equiniti
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6ZX



"It is a pleasure to again report strong progress in Churchill's performance"

INTRODUCTION

It is a pleasure to again report strong progress in Churchill's performance. We have recorded a further substantial increase in profitability and it is satisfying that this has arisen in large part from the areas that we have identified for long term investment. We have reached significant milestones on the road to several of our strategic goals and are generating a return from our work to further align our business with customer and market needs. The Hospitality business again reported record revenues building on its strong position in growing markets.



“Churchill’s core values of performance and delivery”





FINANCIAL REVIEW

Total revenues increased by 3% to £44.5m (2013: £43.2m).

Operating profit increased by 26% to £4.2m (2013: £3.4m). Operating margins improved to 9.5% (2013: 7.8%) mainly as a result of increased revenues, but with some contribution from a more favourable mix of business. Earnings before interest, tax, depreciation and amortisation increased by 18% to £5.9m (2013: £5.0m).

Profit before tax rose by 28% to £4.3m (2013: £3.4m), with the improved operating performance supported by a lower notional interest charge on pension fund liabilities.

Earnings per share improved by 24% to 31.2p (2013: 25.2p).

We have again generated strong operating cash flows. Operating cash generation was £6.9m (2013: £4.6m) with strong profitability being supplemented by a positive working capital position and lower pension fund amortisation payments. Inventory levels fell during the period largely as a function of strong trading towards the end of the year. At the year end, net cash and deposit balances had risen by £2.3m to £10.5m (2013: £8.2m).

We continue to invest in our core business. Capital investment rose to £2.0m (2013: £1.5m) with further investment in the development of our Stoke on Trent manufacturing facility.

Dividend and Shareholder Return

The Board is recommending a 1.3p increase in the final dividend to 11.0p per share (2013: 9.7p), giving a total of 16.1p for the year (2013: 14.6p). Following the re-establishment of a progressive dividend policy during 2013, we are pleased that the growth in profitability in 2014 has allowed us to raise the dividend at an increased rate. If approved, the final dividend will be paid on 27 May 2015 to shareholders on the register on 24 April 2015.

Total shareholder returns have again been good, reflecting both dividend growth and our improved performance. Overall returns were 42% (2013: 35%) during the year.



“Design innovation has been a major contributor to our success”





"The Hospitality business again reported record revenues"

HOSPITALITY

Total sales to our Hospitality customers increased by £3.2m (10%) and reached an all time high of £36.0m (2013: £32.8m). Contribution to Group operating profits rose by 29% to £6.6m from £5.1m.

We have continued to make steady progress in the UK where we enjoy a market-leading position. Whilst the second half of the year did not benefit from the same level of refurbishment business that we secured in the first half, the market as a whole remained buoyant as eating out continued to grow. Our progress again reflected the exemplary service levels for which Churchill is renowned, especially in the key pre-Christmas period.

The focus of our growth plan remains export markets. Export revenues increased by 16% in 2014, marking a second consecutive year of strong increase. We have once again achieved good results in Europe, giving a return on several years of investment into that market. Our competitive position in Europe has also been improved given the continuance of anti dumping duties on Chinese ceramics. It is also pleasing to note that the changes made in our approach to North America and to other markets worldwide appear to be beginning to bear fruit in the form of growing revenues. We believe our long term progress will increasingly be delivered by growth in export markets and we will continue to invest in sales, marketing and new product development to support this.

Design innovation has been a major contributor to our success in 2014. Our new embossed range, Bamboo, has figured strongly, and we have been delighted by the outstanding level of sales achieved by our coloured glaze, hand crafted product, Stonecast, in its first year.



“The focus of our growth plan remains export markets”





“We continue to see good value in the opportunities provided by our Retail business”

RETAIL

Results from our Retail business were again affected by our decision to prioritise our resources, particularly manufacturing capacity, towards Hospitality. Revenues declined by £1.9m to £8.5m. Profitability was less affected given our focus on better margin business and tight control over costs. Contribution to Group profit fell by £0.3m to £0.9m.

Sales of licensed product continued to fall as we switched our focus towards Churchill branded lines.

We continue to see good value in the opportunities provided by our Retail business. Whilst the Retail market has remained highly competitive for some time, our business provides a clear financial contribution and many other less tangible benefits. Our operational capacity can be optimised across both our businesses and the transfer of ideas, technology and people between the two businesses continues to be of significant benefit to the Group.



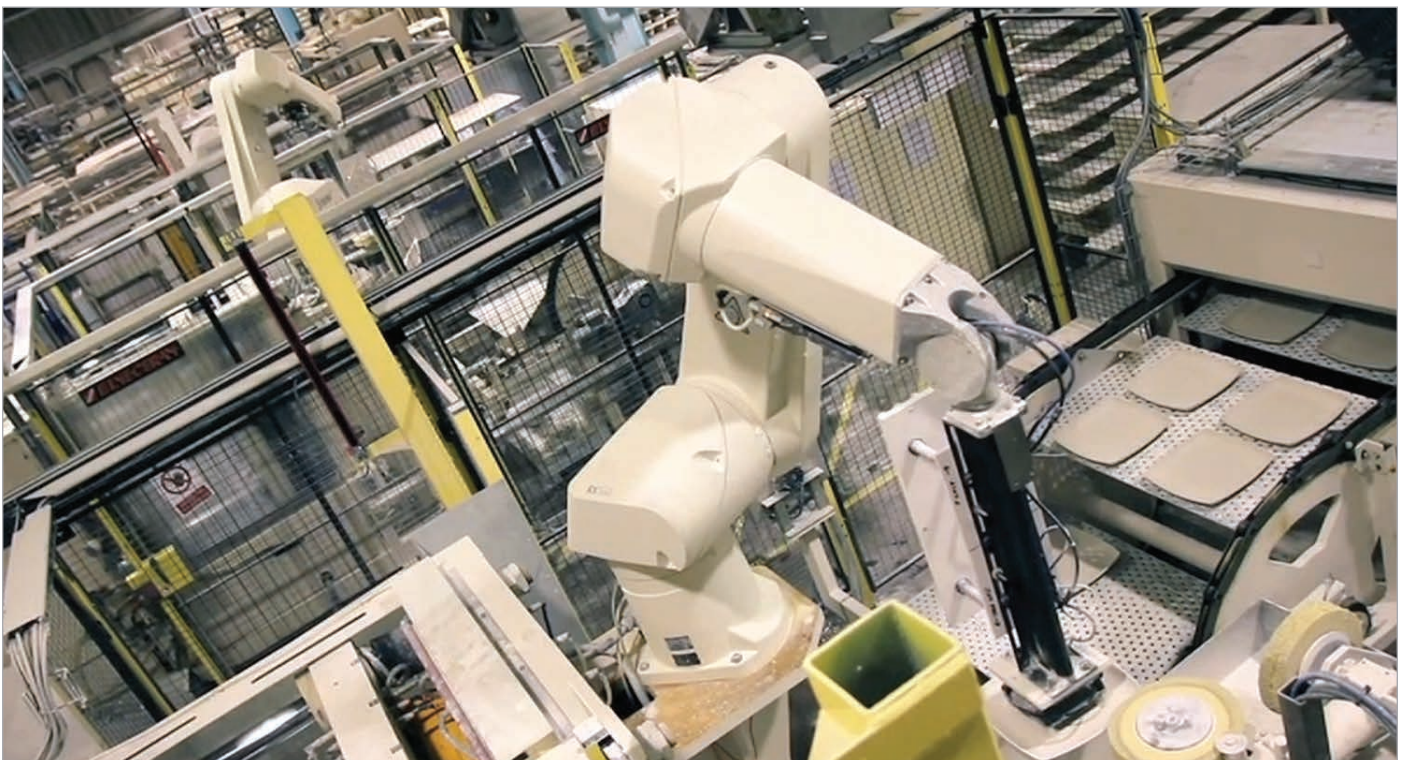


“We will continue to invest in our core business”

FULFILMENT

2014 represented a year of significant challenge for our manufacturing and logistics team. Demand for UK manufactured product remained at a high level throughout the year and we also increased our rate of capital investment and new process development, both major consumers of management time. The successful outcome for the year reflects Churchill's core values of performance and delivery.

Capital expenditure on manufacturing projects during the year totalled £1.6m, the highest level for some years. The principal project, the installation of a new kiln, was completed on time and was successfully commissioned in January 2015. This kiln provides significant additional capacity, and will allow us to produce a wider range of product to a higher quality level. It is important to note that this kiln is part of an integrated programme of investments to support our long term growth strategy. During the year we also invested in additional pressure cast capacity to meet increased demand for added value products and in the automation of other production processes. We expect to commence further development projects in 2015.





"A year of considerable achievement "

PEOPLE

Once again I want to thank our staff for their efforts across the year. Whilst I have previously referred to the level of challenge in manufacturing and operations, all our employees across the business have contributed to a year of considerable achievement for the Group.

The investment we have made in our business includes a number of measures to increase the knowledge, experience and opportunities available to all our team. We recognise the importance to our current and future prosperity of a more flexible and more skilled workforce and have prioritised training and development at all levels across the Company.

As many of you will know, a change of responsibility as Chief Executive took place in August 2014, with David O'Connor, previously Chief Operating Officer, assuming responsibility from Andrew Roper on the latter's retirement and move to a non executive role. We regard this change as part of an evolutionary process at senior level in the business intended to carry Churchill forward in the long term.





“We have the right long term strategies to continue the development of our business ”

PROSPECTS

We have delivered a strong performance in 2014 and it is pleasing to note that this has been achieved in line with the strategies that we established some years ago. We have delivered progressive improvements in return from our Hospitality business and particularly from export growth.

The recent strengthening of sterling against the euro will provide some headwind in relation to our progress in Europe and we are also mindful of the impact of general political and economic pressures across the continent. Despite this we believe that there will be further growth in hospitality markets worldwide and that our long term progress in this area will continue.

We are confident that we have the right long term strategies to continue the development of our business and the resource to implement these plans. The current year has started well, and Churchill is well positioned to take advantage of its strong market position.

A J McWalter

Chairman

25 March 2015



Stonecast



The Directors present their Strategic Report for the Group for the year ended 31 December 2014. A review of the operations of the Group during the year and its future prospects are given in the Chairman's Statement on page 6 and in the following pages.

Principal activity and business environment

The Group operates in many different geographic markets serving hospitality and retail customers with a range of tabletop products, principally ceramic tableware. The majority of our revenues are generated from our UK manufacturing plant, supplemented by products sourced from third party suppliers overseas. Whilst our largest exposure is to the UK market, where we generate over 60% of our gross revenue, we also enjoy significant sales to Europe and North America which respectively account for 23% and 8% of our revenues.

Hospitality markets are generally recognised as being long term markets linked to economic growth and increased levels of dining out by consumers. Our product is a high quality, engineered product designed to meet exacting design, performance and technical standards within the hospitality industry. It is generally sold to end users through well developed distribution networks with a high service level requirement. A significant proportion of sales each year will be repeat or replacement sales to existing customers. Hospitality markets benefit from barriers to entry given the premium customers place on service, quality and technical performance.

Whilst larger in scale than Hospitality markets, Retail markets are normally faster moving and are subject to a higher level of competition. Product life cycles are generally shorter, particularly in more price sensitive sectors of the marketplace.

We believe that there has been some growth in our markets during the year, particularly in the UK and European hospitality sectors as the economic environment has improved. Our competitive position has benefitted from the continuation of anti dumping duties imposed on the import of Chinese ceramics to the EU. We have continued our programme of investment in both market development and capacity expansion. Forecasts for the UK and our major export markets suggest that economic growth will continue to improve in 2015, although the benefits of this may be offset by other macro-economic changes, most notably higher levels of sterling.

As the majority of our products are used in the consumption of food, we are subject to a wide range of regulatory requirements in relation to our product. It is important to our success that we understand and meet regulation in these areas. As a substantial employer and manufacturer we also need to comply with extensive health and safety requirements.

Strategy

The Group's objective is to generate benefits to all stakeholders in the business by the provision of value to customers through excellence in design, quality and service. We aim to increase long term shareholder returns principally through steady increments to sales and margins, but also through active control of our cost base and a focus on cash generation.

Our long term aim is to build revenues in markets offering sustainable levels of revenue and profitability and to reduce our exposure to markets where the margin on sales does not adequately cover our costs of operation. At present this leads us towards development of our position in hospitality markets worldwide and by increased focus on particular sectors of the retail market.

Our strategic process is designed to allow us to identify markets where we may profitably grow our revenues on a long term basis. We research customer product requirements and the distribution structure in new markets and then invest to generate revenue, margin and ultimately a return for shareholders. We continue to expect short to medium term growth to be weighted towards export markets.

The ability to develop and manufacture successful new products and ranges and to bring these to market is an important part of our success. We have invested significant resource in new staff and flexible technology to increase our capability in this area. We also invest steadily in increasing our production capability and in improving our ability to offer added value to our customers. This involves investment in new product development as well as capital expenditure on productive capacity.

It is a key strategic aim to design products that meet our end users requirements in terms of performance, shape and surface design. Our target markets require product that is aesthetically appealing whilst also performing to appropriate customer and technical standards.



We understand that quality must exist throughout our business process. Quality is reflected not only in the appearance of our product but in its design, its performance in operation and in the systems which support the fulfilment of our contract with our customers.

Customer service remains a major part of our strategy and the fulfilment of customer expectations is critical to the maintenance of good relationships. Our production and logistic facilities have been designed to balance efficiency and flexibility within manufacturing to ensure that we can respond quickly to unexpected demand levels and to meet ambitious on time, in full, delivery targets. We invest regularly in these facilities to maintain a market leading position in customer service.

Resources and relationships

Our key resources remain our customers and employees, our technical and business skills, our long heritage of manufacturing and willingness to embrace new methods to deliver an outstanding service. Whilst Churchill is not a global consumer brand it is recognised in the hospitality and housewares markets as representing performance, innovation, uncompromising service and responsiveness.

We have long standing relationships with our customers. Whilst many of these are not contractual we continue to supply the same customers year after year with products that meet their requirements. Our customers value our technical ability, our service and increasingly our commitment to high quality design and innovation.

Our employees also give us significant advantage. We believe we recruit and retain high quality individuals at all levels within the business who contribute towards the success and development of the Company. Almost without exception our employees demonstrate enviable commitment, skill and loyalty.

The Group operates principally from one site in Stoke on Trent, England, a leading centre for ceramic excellence worldwide. This gives us access to key suppliers, technical support and experienced staff. Our manufacturing plant and logistics facilities have benefitted from significant and regular investment to improve our business's efficiency and effectiveness. We believe we operate a cost effective and flexible manufacturing process allowing us to respond quickly to customer needs. We also use a number of smaller locations and representative offices around the world.

Performance

Hospitality markets have generally performed well, with increased levels of dining out in the UK and continued investment by pub, restaurant and hotel owners as major drivers of demand for our products. We have seen a further return on our investment in the development of European markets. Extensions to our product range, distribution network and increased sales resource have all contributed to strong growth in revenues. This has been supported by a more favourable exchange rate. Revenues in North America and other markets have also improved.

Retail markets have remained subdued, with our revenues also affected by our decisions to allocate an increased proportion of our manufacturing capacity to Hospitality production and to scale back our offering of licensed in product.

We ended 2014 reporting a further year of record Hospitality sales and a strong Group operating performance. We believe that the continued investments in sales, products and not least in our UK factory made in the year will underpin further progress in the future. We have a strong balance sheet including over £10m of net cash and short term deposits.

The maintenance of EU duties on Chinese imports should continue to be positive for all UK ceramics manufacturers. Labour and material costs have risen again at slightly higher rates than underlying inflation. We have invested significantly in new products and our manufacturing process over several years and a number of these investments have contributed to our margin position both through cost reduction and improving our ability to offer cost effective added value products to our customers.

The cost of imported product has continued to rise through 2014 due to increased inflation in Far Eastern economies. Our UK manufacturing operations remain subject to tight cost control but are a focus for further investment.



Key performance indicators

Revenue and revenue growth

The absolute levels of revenue and revenue growth are reviewed regularly by business segment through the year against previous year, current year targets and against strategic expectations.

Revenue 2014: £44.5m (2013: £43.2m)
Hospitality £36.0m (2013: £32.8m)
Retail £8.5m (2013: £10.4m)

Revenue growth 2014: 3% (2013: 4%)
Hospitality 10% (2013: 11%)
Retail -18% (2013: -14%)

Sales to UK hospitality customers performed strongly, recording growth of 6%. Export sales rose by a higher figure, 16%, largely as our European business began to delivered further returns against the investments we have made in the market. Retail sales were lower, reflecting restricted availability of UK manufactured product and lower sales of licensed in products.

Customer service and inventory

Customer service and inventory holding levels are reviewed on a regular basis as part of the operational management of the Group's business. The main aim of this measure is to ensure that the Group's strong reputation for on time order fulfilment is maintained, consistent with the efficient operation of production and sourcing activities and the optimisation of working capital.

Inventory 2014: £8.3m (2013: £8.8m)

The fall in inventory holding levels reflects the strong trading levels experienced in Hospitality markets at the end of 2014 and the planned reduction of stock holdings associated with the Retail business.

Operating profit and profit before taxation

The level of operating profit and significant factors affecting its delivery are reviewed and controlled on a regular basis.

Operating profit 2014: £4.2m (2013: £3.4m)

Group operating profit increased by over 26%. Performance in our Hospitality division was significantly stronger as high revenue levels, particularly in export markets, offset the cost of additional investment in future development. Lower Retail profit reflected reduced sales, although margin levels were maintained. Central costs rose slightly. Operating margins increased satisfactorily to 9.5% (2013: 7.8%) reflecting an increased mix of added value product and withdrawal from less profitable market sectors in both Hospitality and Retail.

The level of profit before tax is reviewed on a monthly basis against previous performance and target levels.

Profit before taxation 2014: £4.3m (2013: £3.4m)

Profit before taxation moved forward by 28% mainly as a result of the strong increase in operating profits. The notional interest charge associated with our pension scheme reduced. Our share of the profit of our associate company Furlong Mills was maintained.

Operating cash generation

The Group believes that over an extended time period it is important to generate cash at an operating level at least equivalent to declared operating profit. This measure identifies the effectiveness of our control over working capital demands and ensures that cash is available for further investment in the business, to meet taxation payments and to ensure that our shareholders receive an appropriate return.

Operating cash generation 2014: £6.9m (2013: £4.6m)

Percentage of operating cash generation to operating profit for the year: 162% (2013: 135%).

Three year average percentage of operating cash generation to operating profit: 143% (2013: 156%).

Operating cash generation was maintained at satisfactory levels given continued control of working capital. The increased level of operating profit was enhanced by a further reduction in inventory holdings.



Future outlook

The Board believes that the strong position we hold in a number of hospitality markets will mean that we will continue to be able to improve our overall business performance. We expect to benefit from continued investment in new product development for hospitality products. We believe that the return from our Retail business will remain affected in the short term by a continued reduction in revenues, although this will be mitigated by stringent cost controls. The Group's financial position allows us to invest for the long term and reduces the risk to the business from sudden changes in market conditions.

The Board continues to believe that long term demand for hospitality products in developed markets will continue to increase as leisure related spending grows. There has been a long term expansion in eating out in the UK and the Group intends to continue to extend its leading UK position whilst investing in the development of export markets.

In the UK we believe that we will continue to reinforce our market leadership based on our programme of introducing new products specifically targeted at meeting customer requirements. Our progress in export markets over the last five years provides us with an opportunity to grow future revenues steadily across a number of geographic sectors. It is therefore believed that there will be further opportunities for sustained growth in the medium and long term. Our market and product development strategies are well resourced and have generated a number of new options for us to address.

We believe that we can continue to generate an acceptable return for shareholders from our reduced position in Retail markets. Our relatively small size and increased focus on profitable market sectors should continue to generate new opportunities.

We expect that there will be some pressure on revenues and margins in markets where we sell in Euros given the likelihood of higher average levels of sterling in 2015, although this may be mitigated by more favourable US dollar exchange rates. We remain mindful of heightened political and economic risks in certain markets.

We continue to approach all our markets with a view to long term, investment led, development.

Principal risks and uncertainties

The Group's operations are subject to a number of risks, which are formally reviewed by the Board in a systematic manner on a regular basis. We then build processes to manage appropriately and mitigate risks where possible. The key business risks currently affecting the Group are set out below:

Market change

The Group operates in dynamic markets where there have been significant recent changes to economic conditions, distribution channels within each market and product requirements in these markets. The Group actively manages its market exposure and profitability, but risks losing revenue if we do not anticipate market trends.

The risk inherent in each market is offset by regular review of market conditions and forecasts, the relatively broad spread of our operations in geographic terms and by a widening portfolio of products to serve different segments of these markets. We are actively developing new geographic markets and introducing new product ranges. As we enter new markets this introduces new risks to the Group although it does also diversify our overall market exposure and reliance on existing products.

Currency exposure

The Group's position as a worldwide provider of ceramic and related products means that our profitability will be subject to currency fluctuations related to export sales and the purchase of certain products for resale. Our non sterling receipts are principally denominated in US dollars and Euros. Against US dollar receipts we have a partial natural offset due to our overseas purchasing. We would normally expect to have net Euro receipts but are working to reduce our overall trading exposure where possible.

We review and control our transactional foreign currency exposure regularly and take appropriate action to manage net exposures using simple option forward contracts. We do not as a matter of policy take longer term positions to cover economic foreign currency exposure in this area, but review currency rate changes as part of our pricing policy.



Cost competitiveness and supply chain

Our markets have been subject to significant cost movements in recent years. We have augmented our UK production facilities with a range of third party suppliers. The use of these suppliers exposes us to risks in relation to interruption to supply and changes in cost structures arising from economic or regulatory change. We manage this risk by diversifying our sources.

Over 70% of our sales are manufactured in our UK production facility. Whilst this provides a high quality and effective source of products it exposes us to risk in the case of the potential loss of availability of our factory for an extended period. This risk is controlled through management procedures, appropriate investment and ultimately insurance arrangements.

As a major user of energy within our production process we have an exposure to changes in availability and price of gas and electricity. We have sought to control this risk through management of our overall energy consumption and through contractual arrangements to ensure that we maintain adequate supplies of power at a cost which enables us to operate efficiently.

Taxes, tariffs and duties

The markets in which the Group operates are generally subject to various taxes, tariffs and duties levied by national and pan-national governments. These taxes, tariffs and duties and particularly changes in them may affect the Group's operations and competitive position both positively and negatively. The Group meets its obligations under these taxes, tariffs and duties and adjusts its strategic and operational plans to reflect changes in their application.

Customer and supplier creditworthiness

Whilst the Group maintains a strong balance sheet and credit position it operates in a market where both customers and suppliers are exposed to credit and liquidity related problems. The Group manages this risk by trading, where possible, on secured terms and by regularly reviewing the economic and financial position of key business partners.

Product compliance

We are exposed to risk in relation to our products meeting accepted safety standards within the markets we serve. Each major geographic market applies different standards and legal penalties may be considerable for non compliance. New and more stringent standards may be introduced.

We manage these risks principally through the monitoring of applicable standards, the testing of our product to ensure it meets these standards and sale in accordance with local regulations. We also, where practical, maintain appropriate external insurance.

On behalf of the Board

D J S Taylor

Company Secretary
25 March 2015



The Directors present their annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2014.

The Company is a public limited company listed on the Alternative Investment Market (AIM) and is incorporated and domiciled in the UK. The registered office is disclosed at the front of the Annual Report and the Company number is 02709505.

The consolidated income statement for the year is set out on page 40.

A review of the operations and future prospects of the Group is given in the Chairman's Statement on page 6 and in the Strategic Report on page 16.

The principal activity of the Group is the manufacture and sale of ceramic and related products for hospitality and household markets around the world.

Dividends

The Directors have paid the following dividends in respect of the years ended 31 December 2014 and 31 December 2013:

	2014 £'000	2013 £'000
Ordinary dividend:		
Final dividend 2013: 9.7p (Final dividend 2012: 9.4p) per 10p ordinary share	1,062	1,027
Interim dividend 2014: 5.1p (2013: 4.9p) per 10p ordinary share	557	537
	<u>1,619</u>	<u>1,564</u>

The Directors now recommend payment of the following dividend:

Ordinary dividend:

Final dividend 2014: 11.0p (2013: 9.7p) per 10p ordinary share

<u>1,200</u>	<u>1,062</u>
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Dividends on treasury shares held by the Company are waived.

Directors

The Directors of the Company who have served during the year and up to the date of signing of the financial statements are as follows:

A J McWalter* (Chairman)
D M O'Connor
D J S Taylor
A D Roper*
J W Morgan*
B M Hynes *

* Non Executive

The Directors retiring by rotation are D M O'Connor and A D Roper who being eligible, offer themselves for re-election. The unexpired terms of the service contracts of D M O'Connor and A D Roper are both twelve months.

The biographical details of the Directors are as follows:

David O'Connor, Chief Executive Officer, has worked for Churchill for 24 years in a number of production, operations, marketing and senior management roles. He has extensive experience within the ceramics industry and joined the Board in 1999. He was appointed Chief Executive Officer in August 2014, having previously served as Chief Operating Officer since 2010. He has responsibility for the development of Group strategy and for operational performance and development.



David Taylor, Finance Director and Company Secretary, has worked for the Group for 23 years. Following qualification as a Chartered Accountant with KPMG, he worked in a number of finance roles before joining Churchill in 1992. He was appointed to the Board in 1993.

Alan McWalter, Non Executive Chairman, joined the Group in January 2011. He is a director of several listed and private companies and has extensive high level experience within marketing roles in a number of major companies in the Retail and Consumer Goods sectors.

Andrew Roper, Non Executive Director, has worked for the Company since 1973. He was appointed to his present role in 2014 following his retirement from his executive role as Chief Executive Officer.

Jonathan Morgan, Non Executive Director, is a Director of Aberdeen SVG Private Equity Managers Limited and has many years of experience in investment management within small and medium sized growth companies. He joined the Board in 2007.

Brendan Hynes, Non Executive Director, is currently Chairman of Swallowfield plc alongside other directorships. He is a member of the CBI North West regional Council and was previously Chief Executive Officer of Nichols plc from 2007 to 2013. He joined the Board in 2013.

Ethical standards

The Group expect high ethical standards to be met in all areas of its operation and from all its employees and recognises the role of the Board in defining and meeting these standards. We have a published ethical policy.

Employees

The Company recognise that well trained and motivated employees are core to the current and future success of our business. We involve our workforce through open communication including team briefs and works committees to encourage engagement with the strategy and goals of the business. We work closely with the union representing our employees' interests to develop a relationship that will benefit our employees and meet our business needs.

We have continued to work with our local further educational colleges and training organisations to provide functional and vocational training for employees. During the year we established a manufacturing based apprenticeship scheme with the aim of developing important ceramic skills within our team. We continue to support a number of employees who are pursuing external qualifications in various areas. We continue to develop our multi-skilling programmes, particularly for supervisory and engineering employees enabling us to meet our strategic manufacturing objectives. Our long-term commitment to the training and development of all our employees has helped morale, motivation and labour retention.

We remain committed to our graduate training programme helping local graduates into our industry. In the ten years since we established this initiative we have recruited a number of graduates who now hold senior posts within the business and are key to our succession plans for the future. We have this year also recruited a small number of apprentices into skilled roles in the factory, reinforcing our commitment to UK manufacturing.

We remain fully committed to equal opportunities employment policy offering equality in recruitment, training and career development irrespective of gender, ethnic origin, age, marital status, religion, sexual orientation or disability. We actively work with employees who suffer ill-health during their employment with us to rehabilitate them back into the workforce wherever possible.

Health and safety

The health and safety of our employees is central to our operations and we invest significant effort and resource to target continuous improvement. Health and safety is a Board responsibility and receives constant management focus, the Board has access to appropriately trained and skilled assistance to meet its obligations. We have a published health and safety policy.

In practice, our approach to health and safety is embedded in our day to day working practices. We aim to identify and to reduce health and safety risks associated with our operations to the lowest practical levels. We work to continually improve health and safety providing a safe and healthy working environment for all our employees and visitors. NEBOSH, NVQs and internal training programmes are regularly offered to update safety skills for all our employees.



Environment, social and community

The Group considers and manages the impact of its actions on the environment and wider social and community issues. We assess our economic, social and environmental impact locally, nationally and internationally.

The principal impact of the Group's operations on the environment are in relation to the energy it consumes and the waste products produced as part of its operations. Whilst the Company manufactures a product which may be re-used many hundreds of times, a significant amount of energy is consumed in its production. As a result of this we have invested steadily to reduce our energy consumption and have replaced older systems and machinery with more modern energy efficient plant and procedures. We run on-going programmes to minimise energy usage and waste. We have significantly reduced the amount of waste sent from the Group to landfill.

Where possible we source our materials and services locally. A strong support industry is important to the long term future of the Group. We also take an active role in supporting both the local ceramic industry and wider initiatives within the hospitality sector and support a number of training programmes.

We understand that we have an impact on our local community and consider the effect of our actions on our local area. Where possible we work to reduce any adverse effects of our operations, consistent with the needs of other stakeholders within our business. We actively engage within our community through contact with our neighbours and local schools and particularly through local charity initiatives. We encourage and support our employees to become involved in community and charitable work. We run a number of events each year in support of charitable causes.

We actively engage with our community through contact with our neighbours and local schools offering work experience, and through local and national charity initiatives. We have continued to support a number of community and charitable initiatives, principally the Douglas MacMillan Hospice.

Research and development

The introduction of new and innovative products, designs and process technology remains a cornerstone of our future strategy. The Group's aim is to continue to identify future market trends and then to design and develop products that meet these needs. We have increased our investment in the development of new products across the year to take advantage of new market opportunities. A significant effort is made to develop our materials and process technologies to allow the introduction of more complex product designs. New product development is controlled through regular meetings and the success of new launches is reviewed in the short term against individual targets and over the longer term as a function of our strategy.

Overseas branches

The Group's principal operations are located within the United Kingdom, however Churchill China plc also operates from a US based sales subsidiary.

Insurance for Directors

The Group maintains liability insurance for the Directors in respect of their duties as Directors.

Financing

The Group currently utilises equity and retained earnings to finance its operations in relation to short, medium and long term requirements. The Group has historically enjoyed a good record of operating cash generation and forward investment and other cash requirements have been financed from this source.

If additional financing is needed in the short term the Group has access to short term variable rate financing arrangements on an unsecured basis to provide finance for working capital requirements should they be required. The Group is currently ungeared and there are no assets currently subject to security, although cross guarantees exist between different Group companies. These assets would therefore form an alternative source of short to medium term funding if this were required. Larger long term funding requirements may be met from debt and equity sources if this is required.

During the year the Group generated £6.9m of operating cash flow and after payment of corporate taxation of £0.7m, invested £2.3m net in capital projects and returned £1.8m to shareholders by way of dividend and buy back of shares.

The Group reviews and maintains adequate levels of liquidity to meet short term operating commitments as part of its day to day treasury management. Longer term liquidity and cash requirements are reviewed as part of the Group's budgetary and strategic planning processes.



Financial instruments

The Group uses its own cash resources and forward exchange contracts and foreign currency bank accounts to manage its exposure to exchange rate risk caused by trading activities in currencies other than sterling.

The risk management policy adopted is to regularly review forward foreign currency cash flows, identifying the currency effect of completed sale and purchase transactions, transactions which have been contracted for but not completed and an assessment of expected likely forward cash flows. The net currency exposure arising from this review is then managed using forward option contracts. Net currency exposures are generally covered between three and six months forward at any point in time. The Group does not trade in financial instruments.

The Group has no material interest rate risk, the only interest rate exposure is in relation to returns on short term cash deposits and borrowings.

Note 2 to the accounts includes financial risk considerations.

Land and buildings

The current value of land and buildings is, in the opinion of the Directors, in excess of the value included in these accounts. This has not been quantified because independent valuations have not been undertaken.

Substantial shareholdings

The Directors have been advised of the following individual interests, or group of interests, other than those dealt with in the summary of Directors' interests in the Remuneration Report, held by persons acting together, which at 13 March 2015 exceeded 3% of the Company's issued share capital:

Shareholder	Number of ordinary shares	Percentage
J A Roper	1,077,500	9.9%
S Baker	1,075,000	9.9%
New Landfinance Holdings Limited BVI	1,075,000	9.9%
Investec Wealth and Investment	961,327	8.8%
Rathbone Nominees Limited	644,933	5.9%
E S & S J Roper	592,265	5.4%
M J & G Roper	495,565	4.5%
Henderson Global Investors Limited	440,000	4.0%

Share repurchase

The maximum number of shares held in treasury by the Company during the year was 48,000 10p ordinary shares. During the year the Company repurchased 36,000 (2013: 15,000) 10p ordinary shares at a total cost of £183,000 (2013: £52,000) in order to improve overall shareholder return. No (2013: 36,000) shares were re-issued in respect of employee share option schemes for a total consideration of £nil (2013: £75,000). The Company retains a power, subject to the fulfilment of certain conditions and as approved at the 2014 Annual General Meeting, for the further purchase of its own shares.

Political contributions

The Group made no political contributions (2013: £nil) during the year.



Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report 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 financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether IFRSs as adopted by the European Union and applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Group and Parent Company financial statements respectively;
- 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 adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group 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 Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Disclosure of information to auditors

In the case of each of the persons who are Directors at the date of this report, as far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware. Each Director has taken all the steps that he ought to have taken in his duty as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution that they be re-appointed will be proposed at the Annual General Meeting.

By order of the Board

D J S Taylor

Company Secretary

25 March 2015



Annual Statement

This section of the Remuneration Report is not audited.

The Remuneration Committee considered two principal issues this year, firstly to reflect in remuneration packages the change in role of two Directors during the year and secondly to continue to develop the alignment of Executive Directors' remuneration packages with shareholders' interests.

Details of the outcome of this work are discussed later in the Annual Report on Remuneration.

The backdrop to the Remuneration Report this year is that the Group has continued to progress well. Performance in 2014 was again strong with operating profits 26% ahead of the prior year. This is a continuation of our record of growth over the medium term. We have also made progress in the development and implementation of our strategy including further long term investment. In financial terms we grew pre tax profit by 28% and cash and deposit balances have increased by £2.3m. We have increased the dividend declared in relation to the year by 10%. Total shareholder return over the year rose substantially by 42%, or over £18m in absolute terms. We have also made progress in the development and implementation of our strategy. We have improved our position in a number of markets and have made substantial investments to improve our manufacturing operations. Given this particularly strong performance, we are pleased to report that the Executive Directors have achieved higher profit related payments in respect of annual bonuses paid in cash and have met stretching targets measured over three years under our Long Term Incentive Plan, which will be satisfied in the form of shares to be retained by the Directors concerned. This element of remuneration is discussed in more detail later. Overall Board remuneration rose by 68% with the increase in variable pay linked to increases in short and medium term profitability accounting for all of this rise.

For the first time the remuneration figures include amounts recognised in relation to the grant of share options under our Long Term Incentive Plan. The grant made in 2012 was dependent on the achievement of stretching in earnings per share in the three years to 31 December 2014. It has been our objective to directly link executive remuneration to shareholder value and we are pleased with the degree of alignment achieved, which we believe is to the benefit of shareholders. Over this three year period earnings per share have risen by a compound rate of 17% which has resulted in vesting at the maximum level of the 2012 award under our scheme. On legal vesting in June 2015, Directors will be required to retain the shares awarded (after payment of income taxes due) towards their shareholding requirements.

Further awards were made to two of the Executive Directors under the Company's Long Term Incentive Plan introduced in 2012

There has been no substantial change to our Remuneration Policy over the year.

Whilst as an AIM listed Company we are not required to satisfy the Directors Remuneration Report ('DRR') guidelines we continue to provide information on certain requirements of the Regulations to reflect good practice where this is in the interests of shareholders and where the cost and benefit of supplying this information is appropriate.

The Remuneration Committee is composed of J W Morgan, who acts as Chairman, A J McWalter, A D Roper and B M Hynes, all of whom are Non Executive Directors. During the year the following provided advice which materially assisted the Remuneration Committee; Deloitte LLP. A D Roper (Chief Executive Officer until 16 August 2014) and A M Basnett (HR Director, Churchill China (UK) Limited) attended the Remuneration Committee meetings.

Directors' remuneration policy

This section of the Remuneration Report is not audited. This section sets out the Company's directors' remuneration policy, which will apply from the date of the 2014 Annual General Meeting. The policy is determined by the Remuneration Committee of the Company.

The Remuneration Committee also reserves the right to make any remuneration payments and payments for loss of office notwithstanding that they are not in line with the Policy set out below where the terms of the payment were agreed:

- before the Policy came into effect or
- at a time when the relevant individual was not a Director of the Company and, in the opinion of the Remuneration Committee, the payment was not in consideration for the individual becoming a Director of the Company.



For these purposes "payments" includes the Remuneration Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are "agreed" at the time the award is granted. For the avoidance of doubt, the Remuneration Committee's discretion includes discretion to determine, in accordance with the rules of the LTIP, the extent to which awards under that plan may vest in the event of a change of control or in a "good leaver" circumstance.

The Remuneration Committee may make minor changes to this Policy, which do not have a material advantage to Directors, to aid in its operation or implementation.

Future policy table

Executive Directors

The table below describes each of the elements of the remuneration package for the Executive Directors.

Purpose and link to strategy	Operation	Maximum potential value	Performance metrics
Basic pay Core element of fixed remuneration to help recruit and retain employees of the appropriate calibre and experience	Basic pay for Executive Directors is normally reviewed annually (but may be reviewed more frequently if required). Consideration is given to the following when determining basic pay levels: <ul style="list-style-type: none"> • Market conditions including typical pay levels for comparator companies taking into account the relative scale and complexity of the role and business • Scale and scope of the role, experience and performance of the individual • Average change in salary for the workforce as a whole 	There is no prescribed maximum annual increase. However, consideration is normally given to the average change in salary for the workforce as a whole. The Remuneration Committee considers any salary increases above the workforce average carefully. The Remuneration Committee may award salary increases above the workforce average in certain circumstances including, but not limited to: <ul style="list-style-type: none"> • An Executive Director assuming additional responsibilities • Significant improvement in individual performance • Salary falling behind market level 	Not applicable, although overall performance of the individual and the Company is considered by the Remuneration Committee when setting and reviewing salaries.
Annual Bonus Rewards the achievement of annual financial and strategic business targets as well as the delivery of personal objectives	Bonus payments are made in cash following the completion of the audit for the year in which bonuses are earned. The Remuneration Committee may adjust the bonus pay-out should the formulaic outcome be considered not to reflect underlying business performance. Bonus payments are non-pensionable.	Executive Directors are entitled to earn up to 100% of basic pay as a bonus.	The bonus plan is based on the achievement of challenging performance targets. The financial measures which account for the majority of the bonus will generally include a measure of profitability and/or cash generation. Other targets may include the achievement of strategic objectives and specific personal objectives.



Remuneration Report

(continued)

Purpose and link to strategy	Operation	Maximum potential value	Performance metrics
Benefits Provide a market competitive benefits package to help recruit and retain employees of the appropriate calibre and experience	<p>Executive Directors are entitled to receive benefits including healthcare benefits and a fully expensed company car (or cash allowance) where it is deemed necessary to their role.</p> <p>Executive Directors are entitled to receive repayment of costs deemed necessary for them to perform their duties.</p> <p>Other benefits may be provided based on individual circumstances including, but not limited to, housing or relocation expenses.</p>	Set at a level which the Remuneration Committee considers to be appropriately positioned taking into account the scale and scope of the role and market conditions in comparator companies.	Not applicable.
Pensions Provide market competitive post-employment benefits to help recruit and retain employees of the appropriate calibre and experience	<p>Executive Directors are entitled to membership of Company pension schemes in operation from time to time.</p> <p>The Company currently operates a defined contribution scheme.</p> <p>The Company previously operated a defined benefit scheme, which was closed for future accrual in 2006. All Executive Directors are deferred members of this scheme.</p> <p>Executive Directors may choose to receive a salary supplement in lieu of pensions up to the value of the normal contribution level at no extra cost to the Company.</p> <p>Bonus and other benefits received by Executive Directors do not count towards pensionable pay.</p>	10% of basic pay under the defined contribution scheme.	Not applicable.



Purpose and link to strategy	Operation	Maximum potential value	Performance metrics
Long term incentive schemes Incentivises employees to achieve a higher and sustained level of return to shareholders over a longer period of time Supports retention and promotes share ownership Clawback and malus applies to enable the Company to mitigate risk	<p>The Company operates an LTIP approved by shareholders on 16 May 2012.</p> <p>LTIP awards are made on an annual basis typically in the form of nil or nominal cost options with vesting dependent on the achievement of performance conditions, normally over a three year period. Vested LTIP options must be exercised within ten years of the date of grant. No dividend equivalents are offered between grant and vesting.</p> <p>The Remuneration Committee has the right to operate both clawback and malus provisions in respect of LTIP awards in relation to circumstances of corporate failure which may have occurred at any time before claw back is operated.</p> <p>LTIP payments are non-pensionable.</p>	<p>Executive Directors may be granted LTIP awards up to 100% of salary each year.</p> <p>For threshold performance, 25% of the award vests.</p> <p>For on-target performance, 40% of the award vests.</p> <p>Straight line vesting applies between threshold, target and maximum vesting.</p>	<p>Challenging performance targets are set each year reflecting the business priorities that underpin longer term Group strategy.</p> <p>At least 50% of the LTIP award will normally vest based on adjusted Earnings Per Share performance targets.</p>

There were no changes to Remuneration Policy during the year.

Non-Executive Directors

The table below sets out an overview of the remuneration of Non-Executive Directors.

Purpose and link to strategy	Operation
Chairman and Non-Executive Director fees Provide an appropriate reward to help recruit and retain Non-Executive Directors of the appropriate calibre and experience	<p>Fees for Non-Executive Directors are normally reviewed annually (but may be reviewed more frequently if required).</p> <p>Consideration is given to the following when determining fee levels:</p> <ul style="list-style-type: none"> • Market conditions including typical fee levels for comparator companies • A Non-Executive Director's role and responsibilities <p>Non-Executive Directors do not participate in any incentive scheme.</p>

There were no changes to Remuneration Policy during the year.



Explanation of performance metrics chosen

The annual bonus is assessed against financial, strategic and personal performance conditions, as determined by the Remuneration Committee. This incentivises Executive Directors to focus on delivering the financial goals of the Company, wider Company performance and bespoke individual objectives for each Executive Director. We believe that this encourages behaviour that facilitates the future development of the business.

The LTIP is assessed against longer term financial performance conditions, including adjusted earnings per share, to provide a robust measurement of the Company's financial performance over the longer term and ability to deliver a higher and sustained level of return to shareholders.

The Remuneration Committee retains the discretion to adjust the performance conditions and targets where it considers it appropriate to do so.

Pay policy for other employees

The Company values its wider workforce and aims to provide a remuneration package that is market competitive, complies with any statutory requirements and is applied fairly and consistently across the wider employee population. Where remuneration is not determined by statutory regulation, the key principles of the compensation philosophy are as follows:

- We remunerate people in a manner that allows for stability of the business and the opportunity for sustainable long term growth
- We seek to remunerate fairly and consistently for each role with due regard to market conditions, internal consistency and the Company's ability to pay

Total reward for Executive Directors will be set with sensitivity to subordinate staff within the Group with whom the packages will, as far as possible, be consistent and fair.

The Company takes into account the following when setting the Remuneration Policy for Executive Directors:

- Salary increases for the wider workforce
- Company-wide benefit (including pension) offerings
- Overall spend and participation levels in the annual bonus and LTIP

Statement of consideration of shareholder views

The Remuneration Committee considers a pro-active and transparent dialogue with its shareholders to be important. The Remuneration Committee will consult with major shareholders when it proposes to make any major changes to the Remuneration Policy for Directors.



Annual report on remuneration

This section of the Remuneration Report is audited.

Emoluments of the Directors were as follows:

	Salary £	Benefits £	Pensions £	Annual bonus £	Long term incentive plan £	Total remuneration £
2014						
Executive						
A D Roper	160,000	626	—	144,000	—	304,626
D J S Taylor	190,565	770	19,056	135,321	253,744	599,456
D M O'Connor	212,427	550	21,243	161,000	268,915	664,135
Non Executive						
A J McWalter	65,000	—	—	—	—	65,000
J W Morgan	39,000	—	—	—	—	39,000
B M Hynes	39,000	—	—	—	—	39,000
	<u>705,992</u>	<u>1,946</u>	<u>40,299</u>	<u>440,321</u>	<u>522,659</u>	<u>1,711,217</u>
2013						
Executive						
A D Roper	200,000	707	—	108,753	—	309,460
D J S Taylor	185,817	849	18,582	77,470	—	282,718
D M O'Connor	197,031	661	19,703	82,102	—	299,497
Non Executive						
J N E Sparey	25,000	—	—	—	—	25,000
A J McWalter	53,542	—	—	—	—	53,542
J W Morgan	38,000	—	—	—	—	38,000
B M Hynes	13,000	—	—	—	—	13,000
	<u>712,390</u>	<u>2,217</u>	<u>38,285</u>	<u>268,325</u>	<u>—</u>	<u>1,021,217</u>

On 15 August 2014, A D Roper retired as the Chief Executive Officer of the Company and D M O'Connor was appointed to that role. A D Roper's salary was adjusted to £80,000 per annum, reflecting his non executive duties and further responsibilities in providing advice and other services to the Group. In recognition of his increased responsibilities, D M O'Connor's salary was raised to £230,000 per annum. The salary of the remaining Executive Director, D J S Taylor, was increased by 2.5% in line with the general inflationary increase given to other employees.

There were no contracts of significance during or at the end of the financial year in which a Director of the Company was materially interested.

No Director waived emoluments in respect of the years ended 31 December 2014 and 2013.

Pension costs above represent contributions made by the Group to defined contribution schemes.



Performance bonuses

Performance bonuses were awarded given the achievement of growth in Operating Profit substantially above target levels and also successful performance against personal objectives.

During 2014 Executive Directors were able to earn 7% of salary for achievement of threshold profit levels and 14% for on target performance. Maximum potential bonuses were up to 100% of base salary. Straight line vesting applied between threshold, target and maximum vesting.

Profit based awards during the year ranged from 56% to 66% of base salary and personal objectives represented 14% of base salary.

Long term incentive plan

This section of the Remuneration Report is audited.

Details of share options granted under the Long Term Incentive Plan are as follows:

	Date of grant	Number of options 31 December 2014	Number of options 31 December 2013	Exercise Price pence	Date from which exercisable	Expiry date
D J S Taylor						
Long Term Incentive Plan	21.06.12	46,730	46,730	10	Jun 2015	Jun 2022
Long Term Incentive Plan	03.05.13	21,333	21,333	10	May 2016	May 2023
Long Term Incentive Plan	01.05.14	16,580	–	10	May 2017	May 2024
D M O'Connor						
Long Term Incentive Plan	21.06.12	49,524	49,524	10	Jun 2015	Jun 2022
Long Term Incentive Plan	03.05.13	22,609	22,609	10	May 2016	May 2023
Long Term Incentive Plan	01.05.14	17,571	–	10	May 2017	May 2024

Exercise of the above options is subject to the achievement of performance conditions as specified by the Remuneration Committee and are subject to clawback and malus provisions in certain circumstances. The above number of options represent the amount that will vest based on the achievement of maximum performance targets. A lower percentage of the above will vest given the achievement of lower than maximum performance. At target performance levels 40% of the above options would be expected to vest. Below threshold performance no options will vest.

34,151 options were granted on 1 May 2014. The market price of the Company's shares at the date of grant was 455p.

For the options granted on 1 May 2014, 100% of the shares will vest given an increase of 42% in adjusted EPS* ('maximum performance') in the year to 31 December 2016 over the base year of 31 December 2013, 40% of the above shares for an increase of 35% in adjusted EPS ('target performance') and 25% of the above shares for an increase of 28% in adjusted EPS ('threshold performance'). Between those levels shares will vest on a pro rata basis.

* Given previous changes in accounting standards relating to the calculation of notional interest on pension scheme liabilities, notional pension fund interest has been excluded from both the base and target EPS levels.



Share price movements during the year

The market price of the Company's shares at the end of the financial year was 555p (2013: 400p). The range of prices for the year to 31 December 2014 was 400p to 575p (2013: 305p to 404p) per ordinary share.

Pensions

This section of the Remuneration Report is audited.

D J S Taylor and D M O'Connor are members of the Churchill China 2006 Group Personal Pension Plan. Contributions made by the Group were as shown on page 31 and are at a rate of 10% of basic salary. A D Roper is not a member of the Churchill China 2006 Group Personal Pension Plan and does not receive ongoing pension benefits as part of his remuneration.

All scheme members have the opportunity to pay Additional Voluntary Contributions. Neither the contributions nor the resulting benefits are included in the above table.

All Executive Directors are deferred members of the Churchill Retirement Benefit Scheme. The pension benefit of A D Roper was funded to allow retirement based on accrued service to 31 March 2006 on attaining the age of 60 years. The pension benefit of D J S Taylor is funded to allow retirement between the ages of 60 and 65 with a pension based on accrued service to 31 March 2006. The pension benefit of D M O'Connor is funded to allow retirement at 65 with a pension based on accrued service to 31 March 2006.

The value of D M O'Connor's accrued benefits earned under the Churchill Group Retirement Benefit Scheme was £608,796 (2013: £600,555). The value of the accrued pension was £30,028 (2013: £29,640). This increase in benefits reflected the normal change in benefits for a deferred member under the Scheme rules, no additional current service contributions have been made since the closure of the Scheme to future accrual in 2006.

Andrew Roper retired on 15 August 2014 and now receives benefits as a pensioner member of the Churchill Group Retirement Benefit Scheme.

Directors' service contracts

This section of the Remuneration Report is not audited.

Executive Directors are not appointed on contracts for a fixed duration. All Executive Directors have contracts of service which can be terminated with a notice period of twelve months from the Company or six months from the Director. D J S Taylor's service contract was signed on 6 October 2009 and D M O'Connor's on 15 May 2012.

Non Executive Directors are generally appointed on fixed term contracts. A J McWalter signed a fixed term contract of three years' duration on 4 June 2013. B M Hynes signed a fixed term contract of three years' duration on 14 August 2013. J W Morgan signed a fixed term contract of one years' duration on 24 March 2014. Non Executive Directors contracts may normally be terminated with a notice period of three months. A D Roper remains on a contract signed on 10 September 2009 which is terminable with a notice period of twelve months from the Company or six months from the Director.

There are no defined contractual payments in the event of termination of a Director's service contract.



Directors' interests

This section of the Remuneration Report is not audited.

The interests of the Directors and their immediate families and family trusts at 31 December 2014 in the 10p ordinary shares of the Company were as follows:

	2014	2013
A D Roper	642,430	662,430
D J S Taylor	20,000	20,000
D M O'Connor	6,000	6,000
J W Morgan	28,000	28,000
A J McWalter	5,000	5,000
B M Hynes	4,000	—
	705,430	721,430

A D Roper's interest in the 10p ordinary shares of the Company at 31 December 2014 represented 5.9% (2013: 6.1%) of the Company's issued share capital.

There has been no change in the interests set out above between 31 December 2014 and 26 March 2015.

Director shareholding requirements

Directors are expected to hold shares in the Company in order to align their interests with those of shareholders. In the longer term Executive Directors are encouraged to hold the equivalent of 100% of annual base salary as shares in the Company and it is expected that this target level will be achieved by the retention of shares vesting under the Long Term Incentive Plan after the payment of associated tax.

Shareholder consultation

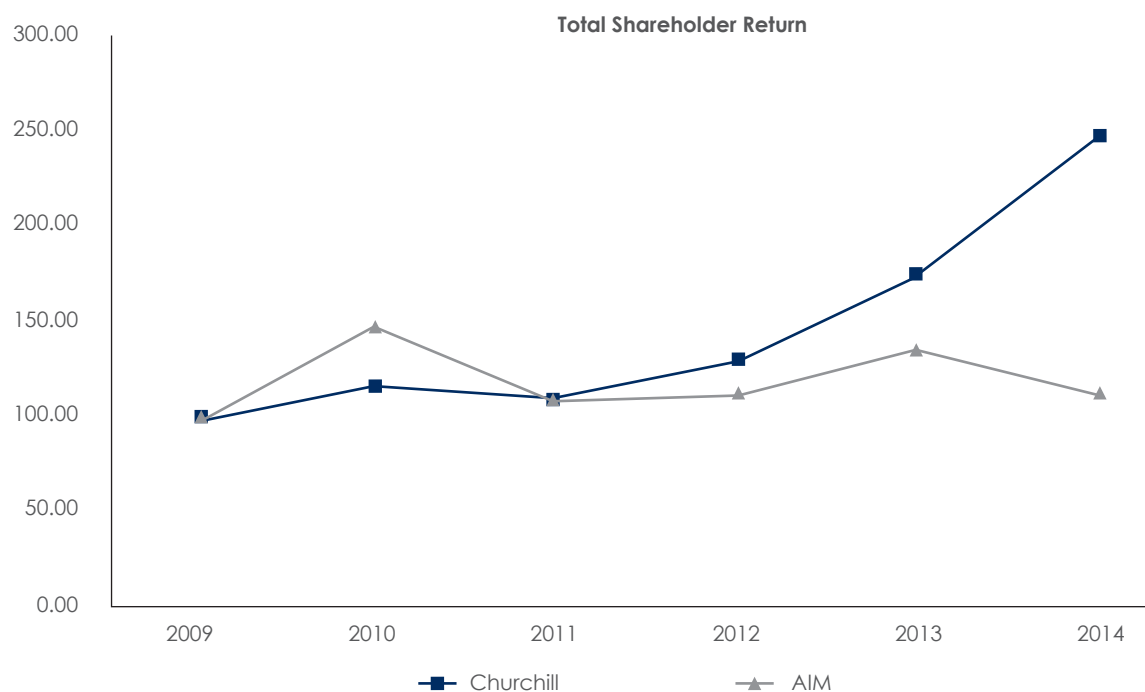
The Remuneration Committee will consult with major shareholders in relation to its operation and particularly in relation to any major changes in Remuneration Policy. During the year, with the exception of the standard resolution at the Annual General Meeting, the Remuneration Committee did not believe there was any requirement to make any approach to shareholders on remuneration issues. No significant comments have been received from shareholders in relation to remuneration matters.

At the 2014 Annual General Meeting, the standard resolution in relation to the approval of the Report of the Remuneration Committee contained in the Annual Report for 2013 was passed. 99.95% of votes were cast in favour of the resolution, 0.03% against, with 0.02% abstaining.



Performance Graph

This section of the Remuneration Report is not audited.



(Source: N+1 Singer)

Over a five year period the Group's total return to shareholders has been substantially above that generated by the AIM index. Total returns from the Group in the year have been supported by a further improvement in profitability and continuation of our progressive dividend policy. A higher price earnings multiple has also been applied by shareholders to the Group's post tax earnings. Our overall five year return has remained positive at an average compound rate of 20% (AIM: 2%). Over the five year period total shareholder return from the Group has been 148%, whilst that achieved by the AIM index as a whole was 12%. In the year to 31 December 2014 the overall return from the Group was 42%, the AIM index reported a fall of 16%.

In the opinion of the Directors the above index is the most appropriate to measure the total shareholder return of Churchill China plc against.

On behalf of the Board

J W Morgan

Chairman of the Remuneration Committee

25 March 2015



This statement is unaudited.

As a Company quoted on the Alternative Investment Market of the London Stock Exchange, the Company is not required to comply with the UK Corporate Governance Code ("the Code"), however the Board supports the standards required by the Code and seeks to comply with the principles of the Code as far as practically possible. The Company uses the Quoted Companies Alliances 'Corporate Governance Guidelines for Smaller Quoted Companies' as a benchmark to define and review its governance procedures.

The Board of Directors

The Board is currently composed of two Executive and four Non Executive Directors and meets at least eleven times per year. It is felt that the current composition and operation of the Board is adequate to ensure a balance of power and authority. The Non Executive members of the Board take an active and influential part in Board procedures and a senior independent Non Executive Director, J W Morgan, has been formally appointed.

The Code recommends that the Boards of listed companies include at least three independent Non Executive Directors. The Board has fully reviewed the independence of Non Executive Directors and J W Morgan, A J McWalter and B M Hynes are all considered to be independent under the terms of the Code. A D Roper, who became a Non Executive Director on 16 August 2014, is not considered to be independent under the terms of the Code given his previous service as an Executive Director and his substantial shareholding. As the Board contains three independent Non Executive Directors this is not believed to be of major significance.

In addition to a formal agenda covering financial control, management and business development, there is appropriate debate addressing areas outside the regular agenda to ensure that all Directors are able to take an informed view of the progress of the business. The nature of the organisational structure of the Group allows Executive Directors to maintain a close involvement in all aspects of the Group's operations. A schedule of matters reserved for Board decision is maintained and a procedure exists to allow Directors access to independent professional advice if required.

The following table shows the attendance of Directors at Board meetings through the year.

	Meetings held	Meetings attended
A D Roper	12	11
D J S Taylor	12	12
D M O'Connor	12	12
J W Morgan	12	12
A J McWalter	12	12
B M Hynes	12	12

The Directors consider that the Board of Directors include key management for all areas of the business and that there are no other key management which require disclosure.

There are two principal sub-committees of the Board.

The Audit Committee, which is wholly composed of Non Executive Directors, meets at least twice per year to receive reports from executive management and external auditors and is normally attended by the Finance Director. The Audit Committee is chaired by B M Hynes.

The Audit Committee has considered the independence of the Auditors, PricewaterhouseCoopers LLP and is satisfied that they are independent.

The Remuneration Committee is wholly composed of Non Executive Directors and is normally attended by the Chief Executive Officer who takes no part in discussions on his own remuneration. The Remuneration Committee is chaired by J W Morgan.

Terms of reference for both Committees and a remuneration policy statement have been agreed by the Board.

The Company does not have a Nomination Committee as new Board appointments are discussed by the Board as a whole, rather than by delegation to a Committee.



Internal control

The Board of Directors has overall responsibility for the Group's system of internal control and is responsible for reviewing its effectiveness. This system is designed to manage rather than eliminate the risk of failure to achieve business objectives and provides reasonable, but not absolute, assurance against material misstatement or loss.

The Board has established a system for ongoing review of risk assessment and management procedures to ensure that the controls on which it places reliance are operating satisfactorily and those new risks to which the business becomes exposed through its activities are recognised and appropriate controls implemented. These procedures have been in operation throughout the year and in the period to the date of this report.

The risks to which the Group is exposed are formally reviewed by the Board on a regular basis. Individual reviews of risk areas are carried out and the results reported to the Board. Operational responsibility for each of the main risk areas has been clearly identified and are allocated to either Directors of the Company or of the Company's principal operating subsidiary, Churchill China (UK) Limited, under the supervision of the Board as a whole. Individual managers and employees are also aware, where appropriate, of their responsibilities in both identifying and controlling risk.

The Company's systems in relation to risk assessment and control seek to ensure that as part of the normal process of business management material risks are identified and brought to the attention of the Board. Directors review risk as part of a regular programme of meetings covering both general business processes and specific risk areas, risk is assessed as part of the strategic process. A system of reporting is in place to provide control information on key risk areas within reports submitted to the Board and reviewed. In addition to this Directors and managers are aware of their responsibility to monitor both changes in business activity and changes to the economical legislative environment in which the Company operates. Potential new risk areas have been identified and control procedures documented.

The Board and the Audit Committee have reviewed the effectiveness of the system of internal control during the year.

Internal audit

The Company does not employ an internal audit department and does not believe that, given the size and structure of the business, the geographic proximity of its major operations and the close control effected by the involvement of Executive Directors in the day to day running of the business, such a department would provide an effective means of gaining significant improvements in internal control. The requirement for an internal audit function is reviewed annually.

Internal financial control

The Board of Directors has overall responsibility for the Group's systems of internal financial control which it exercises through an organisational structure with authorisation, monitoring and reporting procedures which are appropriate to the needs of the business. These systems have been designed to give the Board reasonable, but not absolute, assurance against material misstatement or loss. The principal features of the Group's system of internal financial control are: the maintenance of a control environment in which the need for the highest standards of behaviour and integrity are communicated to employees; the use of a detailed reporting system covering performance against comprehensive financial and other key operating indicators. The Board and the Audit Committee have reviewed the operation and effectiveness of the system of internal financial control during the year. The Board have responded to this review with management and work to address the areas identified.

Going concern

The Board confirms that having made enquiries, the Directors have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing financial statements.

By order of the Board

D J S Taylor

Company Secretary
25 March 2015



Report on the financial statements

Our opinion

In our opinion:

- Churchill China plc's Group financial statements and Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2014 and of the Group's profit and cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

Churchill China plc's financial statements comprise:

- the Consolidated balance sheet as at 31 December 2014;
- the Company balance sheet as at 31 December 2014;
- the Consolidated income statement and Consolidated statement of comprehensive income for the year then ended;
- the Consolidated cash flow statement for the year then ended;
- the Consolidated statement of changes in equity for the year then ended;
- the Reconciliation of operating profit to net cash inflow from operating activities; and
- the Notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the Directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.



Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 25, 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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's and the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Paul Norbury (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
25 March 2015



Consolidated Income Statement

for the year ended 31 December 2014

	Notes	2014 £'000	2013 £'000
Revenue	4	44,518	43,157
Operating profit	5	4,249	3,371
Share of results of associate company	15	116	116
Finance income	8	76	92
Finance costs	8	(124)	(209)
Profit before income tax		4,317	3,370
Income tax expense	10	(901)	(609)
Profit for the year attributable to owners of the Company		3,416	2,761
Basic earnings per ordinary share	11	31.2p	25.2p
Diluted earnings per share	11	30.8p	24.9p

All of the above figures relate to continuing operations.

The notes on pages 47 to 76 are an integral part of these consolidated financial statements.

The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the Company profit and loss account. The profit of the Company for the year was £1,414,000 (2013: £1,432,000).



Consolidated Statement of Comprehensive Income

for the year ended 31 December 2014

	2014 £'000	2013 £'000
Other comprehensive (expense) / income		
Items that will not be reclassified to profit and loss:		
Remeasurements of post employment benefit obligations (note 23)	(1,850)	644
Items that may be reclassified subsequently to profit and loss:		
Impact of change in UK tax rate on deferred tax on revaluation reserve	–	37
Currency translation differences	17	(5)
Other comprehensive (expense) / income for the year	(1,833)	676
Profit for the year	3,416	2,761
Total comprehensive income for the year	1,583	3,437
Attributable to:		
Equity holders of the Company	1,583	3,437

Amounts in the statement above are disclosed net of tax. The income tax relating to each component of other comprehensive income is disclosed in note 10.

The Company has no recognised gains and losses other than those included in its profit and loss account and therefore no separate Statement of Total Recognised Gains and Losses has been presented.



Consolidated Balance Sheet

as at 31 December 2014

	Notes	2014 £'000	2013 £'000
Assets			
Non current assets			
Property, plant and equipment	13	14,258	13,667
Intangible assets	14	63	359
Investment in associate	15	1,096	980
Deferred income tax assets	22	1,117	765
		<u>16,534</u>	<u>15,771</u>
Current assets			
Inventories	18	8,274	8,769
Trade and other receivables	19	8,255	8,571
Other financial assets	20	1,500	1,000
Cash and cash equivalents		8,961	7,199
		<u>26,990</u>	<u>25,539</u>
Total assets		<u>43,524</u>	<u>41,310</u>
Liabilities			
Current liabilities			
Trade and other payables	21	(8,676)	(8,298)
Current income tax liabilities		(698)	(564)
		<u>(9,374)</u>	<u>(8,862)</u>
Non current liabilities			
Deferred income tax liabilities	22	(1,070)	(1,102)
Retirement benefit obligations	23	(4,674)	(2,914)
Total liabilities		<u>(15,118)</u>	<u>(12,878)</u>
Net assets		<u>28,406</u>	<u>28,432</u>
Equity attributable to owners of the Company			
Issued share capital	24	1,096	1,096
Share premium account	24	2,348	2,348
Treasury shares	25	(224)	(41)
Other reserves	26	1,532	1,332
Retained earnings	27	23,654	23,697
Total equity		<u>28,406</u>	<u>28,432</u>

The notes on pages 47 to 76 are an integral part of these consolidated financial statements.

The financial statements on pages 40 to 76 were approved by the Board of Directors on 25 March 2015 and were signed on its behalf by:

D M O'Connor

Director

D J S Taylor

Director

Company number 02709505



Company Balance Sheet

as at 31 December 2014

	Notes	2014 £'000	2013 £'000
Fixed assets			
Investment in associate	15	355	355
Investments in subsidiaries	16	2,195	2,195
Deferred income tax assets	22	61	8
		<u>2,611</u>	<u>2,558</u>
Current assets			
Debtors: amounts falling due after more than one year	19	5,136	5,310
Debtors: amounts falling due within one year	19	174	164
Cash at bank and in hand		415	421
		<u>5,725</u>	<u>5,895</u>
Creditors: amounts falling due within one year	21	<u>(106)</u>	<u>(28)</u>
Net current assets		<u>5,619</u>	<u>5,867</u>
Total assets less current liabilities		<u>8,230</u>	<u>8,425</u>
Net assets		<u>8,230</u>	<u>8,425</u>
Capital and reserves			
Called up share capital	24	1,096	1,096
Share premium account	24	2,348	2,348
Treasury shares	25	(224)	(41)
Other reserves	26	307	114
Profit and loss account	27	4,703	4,908
Total shareholders' funds		<u>8,230</u>	<u>8,425</u>

The notes on pages 47 to 76 are an integral part of these financial statements.

The financial statements on pages 40 to 76 were approved by the Board of Directors on 25 March 2015 and were signed on its behalf by:

D M O'Connor
Director

D J S Taylor
Director



Consolidated Statement of Changes in Equity

for the year ended 31 December 2014

	Retained earnings £'000	Share capital £'000	Share premium account £'000	Treasury shares £'000	Other reserves £'000	Total £'000
Balance at 1 January 2013	21,871	1,096	2,348	(89)	1,235	26,461
Comprehensive Income:						
Profit for the year	2,761	–	–	–	–	2,761
Other comprehensive income:						
Depreciation transfer – gross	12	–	–	–	(12)	–
Depreciation transfer – tax	(2)	–	–	–	2	–
Deferred tax – change in rate	–	–	–	–	37	37
Remeasurement of post employment benefit obligations – net of tax	644	–	–	–	–	644
Currency translation	–	–	–	–	(5)	(5)
Total comprehensive income	3,415	–	–	–	22	3,437
Transactions with owners						
Dividends relating to 2012 and 2013 (note 12)	(1,564)	–	–	–	–	(1,564)
Share based payment	–	–	–	–	75	75
Treasury shares (note 25)	(25)	–	–	48	–	23
Total transactions with owners	(1,589)	–	–	48	75	(1,466)
Balance at 1 January 2014	23,697	1,096	2,348	(41)	1,332	28,432
Comprehensive Income:						
Profit for the year	3,416	–	–	–	–	3,416
Other comprehensive income:						
Depreciation transfer – gross	12	–	–	–	(12)	–
Depreciation transfer – tax	(2)	–	–	–	2	–
Remeasurement of post employment benefit obligations – net of tax	(1,850)	–	–	–	–	(1,850)
Currency translation	–	–	–	–	17	17
Total comprehensive income	1,576	–	–	–	7	1,583
Transactions with owners						
Dividends relating to 2013 and 2014 (note 12)	(1,619)	–	–	–	–	(1,619)
Share based payment	–	–	–	–	193	193
Treasury shares (note 25)	–	–	–	(183)	–	(183)
Total transactions with owners	(1,619)	–	–	(183)	193	(1,609)
Balance at 31 December 2014	23,654	1,096	2,348	(224)	1,532	28,406



Consolidated Cash Flow Statement

for the year ended 31 December 2014

	2014 £'000	2013 £'000
Cash flows from operating activities		
Cash generated from operations (see page 46)	6,903	4,573
Interest received*	76	92
Interest paid	(5)	(12)
Income tax paid	(688)	(679)
Net cash generated from operating activities	6,286	3,974
Cash flows used in investing activities		
Purchases of property, plant and equipment	(2,238)	(979)
Proceeds on disposal of property, plant and equipment	57	101
Purchases of intangible assets	(42)	(353)
Net cash used in investing activities	(2,223)	(1,231)
Cash flows used in financing activities		
Issue of ordinary shares	–	75
Purchase of treasury shares	(183)	(52)
Dividends paid	(1,619)	(1,564)
Sale of other financial assets	1,000	500
Purchase of other financial assets	(1,500)	(1,000)
Net cash used in financing activities	(2,302)	(2,041)
Net increase in cash and cash equivalents	1,761	702
Cash and cash equivalents at the beginning of the year	7,199	6,497
Exchange gain on cash and cash equivalents	1	–
Cash and cash equivalents at the end of the year	8,961	7,199

* Conventionally interest received is included under the heading 'Investing activities', however the Directors believe that as the Group holds cash in support of operating activities it should be disclosed as part of cash generated from operating activities.



Reconciliation of Operating Profit to Net Cash Inflow from Operating Activities

	2014 £'000	2013 £'000
Continuing operating activities		
Operating profit	4,249	3,371
Adjustments for:		
Depreciation and amortisation	1,627	1,596
Loss on disposal of property, plant and equipment	10	11
Charge for share based payments	193	75
Difference between pension service cost and contributions (see note 23)	(672)	(1,344)
Changes in working capital:		
Inventory	495	1,108
Trade and other receivables	338	(1,244)
Trade and other payables	663	1,000
Net cash inflow from operations	6,903	4,573



1 Summary of significant accounting policies

The consolidated financial statements of Churchill China plc have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Going concern

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

The Group and the Company therefore continue to adopt the going concern basis in preparing their consolidated financial statements.

Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The following standards have been adopted by the Group for the first time for the financial year beginning on 1 January 2014 and have a material impact on the Group:

IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles.

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2014 are not material to the Group.

(b) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2014, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is effective for accounting periods beginning on or after 1 January 2018. The Group does not believe IFRS 9 will have a material impact.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The standard replaces IAS 18 'Revenue'. The standard is effective for accounting periods beginning on or after 1 January 2017. The Group is assessing the impact of IFRS 15.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.



1 Summary of significant accounting policies (continued)

Basis of consolidation

The consolidated financial statements of Churchill China plc include the results of the Company, its subsidiaries and associate company.

The financial statements of each undertaking in the Group are prepared to the balance sheet date under UK GAAP. Subsidiaries and associates accounting policies are amended, where necessary, to ensure consistency with the Group accounting policies under IFRS.

(a) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for the purchase of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated.

(b) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount within 'share of results of associated company' in the Income Statement.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Dilution in gains and losses arising in investments in associates are recognised in the Income Statement.



1 Summary of significant accounting policies (continued)

Segment reporting

Operating segments are reported in a way consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments has been identified as the Board of Churchill China plc. Income and expenditure arising directly from a business segment are identified to that segment. Income and expenditure arising from central operations which relate to the Group as a whole or cannot reasonably be allocated between segments are classified as unallocated.

Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods provided in the normal course of business, net of discounts, rebates and sales related taxes. Sales of goods are recognised when goods have been delivered and title in those goods has passed. Rebates are recognised at their anticipated level as soon as any liability is expected to arise and are deducted from gross revenue.

Interest income is recognised on a time basis by reference to the principal outstanding and at the effective interest rate applicable.

Dividend income is recognised when the Group's right to receive payment has been established.

Leases

Management review new leases and classify them as operating or finance leases in accordance with the balance of risk and reward between lessee and the lessor. Lease payments made under operating leases are charged to the Income Statement on a straight line basis over the term of the lease.

Operating profit and exceptional items

Operating profit is stated both before and after the effect of exceptional items but before the Group's share of results in associate companies, impairment of investment in associate companies, finance income and costs and taxation.

The Group has adopted a columnar income statement format which seeks to highlight significant items within the Group results for the period. Such items are considered by the Directors to be exceptional in size and nature rather than being representative of the underlying trading of the Group, and may include such items as restructuring costs, material impairments of non current assets, material profits and losses on the disposal of property, plant and equipment, material increases or reductions in pension scheme costs and material increases or decreases in taxation costs as a result of changes in legislation. The Directors apply judgement in assessing the particular items, which by virtue of their size and nature are separately disclosed in the income statement and notes to the financial statements as "Exceptional items". The Directors believe that the separate disclosure of these items is relevant in understanding the Group's financial performance.

Dividends

Dividends to the Company's shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are paid, following approval by the Company's shareholders.

Interest received/paid

Interest received and paid is treated in the cash flow statement as a cash flow from operating activities as this reflects the nature of the Group's business.



1 Summary of significant accounting policies (continued)

Retirement benefit costs

The Group operates a defined benefit pension scheme and defined contribution pension schemes.

The defined benefit scheme is valued every three years by a professionally qualified independent Actuary. In intervening years, the Actuary reviews the continuing appropriateness of the valuation. Scheme liabilities are measured using the projected unit method and the amount recognised in the balance sheet is the present value of these liabilities at the balance sheet date. The discount rate used to calculate the present value of liabilities is the interest rate attaching to high quality corporate bonds. The assets of the scheme are held separately from those of the Group and are measured at fair value. The accrual of further benefits under the scheme ceased on 31 March 2006.

The regular service cost of providing retirement benefits to employees during the year, together with the cost of any benefits relating to past service and any benefits arising from curtailments, is charged or credited to operating profit in the year. These costs are included within staff costs.

A net interest cost on defined benefit plans is included within finance income or cost, based on the discount rate on the net post employment obligation measured at the beginning of the year. The difference between the market value of assets and the present value of accrued pension liabilities is shown as an asset or liability in the balance sheet.

Remeasurements of post employment benefit obligations are recognised in the statement of comprehensive income in the year, together with differences arising from changes in actuarial assumptions.

Costs associated with defined contribution schemes represent contributions payable by the Group during the year and are charged to the income statement as they fall due.

Share based payments

Where share options have been issued to employees, the fair value of options at the date of grant is charged to the Income Statement over the period over which the options are expected to vest. The number of ordinary shares expected to vest at each balance sheet date are adjusted to reflect non market vesting conditions such that the total charge recognised over the vesting period reflects the number of options that ultimately vest. Market vesting conditions are reflected within the fair value of the options granted. If the terms and conditions attaching to options are amended before the options vest, any change in the fair value of the options is charged to the Income Statement over the remaining period to the vesting date.

National insurance contributions payable by the Company in relation to unapproved share option schemes are provided for on the difference between the share price at the balance sheet date and the exercise price of the option where the share price is higher than the exercise price.

Foreign currencies

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

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Non monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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 average exchange rates for the period. Exchange differences arising, if any, are accounted for in other comprehensive income.

In order to manage its exposure to certain foreign exchange risks, the Group enters into forward currency contracts (see "Derivative financial instruments" below).



1 Summary of significant accounting policies (continued)

Derivative financial instruments

The Group's operations expose it to the financial risks of changes in exchange rates. The Group uses forward currency contracts to mitigate this exposure. The Group does not use derivative financial instruments for speculative purposes. Changes in the fair value of derivative financial instruments are recognised immediately in the income statement as soon as they arise. Contracts are initially recognised at fair value, gains and losses on all derivatives held at fair value outstanding at a balance sheet date are recognised in the income statement.

Hedge accounting is not considered to be appropriate to the above currency risk management techniques and has not been applied.

Taxation

Income tax expense represents the sum of the current tax and deferred tax.

Current tax is based on the taxable profit for the year. 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 income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for, if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction there is no effect on either accounting or taxable profit or loss. The Group's liability for deferred tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date or are expected to apply when the related deferred income tax asset is realised or deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities may be set off against each other provided there is a legal right to do so and it is managements' intention to do so.

Property, plant and equipment

Property, plant and equipment is shown at cost, net of accumulated depreciation, as adjusted for the revaluation of certain land and buildings.

Depreciation is calculated so as to write off the cost, less any provision for impairment, of plant, property and equipment, less their estimated residual values over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

	%
Freehold buildings	2 on cost or valuation
Plant	10-25 on cost
Motor vehicles	25 on reducing net book value
Fixtures and fittings	25-33 on cost

Freehold land is not depreciated.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amounts.



1 Summary of significant accounting policies (continued)

Intangible assets

Intangible assets, which comprise computer software, are shown at cost net of accumulated amortisation. Amortisation is calculated so as to write off the cost, less any provision for impairment, of intangible assets, less their estimated residual values over the expected useful economic lives of the assets concerned. The principal annual rate used for this purpose is:

	%
Computer software	33 on cost

The Group has no goodwill.

Impairment of non financial assets

At each reporting date the Directors assess whether there is any indication that an asset may be impaired. If any such indicator exists the Group tests for impairment by estimating the recoverable amount of the asset. If the recoverable amount is less than the carrying value of an asset an impairment loss is required. In addition to this, assets with indefinite lives are tested for impairment at least annually. The recoverable amount is measured as the higher of net realisable value or value in use. Non financial assets other than goodwill that have suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first in first out basis and includes, where appropriate, direct materials, direct labour, overheads incurred in bringing inventories to their present location and condition and transport and handling costs. Net realisable value is the estimated selling cost less all further costs to sale. Provision is made where necessary for obsolete, slow moving and defective inventories.

Available for sale financial assets

Available for sale financial assets are non derivatives that are either designated in this category or not classified to any of the other financial asset categories. They are included in non current assets unless the Directors intend to dispose of the investment within twelve months of the balance sheet date.

At each reporting date the Directors assess whether there is an indication an asset may be impaired. If any such indicator exists the Group tests for impairment by estimating the recoverable amount of the asset. If the recoverable amount is less than the carrying value of an asset an impairment loss is required.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment is established where there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Trade receivables are as defined under IAS 39.

Other financial assets

Other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the end of the reporting period. These are classified as non current assets.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held on call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. Cash and cash equivalents are as defined under IAS 39.



1 Summary of significant accounting policies (continued)

Non current assets held for sale

Non current assets are classified as being held for sale when their value is expected to be recovered through disposal rather than continuing usage within the business and when the future sale is considered to be highly probable. Management must be committed to sale which should be expected to be completed to qualify for recognition as a completed sale within one year from the date of classification. Non current assets are measured at the lower of carrying value and fair value less disposal costs, and are no longer depreciated.

Provisions

Provisions are recognised when (i) the Group has a present legal or constructive obligation as a result of past events, (ii) it is probable that an outflow of resources will be required to settle the obligation and (iii) the amount has been reliably estimated. The Directors estimate the amount of provisions required to settle any obligation at the balance sheet date. Provisions are discounted to their present value where the effect would be material.

Parent Company significant accounting policies

The Company financial statements are prepared under UK GAAP. The financial statements have been prepared under the historical cost convention in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies applied in the preparation of the Company financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Fixed asset investments

Fixed asset investments, comprising investments in subsidiary and associated companies, are stated at cost less any provisions for impairment. Where an event has occurred that gives rise to doubt about the recovery of the carrying value an impairment assessment is made. The impairment is calculated by comparing the investments carrying value to the recoverable amount as required by FRS 11 'Impairment of fixed assets and goodwill'.

Other

Policies in relation to dividends and share based payments are the same as the Group accounting policies.

2 Financial risk management

Financial risk factors

The Group's activities expose it to a variety of financial risks; market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk), credit risk, price risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to manage certain risk exposures.

Financial risk management is carried out by the finance department under policies approved by the Board of Directors.

(a) Market risk

(i) Currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily in relation to the US dollar and Euro. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The Group's treasury risk management policy is to secure all of the contractually certain cash flows (mainly export sales and the purchase of inventory) and to review likely forward exposures in each major currency. Contractual certainty is considered to be where the Group has received a firm sales order or placed a firm purchase order.

At 31 December 2014, if sterling had weakened / strengthened by 5% against the US dollar with all other variables held constant, post tax profit for the year would have been £4,000 (2013: £26,000) higher / lower, mainly as a result of foreign exchange gains / losses on translation of US dollar denominated trade payables and cash balances. Equity would have been a further £14,000 (2013: £13,000) lower / higher mainly as a result of differences in the translation of US dollar investments in subsidiary undertakings. If sterling had weakened / strengthened by 5% against the Euro with all other variables held constant, post tax profit for the year would have been £4,000 (2013: £4,000) higher / lower, mainly as a result of foreign exchange gains / losses on translation of Euro denominated trade receivables and cash balances. There would have been no substantial other changes in Equity.



2 Financial risk management (continued)

(ii) Cash flow and fair value interest rate risk

The Group holds significant interest bearing assets and its finance income and operating cash flows are linked to changes in market interest rates. The Group has no significant short or long term borrowings.

The Group identifies cash balances in excess of short and medium term working capital requirements (see liquidity risk) and invests these balances in short and medium term money market deposits.

At 31 December 2014, had the interest rates achieved been 0.1% higher / lower with all other variables held constant then post tax profit for the year would have been £7,000 (2013: £4,000) higher / lower. Other components of equity would have been unchanged.

(b) Credit risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, other financial assets and credit exposures including outstanding trade receivables and committed transactions. For banks with which the Group places balances on deposit, only independently rated parties with a minimum rating of 'A-' are accepted.

Cash and cash equivalents are as follows:

	Credit rating	2014 £'000	2013 £'000
Lloyds Bank plc	A	7,156	5,979
Royal Bank of Scotland plc	A	767	762
Santander UK plc	A	755	253
Other	Min A	283	205
		8,961	7,199

Other financial assets are as follows:

	Credit rating	2014 £'000	2013 £'000
Lloyds Banking Group plc	A	1,500	1,000
		1,500	1,000

Risk attached to the receipt of UK trade receivables is largely controlled through the assessment of the credit quality of each customer, taking into account its financial position, past experience and third party credit information. Risks attaching to export trade receivables are controlled through the use of export credit insurance and confirmed letters of credit. Where these cannot be obtained the credit control department assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

The Group manages its debt position and considers it is in a position of having limited credit risk (see note 19).

(c) Price risk

As explained in the Directors' report, the Group results are affected by changes in market prices. The risk attached to this is managed by close relationships with suppliers and ongoing product development.

(d) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and available funding through committed credit facilities. Liquidity risk is managed on a Group basis with expected cash flows being monitored against current cash and cash equivalents and committed borrowing facilities.

The Group has no long term borrowing and funds its operations from its own cash reserves and the Directors do not consider there to be significant liquidity risk. All liabilities are generally due within three months.



2 Financial risk management (continued)

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, to provide finance for the long term development of the business and to generate returns for shareholders and benefits for other stakeholders in the business.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group currently has no debt.

Fair value estimation

The carrying value less impairment provision of trade and other receivables and trade and other payables are assumed to approximate their fair values.

3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are discussed below.

(a) Net realisable value of excess inventories:

The Group identifies inventory where it is believed that the quantity held is in excess of that which may be realised at normal price levels. The realisable value of this inventory is assessed taking into account the estimated sales price less further costs of sale. If the estimated net realisable value of excess inventories were to be 10% higher or lower than management's estimates the value of this provision would change by £240,000 (2013: £202,000).

(b) Pension benefits:

The present value of the pension obligations depend on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost or income for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate the Group considers the interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in note 23.

(c) Recognition of deferred tax assets:

The Group reassesses each year whether it is appropriate to recognise the deferred tax assets in the financial statements based upon the likelihood that the assets can be recovered. The assessment is based on the expected reversal of temporary timing differences.



4 Segmental analysis

Management has determined the operating segments are based on the reports reviewed by the Chief Operating Decision Maker and the Strategic Steering Committee of the Board that are used to make strategic decisions. The Board considers the business primarily based on the market and product groups, but also from a geographic perspective. Geographically, management considers the performance in relation to the UK, rest of Europe, North America and Rest of the World.

The reportable operating product segments derive their revenue primarily from the sale of ceramic products to the Retail and Hospitality sectors.

The Board assesses the performance of the operating segments based on the measure of operating profit, as analysed in the management accounts. This measurement basis excludes the effects of non-recurring expenditure from the operating segments such as restructuring costs and goodwill impairments when the impairment is the result of an isolated, non-recurring event. The measure also excludes the effects of equity-settled share-based payments and unrealised gains/losses on financial instruments. Interest income and expenditure are not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the Group.

(a) Primary reporting format – business segments

The business is managed in two main business segments, Hospitality and Retail.

	31 December 2014			
	Hospitality £'000	Retail £'000	Unallocated £'000	Group £'000
Revenue from external customers	35,999	8,519	–	44,518
Contribution to Group overheads excluding depreciation and amortisation	7,779	1,183	(3,086)	5,876
Depreciation and amortisation	(1,190)	(224)	(213)	(1,627)
Operating profit	6,589	959	(3,299)	4,249
Share of results of associate company				116
Finance income				76
Finance cost				(124)
Profit before income tax				4,317

	31 December 2013			
	Hospitality £'000	Retail £'000	Unallocated £'000	Group £'000
Revenue from external customers	32,753	10,404	–	43,157
Contribution to Group overheads excluding depreciation and amortisation	6,188	1,493	(2,714)	4,967
Depreciation and amortisation	(1,133)	(259)	(204)	(1,596)
Operating profit	5,055	1,234	(2,918)	3,371
Share of results of associate company				116
Finance income				92
Finance cost				(209)
Profit before income tax				3,370

The 'Unallocated' Group overheads principally comprise costs associated with the centralised functions of the Company Board, finance and administration and information technology.

There are no material inter-segment revenues (2013: £nil). Any inter segment revenues are carried out on an arm's length basis.

Revenue from external parties is measured in a manner consistent with the consolidated income statement.



4 Segmental analysis (continued)

Segment assets consist primarily of property, plant and equipment, inventories, trade and other receivables. Unallocated assets comprise intangible assets, investment in associates, available-for-sale financial assets, deferred taxation and cash and cash equivalents.

Segment liabilities comprise trade and other payables specific to operating segments. Unallocated liabilities comprise items such as trade and other payables, current taxation, deferred taxation and retirement benefit obligations.

Capital expenditure comprises additions to property, plant and equipment (note 13) and intangible assets (note 14).

Segment assets and liabilities at 31 December 2014 and capital expenditure for the year ended on that date are as follows:

	Hospitality £'000	Retail £'000	Unallocated £'000	Group £'000
Assets excluding inventories	16,277	3,920	13,957	34,154
Inventories	6,009	2,265	–	8,274
Investment in associates	–	–	1,096	1,096
Total assets	22,286	6,185	15,053	43,524
Total liabilities	5,353	646	9,119	15,118
Capital expenditure	1,711	60	218	1,989

Segment assets and liabilities at 31 December 2013 and capital expenditure for the year ended on that date are as follows:

	Hospitality £'000	Retail £'000	Unallocated £'000	Group £'000
Assets excluding inventories	15,807	4,448	11,306	31,561
Inventories	6,195	2,574	–	8,769
Investment in associates	–	–	980	980
Total assets	22,002	7,022	12,286	41,310
Total liabilities	4,380	929	7,569	12,878
Capital expenditure	1,032	35	432	1,499

(b) Secondary reporting format – geographical segments

The Group's two business segments operate in four main geographical segments, even though they are managed on a worldwide basis.

	2014 £'000	2013 £'000
Geographical segment – Revenue		
United Kingdom	26,861	26,477
Rest of Europe	10,056	8,956
North America	3,683	3,813
Rest of the World	3,918	3,911
	44,518	43,157

The total assets of the business are allocated as follows:

United Kingdom £42,827,000 (2013: £40,751,000), Rest of Europe £46,000 (2013: £70,000), North America £651,000 (2013: £489,000), Rest of the World £nil (2013: £nil).

Capital expenditure was made as follows:

United Kingdom £1,989,000 (2013: £1,499,000).



5 Expenses by nature

	2014 £'000	2013 £'000
Changes in inventories of finished goods and work in progress	493	1,119
Raw materials used	3,329	2,872
Purchase of goods for resale	5,986	6,918
Employee benefit expense (note 7)	16,518	15,844
Other external charges	12,301	11,397
Depreciation and amortisation charges	1,627	1,596
Loss on disposal of property, plant and equipment	10	11
Foreign exchange losses	5	29
Total cost of sales, distribution costs and administrative expenses	40,269	39,786

6 Average number of people employed

The average monthly number of persons (including Executive Directors) employed by the Group during the year was:

	2014 Number	2013 Number
By activity		
Production and warehousing	348	339
Sales and administration	191	196
	539	535

The Company had no employees (2013: none).

7 Employee benefit expense

	2014 £'000	2013 £'000
Staff costs (for the employees shown in note 6)		
Wages and salaries	14,305	13,918
Social security costs	1,327	1,194
Defined contribution pension cost (see note 23)	526	475
Other pension costs (see note 23)	167	182
Share options granted to directors and employees (see note 24)	193	75
	16,518	15,844

Directors' emoluments

The statutory disclosures for Directors' emoluments, being the aggregate emoluments, the aggregate amount of gains made by Directors on the exercise of share options and the amount of money receivable by Directors under long term incentive plans in respect of qualifying services have been included within the Remuneration Report. In addition statutory disclosures in respect of the number of Directors to whom retirement benefits are accruing is disclosed.

Company

The Company did not make any payments to employees (2013: nil).



8 Finance income and costs

	2014 £'000	2013 £'000
Interest income on cash and cash equivalents	76	92
Finance income	76	92
Interest on defined benefit schemes (note 23)	(119)	(197)
Other interest	(5)	(12)
Finance costs	(124)	(209)
Net finance cost	(48)	(117)

9 Auditors' remuneration

During the year the Group obtained the following services from the Company's auditor:

	2014 £'000	2013 £'000
Fees payable to the Company's auditor for the audit of the Company and consolidated financial statements (Company £3,000, 2013: £2,000)	7	7
Additional fees payable to the Company's auditor for other services:		
The audit of the Company's subsidiaries	73	67
Other services	2	–
Total fees payable to the Group's auditors	82	74

10 Income tax expense

	2014 £'000	2013 £'000
Group		
Current tax – current year	935	689
– adjustment in respect of prior periods	(113)	(94)
	822	595
Deferred tax (note 22)		
Reversal of temporary differences	79	14
Income tax expense	901	609

The Finance Act 2013 was substantively enacted on 17 July 2013 and includes legislation to reduce the main rate of Corporation Tax from 21 to 20% from 1 April 2015. Deferred tax balances have been re-measured accordingly.

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profit of the consolidated entities as follows:

	2014 £'000	2013 £'000
Profit before income tax	4,317	3,370
Tax calculated at domestic tax rates applicable to profits in the respective countries	928	783
Expenses not deductible for tax purposes	16	13
Adjustment in respect of prior periods	(113)	(94)
Change in tax rate	–	(149)
Treatment of tax on share of profit of associate company	(24)	35
Other	94	21
Tax charge	901	609

The weighted average applicable tax rate was 21.5% (2013: 23.25%).

During the year a credit of £463,000 (2013: charge of £349,000) in relation to deferred tax arising from actuarial gains and losses on the Group's defined benefit pension obligation and a credit of £nil (2013: £37,000) in relation to the reversal of deferred taxation on the revaluation of land and buildings were adjusted directly within equity.



11 Earnings per ordinary share

The basic earnings per ordinary share is based on the profit after income tax and on 10,934,908 (2013: 10,939,808) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

	2014	2013
	Pence per share	Pence per share
Basic earnings per share (Based on earnings £3,416,000 (2013: £2,761,000))	31.2	25.2

Diluted earnings per ordinary share is based on the profit after income tax and on 11,105,668 (2013: 11,076,099) ordinary shares, being the weighted average number of ordinary shares in issue during the year of 10,934,908 (2013: 10,939,808) increased by 170,760 (2013: 136,291) shares, being the weighted average number of ordinary shares which would have been issued if the outstanding options to acquire shares in the Group had been exercised at the average share price during the year.

	2014	2013
	Pence per share	Pence per share
Diluted basic earnings per share (Based on earnings £3,416,000 (2013: £2,761,000))	30.8	24.9

12 Dividends

The dividends paid in the year were as follows:

	2014	2013
	£'000	£'000
Ordinary		
Final dividend 2013 9.7p (Final dividend 2012: 9.4p) per 10p ordinary share	1,062	1,027
Interim 2014 5.1p per 10p ordinary share paid (Interim 2013: 4.9p)	557	537
	1,619	1,564

The Directors now recommend payment of the following dividend:

Ordinary dividend:

Final dividend 2014 11.0p (2013: 9.7p) per 10p ordinary share

1,200	1,062
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Dividends on treasury shares held by the Company are waived.



13 Property, plant and equipment

The Company has no property, plant and equipment (2013: none). Details of those relating to the Group are as follows:

Group	Freehold land and buildings £'000	Plant £'000	Motor vehicles £'000	Fixtures and fittings £'000	Total £'000
At 1 January 2013					
Cost	12,445	17,997	861	2,656	33,959
Accumulated depreciation	(2,111)	(14,897)	(347)	(2,442)	(19,797)
Net book amount	10,334	3,100	514	214	14,162
Year ended 31 December 2013					
Opening net book amount	10,334	3,100	514	214	14,162
Additions	9	794	252	82	1,137
Disposals	–	(51)	(61)	–	(112)
Transfers	(58)	58	–	–	–
Depreciation charge	(193)	(1,030)	(161)	(136)	(1,520)
Closing net book amount	10,092	2,871	544	160	13,667
At 31 December 2013					
Cost	12,395	18,754	924	2,738	34,811
Accumulated depreciation	(2,303)	(15,883)	(380)	(2,578)	(21,144)
Net book amount	10,092	2,871	544	160	13,667
Year ended 31 December 2014					
Opening net book amount	10,092	2,871	544	160	13,667
Additions	340	1,354	186	75	1,955
Disposals	–	–	(67)	–	(67)
Reclassification – Intangible assets	–	–	–	301	301
Depreciation charge	(251)	(1,022)	(149)	(176)	(1,598)
Closing net book amount	10,181	3,203	514	360	14,258
At 31 December 2014					
Cost	12,734	19,669	907	2,641	35,951
Accumulated depreciation	(2,553)	(16,466)	(393)	(2,281)	(21,693)
Net book amount	10,181	3,203	514	360	14,258



14 Intangible assets

The Company has no intangible assets (2013: none). Details of these relating to the Group are as follows:

	Computer software £'000
Group	
At 1 January 2013	
Cost	901
Accumulated amortisation	(828)
Net book amount	<u>73</u>
Year ended 31 December 2013	
Opening net book amount	73
Additions	362
Amortisation charge	(76)
Closing net book amount	<u>359</u>
At 31 December 2013	
Cost	1,263
Accumulated amortisation	(904)
Net book amount	<u>359</u>
Year ended 31 December 2014	
Opening net book amount	359
Additions	34
Reclassification – Property, plant and equipment	(301)
Amortisation charge	(29)
Closing net book amount	<u>63</u>
At 31 December 2014	
Cost	842
Accumulated amortisation	(779)
Net book amount	<u>63</u>

During the year certain information technology assets were reclassified as property, plant and equipment.



15 Investment in associate

	Group		Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Cost				
At 1 January	1,408	1,277	355	355
Share of profit	116	131	–	–
At 31 December	1,524	1,408	355	355
Impairment				
At 1 January	428	413	–	–
Impairment of investment in associate	–	15	–	–
At 31 December	428	428	–	–
Net book value				
Closing net book amount	1,096	980	355	355

The investment in associate represents a holding of 34.4% of the issued £1 ordinary shares of Furlong Mills Limited, a company registered in England, whose principal activity is that of a potter's miller.

	2014 £'000	2013 £'000
Share of associate's assets	2,053	1,805
Share of associate's liabilities	(480)	(348)
Share of associate's net assets	1,573	1,457

The total revenue of Furlong Mills Limited for its year ended 31 December 2014 was £7,857,000 (2013: £7,040,000) and profit before tax was £878,000 (2013: £652,000). During the year the Group purchased raw materials to a value of £2,327,000 (2013: £2,007,000) from Furlong Mills Limited. Amounts owed to Furlong Mills Limited at 31 December 2014 were £141,000 (2013: £115,000) (see note 21).

The difference between the carrying value of the Group's interest in associate and the share of associate's net assets represents an impairment charged in the Group's accounts and adjustments in relation to accounting policies. This impairment reflects the Board's view of the recoverable amount of the investment calculated using a discounted cash flow model. Expected cash flows from the investment have been discounted at a rate of 6.2% (2013: 5.6%).

In the Group's consolidated financial statements the investment is accounted for on the equity basis. Within the Company's accounts the investment is shown at historic cost.



16 Investment in subsidiaries

Company

	2014 £'000	2013 £'000
Cost or valuation		
At 1 January and 31 December	<u>2,627</u>	<u>2,627</u>
Impairment		
At 1 January and 31 December	<u>432</u>	<u>432</u>
Net book value		
At 31 December	<u>2,195</u>	<u>2,195</u>

Interests in Group undertakings

Interests in Group undertakings comprise the cost of investments in subsidiary undertakings. The principal operating subsidiaries of the Group are as follows:

Name of company	Country of incorporation	Description of shares held	Proportion of nominal value of issued shares held	Principal activity
Churchill China (UK) Limited	England and Wales	Ordinary	100%	Manufacture and sale of ceramic and related products
Churchill Ceramics (UK) Limited	England and Wales	Ordinary	100%	Provision of management and property services within the Group
James Broadhurst & Sons Limited	England and Wales	Ordinary	100%	Provision of management and property services within the Group
Churchill China, Inc	USA	Ordinary	100%	Sale of ceramic and related products

Certain dormant companies within the Group are not included in the above analysis. The Directors believe the carrying value of subsidiaries is supported by their underlying net asset values.



17 Available for sale financial assets

	Group	Company
	Available for sale financial assets £'000	Other investments £'000
Fair value / Cost		
At 1 January and 31 December 2014	–	43
Impairment		
At 1 January and 31 December 2014	–	43
Fair value / Net book value		
At 1 January and 31 December 2014	–	–

The above represents 35.9% (2013: 35.9%) of the issued ordinary share capital of Shraff Management Limited, a company registered in England and Wales. The Directors do not consider that the investment in Shraff Management Limited should be accounted for as an associate as Churchill China plc is not in a position to and does not exercise significant influence over Shraff Management Limited, taking into account other large third party shareholdings.

18 Inventories

The Company has no inventory (2013: none). Details of inventory relating to the Group are as follows:

	2014 £'000	2013 £'000
Raw materials	55	57
Work in progress	495	506
Finished goods	7,724	8,206
	8,274	8,769

The Directors do not consider there is a material difference between the carrying value and replacement cost of inventories. The potential impact of changes in the net realisable value of inventories is shown in note 3.

The cost of inventories recognised as an expense and included in the income statements amounted to £24,476,000 (2013: £24,412,000).



19 Trade and other receivables

	Group		Company	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Trade receivables	8,282	8,750	–	–
Less: provision for impairment of trade receivables	(385)	(487)	–	–
Trade receivables – net	7,897	8,263	–	–
Prepayments	358	308	–	–
Receivables from related parties (note 29)	–	–	5,310	5,474
	8,255	8,571	5,310	5,474
Less non-current portion: loans to related parties	–	–	5,136	5,310
Current portion	8,255	8,571	174	164

All non current receivables are due within five years from the balance sheet date.

The Group operates a credit risk management policy. Risk attached to the receipt of UK trade receivables is largely controlled through the assessment of the credit quality of each customer, taking into account its financial position, past experience and third party credit information. Risks attaching to export trade receivables are controlled through the use of export credit insurance and confirmed letters of credit. Where these cannot be obtained the credit control department assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

Trade receivables that are less than three months past due and not covered by insurance arrangements are not considered impaired unless there is specific evidence to the contrary.

As of 31 December 2014, trade receivables of £6,313,000 (2013: £7,404,000) were fully performing.

As of 31 December 2014, trade receivables of £531,000 (2013: £758,000) were past due but not impaired. The ageing of these receivables is as follows:

	2014	2013
	£'000	£'000
Up to 3 months	522	727
3 to 6 months	5	28
Over 6 months	4	3
	531	758

As of 31 December 2014 trade receivables with a gross value of £1,438,000 (2013: £571,000) were impaired and provided for. The amount of provision for 31 December 2014 was £385,000 (2013: £487,000). The individually impaired receivables relate to customers which are in unexpectedly difficult economic conditions. It was assessed that a portion of the receivables is expected to be recovered. The ageing of these receivables is as follows:

	2014	2013
	£'000	£'000
Up to 3 months	1,435	548
3 to 6 months	–	8
Over 6 months	3	15
	1,438	571

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



19 Trade and other receivables (continued)

Movements on the Group provision for impairment of trade receivables are as follows:

	2014 £'000	2013 £'000
At 1 January	487	427
Provision for receivables impairment	(87)	104
Written off during the year	(15)	(44)
At 31 December	385	487

The creation and release of provision for impaired receivables has been included in 'other external charges' in the income statement (note 5). Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

Other receivables within trade and other receivables also include impaired assets. The recoverability of certain loans receivable to a total value of £7,000 (2013: £7,000) has been reviewed and an impairment provision of £7,000 (2013: £7,000) established. The charge associated with the creation of this provision has been included in 'other external charges' in the income statement (note 5).

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2014 £'000	2013 £'000
Pounds	6,276	7,088
Euros	1,188	1,001
US dollars	791	482
	8,255	8,571

During the year the Group realised losses of £14,000 (2013: £29,000) on settled forward option contracts that have been recognised in the Income Statement and as at 31 December held forward exchange contracts for the sale of Euro of £793,000 (2013: £588,000) and the sale of US dollars of £248,000 (2013: £nil). These contracts are held at their fair value with a gain of £8,000 (2013: gain of £5,000) recognised in relation to the contracts outstanding at the year end.

Company

As of 31 December 2014, Company receivables of £nil (2013: £nil) were fully performing. Amounts receivable are repayable in accordance with agreed terms. No interest is chargeable.

Other receivables of £nil (2013: £nil) gross were impaired and provided for. The amount of this provision at 31 December 2014 was £nil (2013: £nil). Interest is chargeable on these receivables.

The carrying amounts of the Company's receivables are denominated in the following currencies:

	2014 £'000	2013 £'000
Pounds	5,245	5,419
US dollars	65	55
	5,310	5,474



20 Other financial assets

	Group		Company	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Other receivables	<u>1,500</u>	<u>1,000</u>	<u>–</u>	<u>–</u>

Other receivables represent term deposits made with banks not classed as cash and cash equivalents with maturities of less than one year as at the balance sheet date. The deposits are not impaired.

21 Trade and other payables

	Group		Company	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Trade payables	2,174	2,379	–	–
Amounts due to related parties	141	115	13	13
Social security and other taxes	1,361	1,218	92	14
Accrued expenses	5,000	4,586	1	1
	<u>8,676</u>	<u>8,298</u>	<u>106</u>	<u>28</u>

All the above liabilities mature within twelve months from 31 December 2014.

22 Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

Group	2014 £'000	2013 £'000
Deferred tax assets:		
– Deferred tax asset to be recovered after more than 12 months	1,078	609
– Deferred tax asset to be recovered within 12 months	39	156
	<u>1,117</u>	<u>765</u>
Deferred tax liabilities:		
– Deferred tax liabilities to be recovered after more than 12 months	(1,028)	(1,063)
– Deferred tax liabilities to be recovered within 12 months	(42)	(39)
	<u>(1,070)</u>	<u>(1,102)</u>
Deferred tax asset / (liability) (net)	<u>47</u>	<u>(337)</u>

The net movement on the deferred income tax account is as follows:

	2014 £'000	2013 £'000
At 1 January	(337)	(11)
Income statement charge (note 10)	(79)	(14)
Tax credits relating to components of comprehensive income	–	37
Tax credited / (charged) directly to equity (note 27)	463	(349)
At 31 December	<u>47</u>	<u>(337)</u>



22 Deferred income tax (continued)

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Accelerated tax depreciation £'000	Land and buildings revaluation £'000	Total £'000
Deferred tax liabilities			
At 1 January 2013	1,019	277	1,296
Credited to the income statement	(155)	(2)	(157)
Credited to other comprehensive income	–	(37)	(37)
At 31 December 2013	864	238	1,102
Credited to the income statement	(30)	(2)	(32)
At 31 December 2014	834	236	1,070

	Accelerated tax depreciation £'000	Retirement benefit obligation £'000	Other £'000	Total £'000
At 1 January 2013	(107)	(1,162)	(16)	(1,285)
(Credited) / charged to the income statement	(22)	230	(37)	171
Charged directly to equity	–	349	–	349
At 31 December 2013	(129)	(583)	(53)	(765)
Charged / (credited) to the income statement	20	111	(20)	111
Credited directly to equity	–	(463)	–	(463)
At 31 December 2014	(109)	(935)	(73)	(1,117)

The deferred income tax (credited to) / charged to equity during the past year is as follows:

	2014 £'000	2013 £'000
Fair value reserves in shareholders' equity:		
Tax on re-measurement of defined pension benefits	(463)	349

Deferred income tax of £2,000 (2013: £2,000) was transferred from other reserves (note 26) to retained earnings (note 27). This represents deferred tax on the difference between the actual depreciation on buildings and the equivalent depreciation based on the historical cost of buildings.

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group has not recognised deferred income tax assets of £1,079,000 (2013: £1,079,000) in respect of capital losses amounting to £5,395,000 (2013: £5,395,000) that can be carried forward against future capital gains.

Company

Deferred tax assets of £61,000 (2013: £8,000) are recognised relating to short term timing differences.



23 Retirement benefit obligations

	2014 £'000	2013 £'000
Balance sheet obligations		
Pension benefits	<u>4,674</u>	<u>2,914</u>
Income statement charge		
Pension benefits	693	657
Finance costs	<u>119</u>	<u>197</u>

The Group operates three principal pension schemes; a funded pension scheme, the Churchill Group Retirement Benefit Scheme, providing benefits based on final pensionable salary which was closed to new entrants in 1999 and to which the accrual of future benefits ceased on 31 March 2006, the Churchill China 1999 Pension Scheme and the Churchill China 2006 Group Personal Pension Plan. Both of the latter schemes are defined contribution schemes providing benefits based on contributions paid.

The assets of the schemes are held separately from those of the Group. The total pension cost for the Group was £693,000 (2013: £657,000). Of this cost £nil (2013: £nil), related to the Churchill Group Retirement Benefit Scheme, £249,000 (2013: £220,000) was in respect of the Churchill China 1999 Pension Scheme, £257,000 (2013: £251,000) was in respect of the Churchill China 2006 Group Personal Pension Scheme and £19,000 (2013: £4,000) was in respect of UK Auto Enrolment schemes. The balance of cost was incurred in respect of overseas and other pension arrangements. At the year end amounts due to pension funds in respect of Company contributions were £26,000 (2013: £23,000).

No contributions have been made to the Churchill Group Retirement Benefit Scheme in relation to current service since the date of cessation of the future accrual of benefits on 31 March 2006. Prior to that date the Group paid contributions to the Scheme at a rate of 13.6% of pensionable salary. In addition a contribution of £672,000 (2013: £1,344,000) was made in respect of the amortisation of past service liabilities. This payment represented an additional payment of £672,000 made in December 2014, accelerating the 2015 annual amortisation payment.

The forward funding rate of the Scheme was agreed with the Scheme Trustees and Actuary following the completion of the 31 May 2014 triennial actuarial valuation in January 2015. The Group expects to make payments of £715,000 per annum in respect of the amortisation of past service deficits. The next triennial actuarial valuation is scheduled for commencement at 31 May 2017. Future amortisation payments will be assessed following completion of that valuation.

The amounts recognised in the balance sheet are determined as follows:

	2014 £'000	2013 £'000
Present value of funded obligations	42,731	39,241
Fair value of plan assets	<u>(38,057)</u>	<u>(36,327)</u>
Liability in balance sheet	<u>4,674</u>	<u>2,914</u>

The movement in the present value of defined benefit obligation over the year is as follows:

	2014 £'000	2013 £'000
At 1 January	39,241	37,330
Interest cost	1,773	1,658
Experience (gains) / losses on liabilities	(395)	88
Re-measurements from change in demographic and financial assumptions	3,522	1,123
Benefits paid	<u>(1,410)</u>	<u>(958)</u>
At 31 December	<u>42,731</u>	<u>39,241</u>



23 Retirement benefit obligations (continued)

The movement in the fair value of plan assets over the year is as follows:

	2014 £'000	2013 £'000
At 1 January	36,327	32,276
Expected return on plan assets	1,654	1,461
Re-measurement of return on plan assets excluding amounts included in interest expense	814	2,204
Employer contributions	672	1,344
Benefits paid	(1,410)	(958)
At 31 December	38,057	36,327

Plan assets are comprised as follows:

	2014		2013	
	£'000		£'000	
Equity investment funds	20,506	54%	18,464	51%
Absolute return funds	5,778	15%	6,449	18%
Other investment funds	1,096	3%	1,402	4%
Debt investments	8,671	23%	8,441	23%
Cash and cash equivalents	2,006	5%	1,571	4%
	38,057		36,327	

The expected return on plan assets under IAS 19 (revised) is calculated at the same rate used to discount scheme liabilities

The amounts recognised in the income statement are as follows:

	2014 £'000	2013 £'000
Interest cost on defined benefit plans	119	197

The actual return on plan assets was a gain of £2,563,000 (2013: gain of £3,747,000).

	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
At 31 December					
Present value of funded obligations	42,731	39,241	37,330	33,058	34,898
Fair value of plan assets	(38,057)	(36,327)	(32,276)	(29,763)	(30,228)
Liability in balance sheet	4,674	2,914	5,054	3,295	4,670
Experience adjustments on scheme assets:					
Amount	814	2,204	1,323	(2,074)	1,813
Experience adjustments on scheme liabilities:					
Amount	395	(88)	(590)	403	835

Re-measurement gains and losses

Re-measurement losses of £2,313,000 (2013: gains of £993,000) gross of tax were recognised in the Statement of Other Comprehensive Income during the year. The cumulative amount of actuarial losses recognised in the Statement of Other Comprehensive Income is £12,279,000 (2013: £9,966,000).



23 Retirement benefit obligations (continued)

The principal actuarial assumptions used were as follows:

Pension benefits

	2014 per annum	2013 per annum
Discount rate	3.75%	4.6%
Inflation rate – RPI	3.1%	3.5%
– CPI	2.1%	2.6%
Rate of increase of pensions in payment	2.1%	2.6%
Rate of increase of deferred pensions	2.1%	2.6%

Assumptions regarding future mortality rates are set based on advice in accordance with S1PA actuarial tables and experience.

The average life expectancy in years of a pensioner retiring at age 65 at the balance sheet date is as follows:

	2014 Number	2013 Number
Male	21.0	20.5
Female	23.3	23.2

The average life expectancy in years of a pensioner retiring at age 65, 20 years after the balance sheet date, is as follows:

	2014 Number	2013 Number
Male	22.8	22.8
Female	25.2	25.4

Risks

Through its defined benefit pension plan, the Group is exposed to a number of risks, the most significant of which are detailed below:

Asset volatility

The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will create a deficit. The plan holds a significant proportion of equities, which are expected to outperform corporate bonds in the long-term while providing volatility and risk in the short-term. The debt investments represent investments in UK securities only.

The Group believes that due to the long-term nature of the plan liabilities and the strength of the supporting group, a level of continuing equity investment is an appropriate element of the group's long term strategy to manage the plans efficiently.

Changes in bond yields

A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.



23 Retirement benefit obligations (continued)

Inflation risk

The Groups pension obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect the plan against extreme inflation). The majority of the plan's assets are either unaffected by (fixed interest bonds) or loosely correlated with (equities) inflation, meaning that an increase in inflation will also increase the deficit.

Life expectancy

The plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities. This is particularly significant where inflationary increases result in higher sensitivity to changes in life expectancy.

Sensitivity

A sensitivity analysis has been carried out on the effect of varying certain assumptions within the calculation of retirement benefit obligations.

The effect of a 0.1% increase in the discount rate to 3.85% would be to reduce scheme liabilities by £762,000 (1.8%).

The effect of a 0.1% decrease in the discount rate to 3.65% would be to increase scheme liabilities by £781,000 (1.8%).

The effect of a 0.1% increase in RPI inflation to 3.2% and CPI inflation to 2.2% would increase scheme liabilities by £617,000 (1.4%).

The effect of a 0.1% decrease in RPI inflation to 3.4% and CPI inflation to 2.5% would reduce scheme liabilities by £604,000 (1.4%).

The effect of a 1 year increase to life expectancy would increase scheme liabilities by £1,232,000 (2.9%). The effect of a one year reduction in life expectancy would be to reduce scheme liabilities by £1,207,000 (2.8%).

The amount of net deficit on retirement benefit schemes is also dependant on the valuation and investment performance of scheme assets.

24 Issued share capital and premium

Group and Company

At 31 December 2014 and 31 December 2013

Number of shares '000s	Ordinary shares £'000	Share premium £'000
10,958	1,096	2,348

The total authorised number of ordinary shares is 14,300,000 (2013: 14,300,000) with a par value of 10p (2013: 10p) per share. All issued shares are fully paid.

Share option schemes

The Long Term Incentive Plan was introduced in May 2012. Options under this scheme are granted with a fixed exercise price at a discount to the market price of the share at the date of issue. Options vest after three years from the date of grant and expire ten years from the date of grant. Options granted will be exercisable on a pro rata basis based on performance against threshold, target and maximum performance levels. Performance targets are set at the date of each grant by the Remuneration Committee. Payment of the exercise price of options is received in cash. A charge to the Income Statement has been made to reflect the fair value of options granted. Options have been valued using the Black Scholes option pricing model. No market based performance conditions were used in the fair value calculations.



24 Issued share capital and premium (continued)

The fair value per option granted and the assumptions used in the calculation were as follows:

Long Term Incentive Plan

Grant date	1 May 2014	3 May 2013	21 June 2012
Share price at grant date	455p	345p	315p
Exercise price	10p	10p	10p
Number of employees	2	2	2
Shares under option	34,151	43,942	96,254
Vesting period (years)	3	3	3
Expected volatility	15%	15%	20%
Option life (years)	10	10	10
Expected life (years)	3	3	3
Risk free rate	1.4%	1.3%	1.6%
Expected dividends expressed as a dividend yield	3.5%	4.1%	4.9%
Fair value per option	360p	266p	236p

The following options exercisable over ordinary shares were outstanding at 31 December 2014:

Number of shares	2014	2013	Exercise price	Date from which exercisable	Expiry date
The Long Term Incentive Plan	96,254	96,254	10p	June 2015	June 2022
The Long Term Incentive Plan	43,942	43,942	10p	May 2016	May 2023
The Long Term Incentive Plan	34,151	–	10p	May 2017	May 2024
	174,347	140,196			

Expected volatility is based on historical volatility over the last three years. The expected life is the average expected period to exercise. The risk free rate of return is the yield on zero coupon UK government bonds of a term consistent with the assumed option life. A reconciliation of option movements for the year to 31 December 2014 is set out below.

	2014		2013	
	Number '000	Weighted average exercise price	Number '000	Weighted Average exercise price
Outstanding at 1 January	140,196	10.0p	132,254	63.9p
Granted	34,151	10.0p	43,942	10.0p
Exercised	–	–	(36,000)	208.0p
Outstanding at 31 December	174,347	10.0p	140,196	10.0p
Exercisable at 31 December	–	–	–	–



24 Issued share capital and premium (continued)

There were 34,151 share options granted during the year (2013: 43,942).

2014				2013			
Weighted average exercise price	Number '000	Weighted average remaining life (expected)	Weighted average remaining life (contractual)	Weighted average exercise price	Number '000	Weighted average remaining life (expected)	Weighted average remaining life (contractual)
0 – 50p	174,347	1.1	8.1	10p	140,196	1.8	8.8

The weighted average share price for options exercised in the period was nil (2013: 208.0p). The total charge during the year for employee share based payment plans was £193,000 (2013: £75,000) before tax, all of which related to equity settled share based payment transactions.

25 Treasury shares

Group and Company

As at 31 December 2013

Purchase of own shares

As at 31 December 2014

£'000

41

183

224

During the year the Group re-purchased 36,000 (2013: 15,000) 10p ordinary shares and re-issued nil (2013: 36,000) of these under employee share option schemes. The Group currently holds 48,000 (2013: 12,000) shares in Treasury.

26 Other reserves

Group

	Land and buildings revaluation £'000	Currency translation £'000	Share based payment £'000	Other reserves £'000	Total £'000
Balance at 1 January 2013	926	17	39	253	1,235
Depreciation transfer – gross	(12)	–	–	–	(12)
Depreciation transfer – tax	2	–	–	–	2
Change in deferred tax rate	37	–	–	–	37
Share based payment	–	–	75	–	75
Currency translation	–	(5)	–	–	(5)
Balance at 31 December 2013	953	12	114	253	1,332
Depreciation transfer – gross	(12)	–	–	–	(12)
Depreciation transfer – tax	2	–	–	–	2
Share based payment	–	–	193	–	193
Currency translation	–	17	–	–	17
Balance at 31 December 2014	943	29	307	253	1,532

The land and buildings revaluation reserve is the reserve created under UK GAAP where the land and buildings were revalued in 1992. On adoption of IFRS the Group took the exemption conferred by IFRS1 to treat this revalued amount as deemed cost on transition because it approximated to fair value at that time. The release between the revaluation reserve and retained earnings is the release to distributable reserves of the additional depreciation on revaluation.

Other than the revaluation reserve, there are no restrictions on the distribution of the reserves.

Company

Other reserves of £307,000 (2013: £114,000) represent provision for share based payment as shown in the above table.



27 Retained earnings

	Group £'000	Company £'000
At 1 January 2013	21,871	5,065
Profit for the year	2,761	1,432
Dividends paid in 2013	(1,564)	(1,564)
Depreciation transfer on land and buildings net of tax	10	–
Actuarial gains on retirement benefit obligations net of tax	644	–
Transfer from Treasury Shares (note 25)	(25)	(25)
At 31 December 2013	23,697	4,908
At 1 January 2014	23,697	4,908
Profit for the year	3,416	1,414
Dividends paid in 2014	(1,619)	(1,619)
Depreciation transfer on land and buildings net of tax	10	–
Actuarial losses on retirement benefit obligations net of tax	(1,850)	–
At 31 December 2014	23,654	4,703

28 Commitments

Capital commitments

Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	Group		Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Property, plant and equipment	807	734	–	–
Intangible assets: Computer software	4	–	–	–
	811	734	–	–

Operating lease commitments

The Group has financial commitments in respect of non cancellable operating leases for buildings and plant and machinery for which the payments extend over a number of years as follows:

	Group		Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Payments under operating leases charged against income during the year	64	64	–	–
Future aggregate minimum commitments under non-cancellable operating leases:				
No later than one year	64	63	–	–
Later than one year and no later than five years	102	162	–	–



29 Related party transactions

Details of related party transactions for the Group are shown in the Directors' Report, Remuneration Report and in the Notes to the financial statements appropriate to the type of transaction being dealt with.

There are a number of employees who have been classified as related parties. The total remuneration of these employees during the period was £160,000.

The Directors do not consider the Company to have an ultimate controlling party.

Company

Details of related party transactions involving the Company were as follows:

	2014 £'000	2013 £'000
Subsidiaries		
Management charge to Churchill China, Inc	6	6
Interest received from Churchill China (UK) Limited	4	3
Dividend received from Churchill China (UK) Limited	1,625	1,500
Loans repaid by Churchill China (UK) Limited	(173)	(161)
Loans outstanding (mainly from Churchill China (UK) Limited)	<u>5,310</u>	<u>5,474</u>

30 Financial instruments by category

The accounting policies for financial instruments have been applied to the line items in the accounts. All financial assets including cash and cash equivalents are classified as loans and receivables, with the exception of financial assets available for sale, in both 2014 and 2013, as disclosed in note 17.



Five Year Financial Record

	2010	2011	2012	2013	2014
	Restated*	Restated*	Restated*		
	£'000	£'000	£'000	£'000	£'000
Revenue	43,746	42,296	41,435	43,157	44,518
Operating profit	2,287	2,713	2,830	3,371	4,249
Share of results of associate net of impairment	162	(41)	18	116	116
Finance cost	(418)	(234)	(131)	(117)	(48)
Profit before taxation	2,031	2,438	2,717	3,370	4,317
Income tax expense	(504)	(530)	(571)	(609)	(901)
Profit after taxation	1,527	1,908	2,146	2,761	3,416
Dividends	1,529	1,530	1,529	1,564	1,619
Net assets employed	26,569	27,653	26,461	28,432	28,406
Ratios					
Operating margin	5.2%	6.4%	6.8%	7.8%	9.5%
Earnings before interest, tax, depreciation and amortisation (£'000)	3,817	4,672	4,422	4,967	5,876
Basic earnings per share (p)	14.0	17.5	19.6	25.2	31.2

* Historic figures have been re-stated to reflect the introduction of IAS 19 (revised) re post employment pension benefits during 2013.



Notice is hereby given that the Annual General Meeting of Churchill China plc will be held at No.1, Marlborough Way, Tunstall, Stoke-on-Trent on Wednesday 20 May 2015 at 12 noon for the following purposes:

Ordinary Business

To consider and, if thought fit, to pass the following resolutions which will be proposed as ordinary resolutions:

1. That the reports of the Directors and the Auditors and the Financial Statements for the year ended 31 December 2014 be received.
2. That a final dividend of 11.0p on each ordinary share be declared in respect of the year ended 31 December 2014.
3. That D M O'Connor be re-elected as a Director.
4. That A D Roper be re-elected as a Director.
5. That the Auditors, PricewaterhouseCoopers LLP, be re-appointed and that the Directors be authorised to fix their remuneration for the year ending 31 December 2015.
6. That the Annual Report on Remuneration for the year ended 31 December 2014 be approved.
7. That the Directors be and they are hereby authorised generally and unconditionally to exercise all the powers of the Company to allot relevant securities (as defined in section 551 of the Companies Act 2006 ("the Act")) up to a nominal amount of £364,900 to:
 - (a) ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and
 - (b) holders of other equity securities as required by the rights of those securities or as the Directors otherwise consider necessary,

and so that the Directors may impose any limits or restrictions and make arrangements which they consider necessary or appropriate to deal with any treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or laws of, any territory or any matter.

Unless previously renewed, varied or revoked, this power shall expire on 20 May 2020. During this period the Company may make an offer or agreement which would or might require equity securities to be allotted after this authority expires and the Directors may allot equity securities in pursuance of that offer or agreement notwithstanding that the authority has expired.

For the avoidance of doubt, the authority conferred by this resolution shall (if passed) revoke the authority conferred on the Directors by the resolution dated 16 May 2012.



Special Business

To consider and, if thought fit, to pass the following resolutions which will be proposed as special resolutions:

8. That:

(a) the Directors be and they are hereby empowered under Section 570 of the Act to allot equity securities (as defined in Section 560 of the Act) for cash under the authority conferred by resolution 7 or otherwise by the resolution dated 16 May 2012, as if Section 561 of the Act did not apply to such allotment, provided that this power shall be limited to:-

(i) the allotment of equity securities in connection with an offer of, or invitation to apply for, equity securities to:

(a) ordinary shareholders in proportion (as nearly as may be) to their existing holdings; and

(b) holders of other equity securities, if this is required by the rights of those securities, or, as the Directors otherwise consider necessary,

and so that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with any treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or laws of any territory or any matter; and

(ii) the allotment of equity securities (otherwise than as mentioned in sub-paragraph (a) of this resolution and/or in the case of any sale of treasury shares for cash), up to an aggregate nominal amount of £109,579.

Unless previously renewed, varied or revoked, this power shall expire at the conclusion of the next Annual General Meeting or 20 August 2016, whichever is the earlier, but during this period the Company may make an offer or agreement which would or might require equity securities to be allotted after this authority expires and the Directors may allot equity securities in pursuance of that offer or agreement notwithstanding that the authority has expired.

9. That the Directors be authorised generally and unconditionally for the purposes of Sections 693 and 701 of the Act to make market purchases (within the meaning of Section 693(4) of the Act) of ordinary shares of 10p each in the capital of the Company ("Ordinary Shares") on such terms and in such manner as the Directors of the Company may from time to time determine, provided that:

(i) the maximum aggregate number of Ordinary Shares hereby authorised to be purchased is 1,090,997;

(ii) the minimum price which may be paid for an Ordinary Share, exclusive of all expenses, shall be 10p;

(iii) the maximum price which may be paid for an Ordinary Share, exclusive of all expenses, cannot be more than an amount equal to the higher of:

(a) 5 per cent above the average of the middle market quotations for an Ordinary Share as derived from the Alternative Investment Market section of the London Stock Exchange Daily Official List for the five business days immediately preceding the date on which such Ordinary Share is purchased; and

(b) the price stipulated by Article 5(1) of Commission Regulation (EC) No 2273/2003 (the Buy-back and Stabilisation Regulation).

Unless previously renewed, varied or revoked, the authority hereby conferred shall expire at the conclusion of the Company's next Annual General Meeting and, the Company may prior to the expiry of the authority hereby conferred make a contract or contracts to purchase Ordinary Shares under such authority which will or may be executed wholly or partly after the expiry of such authority.



10. That a general meeting other than an Annual General Meeting may be called on not less than 14 clear days' notice.

By Order of the Board

D J S Taylor

Company Secretary

Dated 20 April 2015

Registered Office

No.1, Marlborough Way

Tunstall

Stoke-on-Trent

ST6 5NZ

Registered Number 02709505

The Directors of the Company consider that all the proposals to be considered at the Annual General Meeting are in the best interests of the Company and its members as a whole and are most likely to promote the success of the Company for the benefit of its members as a whole. The Directors unanimously recommend that you vote in favour of all the proposed resolutions.

NOTES

1. Members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting. A shareholder may appoint more than one proxy in relation to the AGM provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company. A form of proxy which may be used to make such appointment and give proxy instructions accompanies this notice. Instructions for use are shown on the form. If you do not have a form of proxy and believe that you should have one, or if you require additional forms, please contact our registrars, Equiniti, on 0871 384 2287. Calls to this number from a BT landline cost 8p per minute plus networks extras. If calling from overseas, please call +44 (0)121 415 7047. Lines are open 8.30am – 5pm, Monday – Friday. To appoint more than one proxy, you may photocopy the proxy form.
2. To be valid, any form of proxy or other instrument appointing a proxy must be received by post or (during normal business hours only) by hand at the offices of the Company's registrars, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, no later than 12 noon on 18 May 2015. If you return more than one proxy appointment, that received last by the Registrar before the latest time for the receipt of proxies will take precedence. You are advised to read the terms and conditions of use carefully.
3. The return of a completed form of proxy will not prevent a shareholder attending the AGM and voting in person if he/she wishes to do so.
4. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
5. Any person to whom this notice is sent who is a person nominated under Section 146 of the Act to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the AGM. If a Nominated Person has no such proxy appointment or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
6. The statement of the rights of shareholders in relation to the appointment of proxies in notes 1 and 2 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by shareholders of the Company.
7. To be entitled to attend and vote at the AGM (and for the purpose of the determination by the Company of the votes they may cast), shareholders must be registered in the Register of Members of the Company at 12 noon on 18 May 2015 (or, in the event of any adjournment, on the date which is two days before the time of the adjourned meeting). Changes to the Register after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting. There are no other procedures or requirements for entitled shareholders to comply with in order to attend and vote at the AGM. Voting at the meeting will be conducted by way of a show of hands, unless a poll is correctly called for.



8. As at 20 April 2015 (being the last practicable date prior to publication of this Notice), the Company's total issued equity share capital consists of 10,957,976 ordinary shares, carrying one vote each.
9. Under Section 527 of the Act, members meeting the threshold requirements set out in that Section have the right to require the Company to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditors' report and the conduct of the audit) that are to be laid before the AGM; or (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with Section 437 of the Act. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with Sections 527 or 528 of the Act. Where the Company is required to place a statement on a website under Section 527 of the Act, it must forward the statement to the Company's auditors not later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required under Section 527 of the Act to publish on a website.
10. Pursuant to Section 319A of the Act, the Company must cause to be answered at the AGM any question relating to the business being dealt with at the AGM which is put by a member attending the meeting, except in certain circumstances, including if it is undesirable in the interests of the Company or the good order of the meeting that the question be answered or if to do so would involve the disclosure of confidential information.
11. Except as provided above, members who wish to communicate with the Company in relation to the AGM should do so using the following means: (1) by writing to the Company Secretary at the Registered Office address; or (2) by writing to the Registrars, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA. No other methods of communication will be accepted. In particular, you may not use any electronic address provided either in this Notice or in any related documents for any purposes other than expressly stated.
12. A copy of this Notice, and other information required by Section 311A of the Act, can be found at www.churchill1795.com
13. Copies of the Directors' Service Contracts and the Non-executive Directors' letters of appointment will be available for inspection at the Company's Registered Office address on weekdays (Saturdays and public holidays excepted) during business hours from the date of this Notice until the conclusion of the AGM.

EXPLANATORY NOTES on the RESOLUTIONS

The notes on the following pages give an explanation of certain of the proposed resolutions.

1. Resolutions 3 and 4: in accordance with the Company's Articles of Association at every AGM the number of Directors nearest to, but not exceeding one-third must retire by rotation. D M O'Connor and A D Roper are retiring by rotation and resolutions 3 and 4 respectively seek approval for his re-election as a Director.

Biographical details for the Directors are set out on in the Directors' Report.

Each of the Directors has had a formal performance evaluation and the Board believes that each of them continues to be effective and demonstrates commitment to the role.
2. Resolution 6: this is a resolution to approve the Annual Report on Directors' Remuneration on pages 31 to 35. As an AIM listed company, the Company is not required to comply with all of the requirements in this respect under The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. The Company has chosen to disclose its Remuneration Policy on pages 27 to 30 although the Policy is not the subject matter of Resolution 6.
3. Resolution 7 is an ordinary resolution authorising the Directors at any time prior to 20 May 2020 to allot relevant securities up to an aggregate nominal value of 1/3 of the issued share capital (including shares held in treasury) of the Company as at 20 April 2015. The Directors have no present intention to exercise this authority which is designed to preserve flexibility.

The number of treasury shares held by the Company as at 20 April 2015 is 48,000 which represents 0.4% of the issued share capital as at that date.
4. Resolution 8: under Section 570 of the Act, when new shares are allotted or treasury shares are sold for cash, they must first be offered to existing shareholders pro rata to their holdings. This special resolution empowers the Directors to: (a) allot shares of the Company in connection with a rights issue, scrip dividend or other similar issue; and (b) otherwise allot shares of the Company, or sell treasury shares for cash, up to an aggregate nominal value of £109,579 (representing, in accordance with institutional investor guidelines, approximately 10% of the total issued equity share capital as at 20 April 2015) (being the last practicable date prior to the publication of this Notice) as if the pre-emption rights of Section 570 did not apply.

Except in relation to the Company's employee share schemes, the Directors have no immediate plans to make use of this power. In line with best practice, the Company confirms that it has issued 0.3% of its issued share capital (excluding shares held in treasury) on a non-pro rata basis over the last 3 years, and it confirms its intention to adhere to the provisions in the Pre-Emption Group Statement of Principles regarding cumulative usage of authorities of no more than 7.5 per cent of the issued ordinary share capital (excluding shares held in treasury) within a rolling 3 year period.

This power shall cease to have effect at the conclusion of the next AGM or on 14 August 2016, whichever is the earlier.
5. Resolution 9 renews the Directors' current authority to make limited market purchases of the Company's ordinary shares. The power is limited to a maximum aggregate number of 1,090,997 ordinary shares (representing approximately 10 per cent of the issued share capital excluding shares held in treasury as at 20 April 2015 (being the last practicable date prior to publication of this Notice) and details the minimum and maximum prices that can be paid, exclusive of expenses. Any purchases of ordinary shares would be made by means of market purchase through the London Stock Exchange.

The Directors undertake that the authority conferred by this resolution, if approved, will only be used if to do so would result in an increase in earnings per share and be in the best interests of shareholders generally.

Current legislation allows companies to hold shares acquired by way of market purchase in treasury, rather than having to cancel them. The Directors may use the authority to purchase shares and hold them in treasury (and subsequently sell or transfer them out of treasury as permitted in accordance with legislation) rather than cancel them, subject to institutional guidelines applicable at the time. Shares will only be purchased if to do so would result in an increase in earnings per share and is in the best interests of shareholders generally. The Board has previously indicated its intention to continue to return surplus cash to shareholders via on-market purchase of its own shares where it is not required to finance the organic expansion of the business, acquisitions and dividend payments.

The authority conferred by this resolution will expire at the conclusion of the next AGM.
6. Resolution 10 is required under the Shareholders' Rights Regulations in order to preserve the ability of the Company to call general meetings on 14 days' notice, with shareholders' approval. The approval will be effective until the Company's next Annual General Meeting when it is intended that a similar resolution will be proposed. The Company will also need to meet the requirements for electronic voting under the Regulations before it can call a general meeting on 14 days' notice.







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China plc

Churchill China plc

No.1 Marlborough Way, Tunstall, Stoke-on-Trent, ST6 5NZ, England

T: +44 (0) 1782 577566 www.churchill1795.com

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