CHURCHiLL

ANNUAL REPORT 2023

CHURCHiLL

Over 225 years of...
INNOVATION, PASSION & EXPERTISE

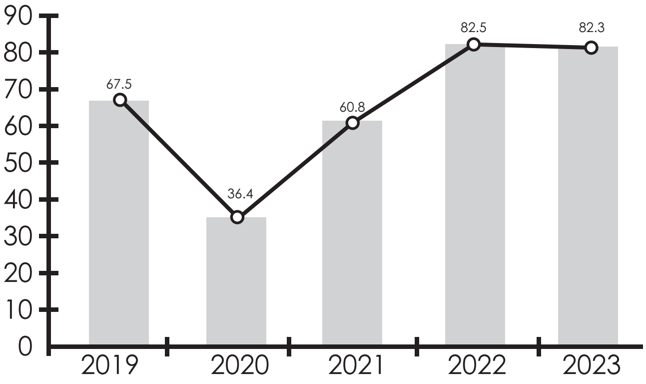
Within the hospitality sector, the choice of tableware must meet the highest standards for presentation, practicality and performance. Over 225 years of innovation, passion and expertise make Churchill the natural partner for providing tabletop solutions.

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.

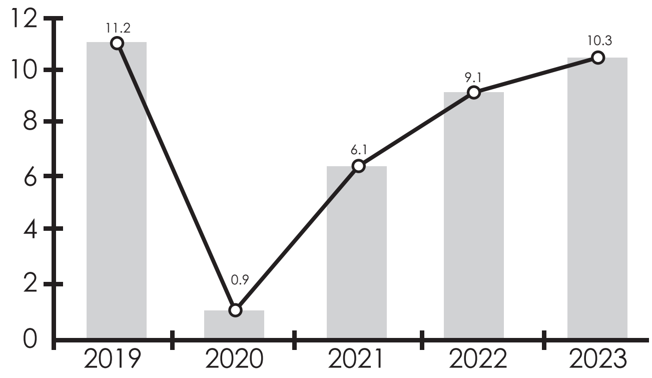
Contents

Five Year Performance

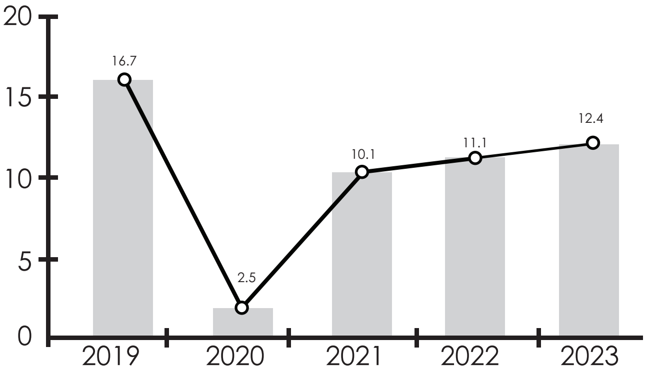
Revenue (£m) £82.3m ↓ £0.2m



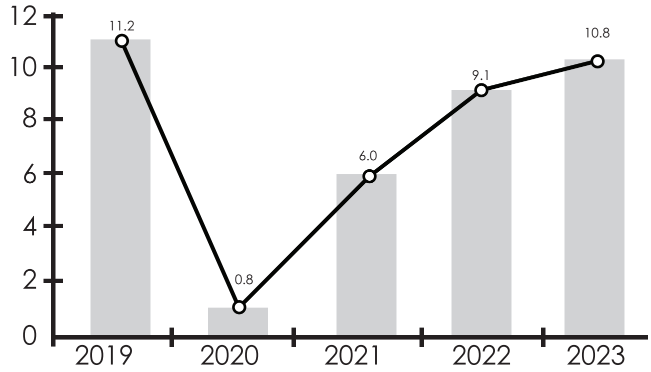
*Operating Profit (£m) £10.3m ↑ £1.2m



*Operating Margin (%) 12.4% ↑ 1.3%



*Profit before Income Tax (£m) £10.8m ↑ £1.7m



** Excluding exceptional items.*

Other Highlights

- Adjusted basic EPS* increased to 70.2p (2022: 66.9p)
- Cash generated from operations £8.3m (2022: £4.9m) – significant levels of capital expenditure, focused on improving productivity and yields.
- Total cash and financial assets of £13.9m (2022: £14.7m)

"The Company continues to deliver on its strategy of delivering a quality, differentiated product."

Financial Highlights

for the year ended 31 December 2023

	2023 £'000	2022 £'000
Revenue	**82,339**	82,528
Operating profit before exceptional items	**10,252**	9,142
Exceptional items	**-**	547
Operating profit	**10,252**	9,689
Net finance income / (cost)	**536**	(88)
Profit before exceptional items and income tax	**10,788**	9,054
Exceptional items	**-**	547
Profit before income tax	**10,788**	9,601
Dividends paid	**3,519**	3,062
Key ratios		
Operating margin before exceptional items	**12.4%**	11.1%
Earnings before interest, tax, depreciation, amortisation and exceptional items (£000)	**13,762**	12,125
Earnings before interest, tax, depreciation and amortisation (£000)	**13,762**	12,672
Adjusted basic earnings per share*	**70.2p**	66.9p
Basic earnings per share	**70.2p**	71.7p
Interim dividend per share paid	**11.0p**	10.5p
Final dividend per share proposed	**25.0p**	21.0p

Operating margin before exceptional items is calculated as operating profit before exceptional items as a percentage of revenue.

*Adjusted basic earnings per share are calculated after deduction of the post-tax effect of exceptional items.

Directors, Secretary and Advisers

Executive Directors
D M O'Connor
J A Roper
M Cunningham

Non-Executive Directors
R G W Williams (Chairman) +
B M Hynes * •+
J M Moore *•+
C J Stephens * •+
M K Payne* •+

Company Secretary and Registered Office
M T Sinclair ACA
No.1, Marlborough Way
Tunstall
Stoke-on-Trent
Staffordshire
ST6 5NZ

* **Member of the Audit Committee**
• **Member of the Remuneration Committee**
\+ **Member of the Nomination Committee**

Independent Auditors
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
One Chamberlain Square
Birmingham
B3 3AX

Solicitors
Addleshaw Goddard
One St Peter's Square
Manchester
M2 3DE

Stockbrokers and Advisers
Investec Bank plc
30 Gresham St
London
EC2V 7QP

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

Registrars
Equiniti
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6ZX

Chairman's Statement

"The Company continues to deliver on its strategy of delivering a quality, differentiated product and with a service level unmatched in the industry. All this whilst generating sustainable, growing returns for investors."

Operational and commercial performance

I am pleased to report that the Company made good progress in the year and delivered on the Board's profit expectations. This was despite tough macro-economic headwinds, which have significantly impacted the hospitality, consumer and retail sectors. Whilst profit before tax at £10.8m (2022: profit before tax and exceptional expenses £9.1m) has grown by an impressive 18.7%, this has been achieved despite broadly flat revenues compared with 2022. This impressive growth has come through strong operating margins, driven by a focus during the year on factory performance.

Our end customer, the hospitality market, has been undergoing major upheaval, with significant input cost increases in labour, energy and food, leading to a reduction in capital expenditure by the major pub and restaurant groups. This has impacted rollouts of new installations of tableware, but has also suppressed demand, particularly in H2 through closures of outlets, including some at the higher end.

Chairman's Statement

Our excellent performance in 2023 however highlights the Company's strength in its core markets and the importance of our unique business model which relies on repeat replenishment business driven by high levels of customer service, which includes very short delivery times. The Company has continued to further invest in this key strength of our business throughout the year by building stock, in most cases allowing same day dispatch.

We have continued to make progress in returning our manufacturing yields to approaching pre-pandemic levels and this has been a strong contributor to the operating margin improvement. We invested heavily in equipment for improved efficiency during the year and continuing this productivity journey remains the focus. We aim to continue improving our operations and advance towards our profitability targets during 2024.

Dividend

We are pleased to propose a final dividend of 25.0p per share, giving a total dividend of 36.0p per share for the year, a 14.3% increase on the 31.5p paid in relation to 2022. The final dividend will be payable on 17 June 2024 to shareholders on the register on 17 May 2024. The dividend is in line with our policy of growing returns to shareholders whilst ensuring that dividend payments are not risky or excessive, and reflects our ongoing confidence in the progress of the business.

Growing the future

The Company strategy has always been to deliver sustainable and steady growth in areas where we have a good market understanding and the opportunity to build scale through innovation and differentiation across our product range. The Company will continue its growth in export, particularly in Europe which has become our largest market and where we see significant opportunities for further sales expansion. We also selectively review other markets for growth opportunities.

We intend to continue our £4m-£5m per annum capital expenditure programme which is factory-focused on long term productivity and process improvement, as well as energy efficiency and product sustainability, placing the Company in the right place for the future.

Board changes

I joined the Board of Churchill China in 2022, and we announced our succession activities in the Annual Report last year. These included my assuming the role of Chairman at the 2023 AGM and also bidding farewell to David Taylor as CFO after over 30 years with the Company and to my predecessor Alan McWalter. We have also welcomed Martin Payne as Non-Executive Director, replacing Brendan Hynes who leaves the Board at the AGM after 10 years on the Board. Martin will become Senior Independent Director and Audit Committee Chair following this results announcement. We have also welcomed Michael Cunningham as our new CFO during 2023.

Employees

Our employees at all levels have shown great commitment and skill to achieve the results of 2023. We have needed considerable flexibility in our operations as we adjusted to the varying levels of demand in the year. We thank all employees for their dedication and continued loyalty to Churchill China.

Environmental, Social and Governance ('ESG')

Our approach to ESG has moved forward substantially over the year. The senior management focus outlined in last year's report has allowed the development of our broad strategy and the identification of short-, medium- and long-term actions supporting our continued progress. As a major energy user and large employer much of our work has focused on the Environment and Social pillars, but we have also made good progress in all our areas of focus.

In relation to our energy footprint, we have initiated a number of projects which have given us a much clearer idea of how we may move towards Net Zero over the longer term. These initiatives should deliver benefits that will deliver steady progress towards our sustainability objectives.

Outlook

We have delivered an improvement in operating profit and margins during the year despite flat revenues and strong headwinds particularly in our hospitality markets. Volumes were down year on year, driven by softer demand in the second half of 2023. We believe this trend will continue into the first half of 2024 and the first quarter of 2024 has seen demand as expected. We are confident that the continuous improvement in our product range and market position, backed up by our ongoing investment programme, has placed the Company in a strong position to take advantage of a market recovering from current weakness, which we expect to see in the second half of 2024.

Robin G.W. Williams
Chairman
9 April 2024

"We have delivered an improvement in operating profit and margins during the year."

Strategic Report

The Directors present their Strategic Report for the Group for the year ended 31 December 2023.

Principal activities

Churchill China is a UK based manufacturer of performance tableware primarily supplying into the hospitality sector. Utilising a high-performance vitreous body the Company leverages its technical advantages to deliver superb value in use and value for money to its end users.

In addition to the supply of tableware the Group supplies the majority of the UK pottery industry with materials for the manufacture of ceramics. The Group utilises its extensive technical abilities to supply high quality body materials, glaze and colour.

Business model

The Group supplies customers worldwide with a range of high-performance tabletop products primarily ceramic tableware. Most of these revenues come from our UK manufacturing facilities although we do supplement these with some outsourced products.

We focus primarily on the hospitality sector which generates most of our revenues. This focus is driven by the attractiveness of the sector, with revenues seen as long term, recurring and, whilst vulnerable to short term economic fluctuations, reasonably stable.

The market is highly fragmented and so our strategy of identifying strong, in-territory distributors to work with, allows us to deliver to a wide range of customers. From large chains through to small independent restaurants we are perfectly placed to offer innovative product and design to give a competitive, differentiated advantage to our customers.

The growth strategy for the Company is to focus on those areas currently underserved by our competitors with regards to customer service. Our ability to fulfil customer orders, in the vast majority of cases, in under 48 hours gives us a significant competitive advantage.

Culture and Values

As a Company with a long history, our values are well defined. Innovation, cooperation, uncompromising customer service, trust and honesty are the core values that drive our behaviours on a day-to-day basis.

Our decision making is based on taking decisions that are aligned with adding long term value to our shareholders, whilst being mindful of our responsibilities to our wider stakeholders.

The business culture is driven by the Executive leadership team and hinges on openness and giving our colleagues the space to develop and grow. While there are controls in place to protect the business, colleagues are given the space to make decisions without fear of failure. The average term of service of our staff is 11.1 years and we believe this highlights our ability to create a good working environment for our colleagues.

The Board believe that this approach allows our colleagues to become the leaders of the future by developing their skills and abilities.

Finally, the Company engages on multiple levels with our customers, engaging at an early stage of the design process to get the market view of proposed products, and delivering on our promise of "performance delivered".

Business environment

Hospitality markets across the world have performed below expectations in 2023. There have been well documented pressures on consumer spending during the year, driven by high inflation and consequently increased interest rate environment. Despite this our market position has continued to develop and our research suggests that we have continued to increase market share in a reduced overall market. The summer period, particularly in the UK, was a lacklustre trading period. Poor weather and the lack of specific cultural activities lead to a poor trading environment for the hospitality sector although a stronger Q4 did materialise.

Sales volumes during the year were down from 2022, however the price increases implemented in 2022 fed through to deliver broadly flat revenues for the year. The main weaknesses were in the UK and Rest of the World, with Europe remaining in line with expectations.

Our Materials business, Furlong Mills, which produces ceramic bodies from raw materials, has performed well in the year as both Churchill and the wider ceramics industry increased stocks.

We have held prices during the year after 2022's increases, utilising improvements in energy pricing and efficiencies to compensate for other input price inflation. Only a modest rise has been implemented in 2024 despite continuing input cost headwinds such as the £1.1m cost of increased National Living Wage increment.

During the year we delivered over 500 additional SKU's of new product, taking our product portfolio to over 3500 SKU's following 2 years of reduced development activity post COVID and our intention is to continue delivering more innovation, differentiation and growth in the coming year.

Promoting the success of the Company

It is the duty of the Directors under s172 of the Companies Act 2006 to promote the long-term success of the Company to the benefit of members as a whole and acting fairly with regard for the interests of other stakeholders in the business.

Other stakeholders include employees, customers, suppliers, our pension fund members, our local and the wider community, government, and other regulatory bodies.

Further information on these areas may be found in the Environmental, Social and Governance section on page 15 later in the Annual Report.

Churchill has been in existence since 1795 and always taken a long-term approach to business, particularly in relation to investment and in understanding the opportunities open to us and the risks to which we are exposed. To operate a successful and sustainable business model it is necessary to ensure that all the contributors to the success of the business understand their place within it and feel that the Company operates ethically and fairly in its dealings with them.

The Board has regard to the interests of all stakeholders in its discussions and reaches balanced decisions with the sustainability of the business uppermost in its considerations. Churchill maintains a financial model that is aligned with this objective such that capital allocation decisions, where possible, do not unfairly prioritise the interests of one group of stakeholders over others. The Board is aware of the need to support regular revenue and capital investment in the development of our business, and we orientate our operations accordingly.

We aim to deliver well designed, performance products and outstanding service at appropriate price levels to our customers. At the same time, we acknowledge that to meet these levels of customer service we are reliant upon good relationships with a well-motivated workforce and fair and balanced relationships with a range of suppliers. We understand that we have a responsibility to pay appropriate levels of taxation and to support the future pensions of our scheme members. We consider our dividend policy carefully in the light of the overall needs of the business and the interests of other stakeholders. Our policy is formulated to ensure that dividend payments are not excessive in relation to profits and do not introduce excessive levels of risk in relation to the sustainability of the business.

Churchill aims to manage its effect on our local community and the environment. We have engaged with the community on an ongoing basis through charitable and educational support. The business operates several initiatives aimed at minimising our waste products, recycling waste where possible and in the reduction of our energy usage and carbon footprint. We have made several investments and process changes to reduce our use of energy.

The business has regular contact with our workforce through both formal and informal mechanisms. The scale of our business and our open culture allows the Board and management to engage with our employees on a day-to-day basis and employees are encouraged to raise issues. We have a recognised trade union representing most of our weekly paid employees and we meet regularly with their representatives. However, we believe that other initiatives including on site briefings, communication boards and regular news updates provide the most important means of engaging with our workforce. We believe that our workforce is engaged and motivated.

"We have invested heavily in equipment for improved efficiency during the year."

Strategic Report

We meet with suppliers on a regular basis to provide information in relation to our forward plans and review performance. As in other elements of our business we enjoy long standing relationships with most of our suppliers. On average we pay suppliers within 35 days (2022: 35 days) of invoice. We believe our suppliers regard Churchill as a good customer.

The Board consults regularly with shareholders through formal meetings, company visits and informal discussions.

Voting on resolutions at the 2023 Annual General Meeting was largely positive with over 96% of votes cast being in favour of the resolutions put to the meeting. The Board reviews voting carefully after each Annual General Meeting.

Resources and relationships

Our key resources remain our employees and customers, our technical and business skills, our long heritage of manufacturing and willingness to embrace new methods to deliver an outstanding service.

One of the key elements of our sustainable market advantage is the success of our innovation process. We have developed this process to research and identify market trends and design new products to satisfy these trends.

Churchill, along with other UK manufacturers, has a significant technical advantage in the nature of the product we offer to our markets. Our product offers significant benefits in terms of durability and overall lifetime cost to users. This technical advantage has been developed over many years and we hold significant intellectual property in our materials and processes.

The Group operates from two sites 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 main manufacturing plant and logistics facilities have benefitted from significant and regular long-term investment to improve our business's efficiency and effectiveness. We also operate from several smaller locations and representative offices around the world.

Our employees also give us significant advantage. We believe we recruit, retain, and develop high quality individuals at all levels within the business who contribute towards the success and growth of the Company and maintain our core values. We have maintained our investment in training and development to provide more fulfilling roles for our staff and improve the effectiveness and productivity of our workforce. The recruitment difficulties and impact on efficiency experienced during 2022 demonstrates the effectiveness of our core employee base and we have continued to implement a number of initiatives to both develop and reward our colleagues to the benefit of both them and the business.

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 our commitment to high quality design and innovation.

Churchill has long enjoyed a market leading reputation for service. Our operational plans are geared towards meeting high levels of on time delivery both in the UK and overseas. We hold extensive inventories to meet these service requirements and have emphasised flexibility and responsiveness within our manufacturing process.

Strategy

The Group's objective is to generate long term benefits to all stakeholders in the business by the efficient provision of value to customers through excellence in design, quality and service.

We aim to increase value we provide to our stakeholders through steady increments to sales and margins, through alignment of our cost base with profit opportunities and a focus on cash generation.

Our long-term aim is to build our presence in markets offering sustainable levels of revenue and profitability. For several years this has led us towards development of our position in hospitality markets worldwide.

Innovation remains important to support our ambition to develop our business. We have invested significant resource in new staff and flexible technology to increase our capability in this area. 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 products that are 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 technical performance and in the systems which support the fulfilment of our contract with our customers. We invest to maintain the performance of our products and to extend our capabilities.

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 logistics 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.

Business model

Our business model is designed to allow us to identify markets where we may profitably grow our revenues on a sustainable long-term basis. We research customer product requirements and distribution structures in new markets and, if they offer profit opportunities, invest to generate revenue, margin and ultimately a return for the business and our stakeholders.

We continue to expect short to medium term growth to be weighted towards export markets and particularly Europe, where we have a developing distribution structure.

Our target remains to deliver progressive increases in the proportion of added value products within our business. We 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. We expect to continue to invest for the long term in our UK manufacturing facilities.

As a major energy user, we have recognised and acknowledged the importance to our future operations of reducing our energy consumption substantially. We have commenced a long-term process to develop several initiatives to meet forward energy targets. A number of these initiatives are underway. We are pleased with the potential impact from these actions but recognise that this is a long-term process requiring continuing focus.

As our business develops, we need different skills and a core part of our model is to train, develop and recruit staff to meet these requirements.

Performance

A more detailed report on our performance is contained in the Financial Statement on page 74.

Operationally the business has performed well, driving efficiencies into the production process, and improving underlying profitability. This has been tempered by the prevailing market conditions and macroeconomic headwinds.

Revenue levels have been maintained due to the actions taken by the Company, with a focus on yield and efficiency improvement, and gross margin levels have continued to improve as the business has resolved many of its staffing issues. During the year the Company's headcount of full-time employees increased, however this disguises the fact that the number of staff working in the factory, including agency staff, reduced by 136. This has enabled the Company to operate at better efficiency levels, particularly in the second half of the year.

The business has continued to make progress against its strategic targets with further market share growth in Europe, albeit on a slightly contracted market.

The main focus of the business in 2023 was to significantly improve the level of customer service and return to historic levels of delivery. To this end the Company increased stock to significantly higher levels and reduced order books back to levels not seen since 2019.

The Company also made significant progress in reversing the slowdown in new product development that occurred during the pandemic and subsequent period. 2023 saw the introduction of our largest product launch with over 500 SKU's launched.

This has continued our progress towards product differentiation within our product range and has been backed up by further expansion of our distribution network.

Whilst markets have been under pressure from rapidly increasing input costs the evidence still points to a bright future for the eating out market. End users are reporting strong sales levels, albeit on reduced margins, and are forecasting easing pressures on cost inflation.

Our Materials business, Furlong Mills, has performed well during the year with its revenue and profitability increasing as the UK ceramics industry recovered. Raw material cost rises have largely been recovered from customers. The business has also contributed strongly to the technical development of our Hospitality product.

Overall cash and deposit balances have reduced marginally over the year, due to the aforementioned stock build and our normal investment in capital expenditure, although we continue to enjoy a strong cash position. Working capital has increased as inventories grew, and we invested in additional stocks of raw materials. We have increased our capital expenditure programme supporting our long-term business plan.

The Group's defined benefit pension scheme position continued to improve during the year and the trustees have taken action to protect this position by hedging for inflation and interest rates. The Group has assessed the recoverability of the net asset arising from the scheme surplus and considers that, based on the Trust Deed and Scheme rules, the surplus would be recoverable on cessation of the scheme.

Environmental, Social and Governance (ESG)

Following the framework established in 2022 our ESG Committee, comprised of Executive Directors and Senior Management, have continued to develop our approach and further embed the ESG objectives and actions into our business planning. The ESG Committee and subcommittee working parties have continued to make good progress against the areas identified.

Strategic Report

The ESG Committee has been focusing on the identification of the longer-term pressures that will affect the business in both the medium term through to 2030 and trying to identify potential longer-term issues through to 2050. Whilst these timeframes naturally mean that there is a significant level of uncertainty in any issues identified, this strategy aligns with the Company's long-term approach to business.

We use a significant amount of energy in our processes, and this is an area of strategic focus of the business. Substantial progress has been made in identifying efficiency, recovery, and generation initiatives across our operations. We have researched proven and emerging technologies to assess how these can potentially combine to a path to Net Zero, whilst maintaining the performance characteristics of the technically differentiated and durable product that we manufacture. This process has included the initiation of a number of research projects in relation to our materials and processes, contribution to industry initiatives and use of specialist advice from suppliers and other experts.

The business employs over 700 people across two manufacturing sites who work predominantly in an industrial environment. Our Health and Safety procedures and systems have continued to manage what is an important area for the business. Of particular focus has been our Furlong Mills site which we acquired in 2019 and we are pleased that for the first time, after a significant effort to improve, we have had no accidents across the business at all levels.

Our Governance procedures have been subject to ongoing review and particularly in supporting the demonstrable independence of our Non-Executive Directors under the QCA Code. Whilst we do not believe there has been any significant risk to shareholders, we have acted to increase the number of independent Non-Executive Directors on our Board, making one appointment in February 2023 and a further appointment in January 2024. In addition, following the publishing of the new QCA code in late 2023, the Board have decided to early adopt one of the changes and begin placing all Directors up for annual election. We have continued to develop and implement the Board succession planning process and this will remain under constant review.

During 2023 the Board carried out an internal evaluation of its effectiveness. No significant issues were highlighted and again the Board will continue with this process.

The Company continues to operate a business model which is focused on long term sustainable success, delivering returns to all stakeholders. We will continue to develop and evolve our ESG agenda and over time, will translate our goals and objectives into a published reporting framework, with benchmarks, key performance indicators and our progress against them. The following tables identify and update our goals and actions to achieve them.

Energy and Carbon Reporting

As a business we have recognised the effect of our operations on the environment and the importance of managing and reducing this impact. We understand that we use significant amounts of energy as it is central to the manufacture of our product.

However, we are also clear that we make ceramic tableware that is highly durable and may be safely re-used many thousands of times.

Further details in relation to other aspects of our environmental performance may be found later in the Annual Report commencing on page 15.

We have a dedicated process aimed at reducing our use of energy. This process has several points of focus, and it is an important part of both our strategic planning and operational management.

The following information is produced in accordance with the Streamlined Energy and Carbon Reporting requirements.

Tonnes of CO_2	**2023 Base**	**2023 REGO**	2022 Base	2022 REGO
Scope 1 Direct	**13,496**	**13,496**	13,728	13,728
Scope 2 Indirect	**3,031**	**659**	3,012	632
Total	**16,527**	**14,155**	16,740	14,360
Intensity Metric: Scope 1 & 2 per metric tonne of raw material input	**0.57**	**0.49**	0.55	0.48
Total UK energy Consumption (MWh)	**88,930**	**88,930**	90,651	90,651

The Group's total use of energy grew by 27% as production levels increased, however as a result of the increases in volume the business has been able to operate at more energy efficient levels. In addition, we have seen some benefit from the progressive implementation of the energy initiatives introduced in the year to improve efficiency and extend generation.

Total energy consumed during 2023 contains 179,000 KwH of energy generated through solar arrays at our Marlborough site, to which no CO_2 emissions are attributable. We expect this level of generation to increase substantially during 2024.

The above information reflects data from the business' UK facilities and vehicles which represent substantially all the Group's operations.

* REGO (Renewable Energy Guarantees of Origin, or green tariff) data above adjusts CO_2 figures for the effect of the move of the Group's sites to the use of electricity from renewable sources with effect from October 2021 for the Sandyford site and October 2022 for the Furlong site.

Financial Review

Revenues during the year were broadly flat at £82.3m (2022: £82.5m). Revenues were held due to price increases which flowed through from 2022, however sales volumes were down by 12%. Volume reduction was seen across all markets with the Rest of the World, down 25%, and UK, down 17%. Pleasantly Europe continued to show a robust performance.

Revenue (£m)	**2023**	2022	Change
Ceramics	**74.2**	75.3	-1.5%
External Materials sales	**8.1**	7.2	12.5%
Total	**82.3**	82.5	-0.2%
UK	**34.0**	33.2	2.4%
Export	**48.3**	49.3	-2.0%
Total	**82.3**	82.5	-0.2%

As previously reported the gross margins in the Company have continued to improve during the period. Year on year the Company has significantly reduced its reliance on agency staffing in the factory, preferring to transition the best of these into the permanent cohort with the attendant improvements in productivity, efficiency, and production yields this delivers. As a result, overall staffing in the factory has reduced by 136 with the impact of this visible in the operating margin.

Profit before tax rose by £1.2m to £10.8m driven by this factory improvement and in addition yields have returned to pre-pandemic levels in areas of the factory, albeit with slightly more variability than previously observed.

Adjusted basic earnings per share before exceptional income was 70.2p (2022: 66.9p).

Reported profit after exceptional items but before income tax was £10.8m (2022: £9.6m).

Basic earnings per share, after exceptional items, was 70.2p (2022: 71.7p), this reduction in EPS was driven by higher corporation tax rates as well as timing differences on completion of capital expenditure during the year.

The Company has, unusually, had a year of cash outflow. This has been driven by significant capital expenditure of £5.3m (2022: £4.7m) which has been primarily focused on improving productivity and yields in the factory rather than increasing capacity. We also focused on increasing our stock holdings in our UK, European and North American fulfilment centres by £6.0m in order to increase customer service levels in market. Stock in Furlong Mills was decreased by £1.4m as we ran down supplies of a previously stockpiled material, this stock is now being run down to normal levels. A payment of dividends totalling £3.5m and pension contributions of £1.8m (2022: £1.8m) also contributed to the level of outflows.

Following the three-year actuarial valuation of the Company pension scheme, the fund is expected to show a surplus of assets over liabilities.

Dividend

We are pleased to propose a final dividend of 25.0p per share, giving a total dividend of 36.0p per share for the year, a 14% increase on the 31.5p paid in relation to 2022. This dividend will be payable on 17 June 2024 to shareholders on the register on 17 May 2024. The dividend is in line with our policy of growing returns to shareholders and reflects our ongoing confidence in the progress of the business.

Business

The business has performed well during the year, meeting its internal targets on yield improvements. This has brought the underlying performance of the business back towards pre-pandemic levels.

The first half of the year was framed by continuing issues around the previously communicated staffing issues, however these started to in ease in Q3 and by year end the Company had made significant inroads to the reduction of agency staff in the business.

Demand in Q3 was weak with both the UK and Europe showing low order volumes. Q4 did however follow the usual trends and significantly outperformed Q3, even if still at a lower level than 2022.

Ceramics

Hospitality sales were flat for the year, highlighting the difficult market that our customers are operating in. Profitability was however much improved as production levels enabled a build back to expected levels of stock. As a result, customer service levels have returned to pre-pandemic status, with over 90 % of orders completed within two days, including shipments fulfilled from our European and US distribution centres.

We continue with our growth strategy of targeting export markets where we have low existing market share, and which have the most opportunity for expansion. Despite a slowdown in Q3 the Company is confident that market share has been expanded in a tightening environment, leaving us perfectly placed to take advantage when volumes return.

The year saw a continuation of the price pressures that impacted profitability in 2022. An across the board pay award of 10% was applied in April to counter the inflation pressures affecting many of our colleagues. In addition, due to a risk-off strategy of hedging for 12 months forward, that the Company continues to apply, it was only in the second half of the year that the Company started to see a positive impact from reducing energy input costs.

Added value sales continued to be a major part of the Company's revenue, however whilst replacement sales have continued at previous levels the number of installations has decreased as customers have delayed investments due to interest rates and a marked focus on debt reduction within the bigger groups. Much of the preparatory work has been done on many of these projects and again the Company is confident of securing many of these once the economic environment improves.

Retail sales continue to be an area of minimal focus and amounted to 1.7% of sales (2022: 2.9%)

Materials

Furlong Mills continues to perform strongly with sales of £14.7m (2022: £13.5m) an increase of 8.8% over 2022. During the year the focus at Furlong has been the improvement of operations, particularly in the area of Health and Safety, which has been an area of focus since the acquisition. In the year the Company has had zero accidents showing a massive improvement from the pre-acquisition period.

Operations

As previously noted, 2023 has shown a marked improvement in production, with yields at key stages in our process returning to levels approaching. Production levels have been much improved on 2022 allowing significant increases in stock holding.

The numbers of temporary staff within the business has reduced steadily and the skills and capability of our core workforce has improved progressively as experience levels increase and our training programme delivers returns. Capital expenditure of £5.4m has primarily focussed on delivery of productivity projects, a long-term focus of the business going forward.

During the year the Company commissioned 4,500 solar panels, delivering circa 1 MW of energy. During August 2023 this project delivered all the energy for the site and delivered feed-in tariffs for a 5 day period.

The Company continues to take a risk off approach to energy hedging. The Company assessment is that with future energy prices already below forecasts and showing savings against 2023 the opportunity for upside is minimal whilst downside risk, given the current geopolitical situation, is significantly higher. We have therefore hedged at significant levels through to Q2 2025 to lock in this position.

Environmental, Social and Governance ('ESG')

ESG remains an important part of the culture of Churchill China. As a high energy use Company and one of the largest employers in the Stoke-on-Trent area we are aware of our responsibilities to the wider community and have made this a part of our DNA.

The Company's strategy is to, where possible, ensure that doing the right thing works for both ESG and for the bottom line. As a result, the Company's ESG strategy is focused on reducing the reliance on fossil fuels by using renewable sources of energy production along with new technology to reduce the actual usage of energy. These actions are only taken where there is a clear fit with the Company's investment strategy and where returns are clearly defined. During the year the Company finalised the installation of 4,000 solar panels at the factory which will deliver up to 25% of the site's electricity requirement during peak months.

Our approach to ESG has moved forward substantially over the year. The senior management focus outlined in last year's report has allowed the development of our broad strategy and the identification of short-, medium- and long-term actions supporting our forward progress. As a major energy user and large employer much of our work has focused on the Environment and Social pillars, but we have made progress in all areas of our focus.

In relation to our energy footprint, we have initiated a number of projects which have given us a much clearer idea of how we may move towards Net Zero over the longer term. These initiatives should deliver benefits that will deliver steady progress towards our sustainability objectives. Our approach is based on a combination of improved energy efficiency in the manufacture of our product and increased sustainable generation. Importantly we believe that significant improvements can be made through the reformulation of the materials we use and changes in our production processes to allow manufacture using substantially less energy input. We are working on a number of research and development projects in this area utilising our own technical staff, external experts and suppliers.

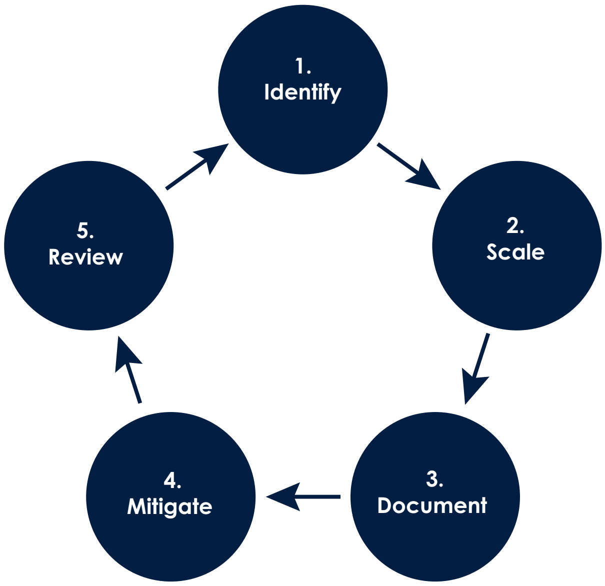
We have also implemented a number of initiatives in relation to our workforce and our engagement with our local community. We have always prioritised training and development of our workforce and we have continued to invest in this area. Future plans emphasise the improvement of our employee's working environment.

We believe that our Governance procedures remain appropriate for a business of our scale and structure but, in common with other areas of our business, they must follow a process of continuous improvement. A substantial amount of work has been carried out in relation to the development and implementation of a succession plan for the Board and senior management, a summary of this is set out on pages 16 and 17.

Strategic Report

Principal risks and uncertainties

The Group's operations are subject to a number of risks, which are formally reviewed by the Board in a regular and systematic manner. The risks are identified and assessed on the basis of the likelihood of occurrence and the severity of the impact on the Group's business model and strategy. The Group then implement processes and controls to appropriately manage and mitigate these risks. The principal business risks currently affecting the Group are set out below:



Risk	Risk Change	Risk Description
Market and Business Environment Change	=	The Group operates in dynamic markets where there have been significant recent changes to trading and 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 and respond to market trends and risks. 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. The Company also evaluates its pricing strategy on a regular basis to ensure that, whilst maximising returns, the Company does not impact its competitive position in the marketplace. The Company mitigates these pricing risks through detailed market mapping, competitor reviews and regular order level reviews.
People	=	Our business depends upon the skills and knowledge of a number of people at all levels within our operation and within supplier companies. Certain of these skills and experience may only be acquired through extensive training and experience and it is possible that they may not be available through the recruitment of new employees in the future. We aim to limit this risk through the establishment of appropriate manpower and succession planning, identifying training, development and recruitment needs. As a substantial employer and manufacturer we need to comply with extensive Health and Safety requirements. We limit the risks associated with Health and Safety through the application of appropriate systems, regular review at Board, management and operational levels, training and investment in risk mitigation.
Manufacturing and Supply Chain	=	Over 85% of our revenues are of products manufactured in our UK facilities. 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 part or all of our facilities for an extended period. Additionally we may be exposed to risk through the loss of a key supplier or material. This risk is controlled through our risk review process, management procedures, appropriate investment and ultimately insurance arrangements. 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. As a major user of energy within our production process we have an exposure to changes in availability and price of gas and electricity. Energy price hedging strategies may expose us to counterparty risk. Progressive legislation in relation to energy usage and carbon footprint reduction may also affect our operations. We have developed a forward energy strategy to reduce our overall carbon intensity in the medium term. We seek to control and mitigate this risk through management of our overall energy consumption, small scale investment in sustainable energy generation and energy recovery systems. We also assess the impact of new technologies in our manufacturing process. Where new developments have the potential to impact on either our commercial position or cost competitiveness we develop appropriate plans to respond to these changes.

Risk	Risk Change	Risk Description
Environmental Risk	↑	The rapidly changing regulatory environment creates a level of uncertainty and risk. At present there are expectations that there will be a level of equivalency between EU and UK legislation which should protect the Company within our largest market, however there is the potential for the introduction of levies to negatively impact the Company's ability to generate revenue. At present there remains little revenue risk to the business however the Company is assessing alternative solutions. We mitigate these risks, where controllable, through management review and action.
Manufacturing Capital Equipment	=	The Company has historically made excellent use of assets and has a purchasing and maintenance process that has ensured that much of the Company's capital equipment is well maintained and delivers value well past its expected life. This leaves the Company open to the risk of ageing capital equipment, reliant on single suppliers which may impact the production process. The Company mitigates this risk by allocating a significant portion of free cash flow to the continued purchase and replacement of key equipment and also by ensuring that the skills necessary for the maintenance of this equipment is brought in house to minimise reliance on external suppliers.
Cyber Security	=	Our business uses information technology to manage our operations and deliver value. We continue to take appropriate steps to secure our systems from failure or malicious action.

Strategic Report

Non-Financial and Sustainability Information Statement

The Company is required to make the recommended disclosures by sections 414CA and 414CB of the Companies Act. The Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022 amend these sections of the Companies Act 2006, placing requirements on the Group to incorporate Climate disclosures in the annual report.

Governance Framework

Audit Committee

Meets 3-4 times per year:

- Risk management process
- Internal controls
- Financial statements
- Selection of auditors

Churchill China plc Board

Meets 12 times per year to consider:

- Group Strategy
- Group risk register {including climate change risk)
- Stakeholder interests
- Approves budgets
- Major capital expenditure decisions
- Oversees ESG governance {due to size of Company this is a full Board function)

Inform

Remuneration Committee

Meets 3-4 times per year:

- Alignment of bonus/LTIP criteria with ESG goals and KPI's
- Analysis of remuneration packages to align with stakeholders aims

Nomination Committee

Meets 3-4 times per year:

- To ensure a broad range of skills and experience are available for ESG activities

Inform

Report

CEO and Executive Leadership Team

Overall responsibility for the Company's ESG strategy lies with the CEO. Responsibility for ESG reporting lies with the Company Secretary and the wider finance team. The operations Board meets 12 times per year and reviews the long-term risks and challenges to the business over a 5 and 25 year period, including climate risk and ESG strategy.

Inform

Report

Operations

Various meetings are held on a monthly basis covering energy management, employee engagement and retention and other stakeholder issues/ concerns. These issues are raised directly with the Executive team and are escalated through the regular Executive meetings and through the normal operational reporting lines.

Governance

Describe the Board's oversight of climate-related risks and opportunities

Whilst the CEO has day to day responsibilities for ESG and climate-related risks and opportunities the Board has final oversight. These risks are discussed at strategy meetings, held annually, and at monthly board meetings. Due to the size and composition of the board it was decided not to create a standalone ESG committee but rather to retain the oversight and monitoring of the Company's ESG performance within the full board.

The board receives reports from the executive leadership team regarding the general ESG landscape and specific issues that may impact the Company. The Company has developed a suite of KPIs for review at operational board level, on ESG performance and updates the board on these at regular intervals. These are being rolled out to Audit, Nomination and Remuneration Committees for inclusion in their duties.

Strategic Report

During 2023 the Company had several priorities which were addressed as follows:

Priorities for 2023	
As a major energy user the Company was focused on reducing its reliance on fossil fuels and researching future methods of production to reduce its reliance on, in particular, gas.	During the year the Company has delivered 4,500 solar panels which at peak times can supply circa 25% of the factory's electricity requirements. The Company has also started researching the use of electrical pre-heating for glaze lines, replacing the previous gas solution.
Development of the ESG framework within the Company, particularly focusing on climate-related risks and the development of internal reporting.	The Company has developed a dashboard for operational reporting of ESG issues and has started to collate data to be communicated.
Priorities for 2024	
To develop a 2030 ESG strategy and to closely monitor the effectiveness of the ESG governance framework.	The Board will ensure that the executive team deliver a clear ESG strategy for 2030 and will review on a regular basis the current governance framework, including reviewing the necessity for an ESG Committee.
To continue the analysis of different energy sources within the factory with a view to reducing the non-renewable requirements of the factory.	The Board will review the implementation of the electric pre-heat trial and identify other areas of the factory that might benefit from the use of renewable energy sources.
To continue the development of KPIs for inclusion in 2024's Annual Report.	The Board will direct the executive team to ensure robust reporting of the KPIs already identified and to review that these are adequate and appropriate.

Describe management's role in assessing and managing climate related risks and opportunities

The Chief Executive Officer has responsibility for managing climate related risks within the organisation. He is assisted in this by the Executive Leadership Team (ELT) and between them they implement the Group's climate strategy.

	Focus	Exec Sponsor	Responsibility
Addressing Climate Change	Carbon	Chief Executive Officer	Energy Steering Committee – operational, corporate and subject matter experts
	Water	Chief Executive Officer	Operations Director
	Non- Carbon Emissions	Chief Executive Officer	Technical Director
Future Manufacturing Materials	New Product Development	Sales & Marketing Director	Technical Director, Materials Operations Manager
Doing Business Responsibly (Governance)	NFSIS	CFO & Company Secretary	NFSIS group chaired by the CFO and attended by subject matter experts.

The table below highlights our plans for the coming year and how we plan to address them.

Priorities	Planned Actions
The Company will continue to develop it's 2030 ESG strategy through engagement at all levels of the organisation with a view to making climate related risk a core pillar of the Company's culture	To continue process already started at operational board level, of identifying the risks to the business from climate change and to identify initiatives to mitigate these risks.
Climate related risk analysis training	Deliver risk analysis training to key personnel on risk identification and mitigation.

Strategy

Describe the climate related risks and opportunities the organisation has identified over the short medium and long term

In order to assess the Company's strategy, we have considered the Representative Concentration Pathways (RCPs) as determined by the Intergovernmental Panel on Climate Change (IPCC). We have considered the Company's strategy in line with RCP 2.6 (2.0oC) and RCP 8.5 (4.3oC).

Scenario	Description
RCP2.6 (2.0oC)	The RCP2.6 scenario is the pathway that the IPCC believes is likely to limit global warming to sub 2.0°C. Under this pathway global CO_2 concentrations would be expected to remain constant in the early part of this century and then reduce, actually transitioning to negative by 2100.
RCP4.5 (2.4oC)	The RCP4.5 pathway is less optimistic, modelling a slowly declining level of CO_2 concentrations after a gradual increase in the first half of the century this would lead to a global increase in temperature of 2.4°C.
RCP8.5 (4.3oC)	This is the IPCC's worst-case scenario and would lead to a global increase of 4.3°C, equivalent to an 8.5 watt warming effect per square metre of earth surface across the planet.

We carried out a strategic review of risks and opportunities to the business with added focus on the impact of climate change both on physical outcomes for the Company but also through the lens of likely societal impacts. These risks and opportunities were classified under various groupings, Policy and Legal Risk, Technology Risk, Physical Risk, Reputational Risk, Continuity Risk, Business Opportunity. The operational board then carried out an exercise to scale the risks over the short term by assessing the Company's current risk / capability, an assessment of the Company's required capability in 2030 and the gap from current state. Finally, an assessment was made against what capability may be required in 2050 and how far from this capability the Company is.

This process allowed us to rank the options in order of material impact and probability. The Company will continue this journey by using internal and external stakeholders to further assess the options. These impact assessments will then be fed into the existing planning in order to assess their financial impact on the business particularly with respect to revenue and EBITDA of the Group. These financial assessments will be carried out under the assumptions of RCP2.6 and RCP8.5, giving a best- and worst-case scenario.

This assessment of the financial impact of our material risks and opportunities will constitute a large part of our climate related activities during the coming year. Currently no assumptions or estimates have been made regarding the financial impacts.

Summary of our material risks and opportunities

Category	Climate related risks and opportunities	Potential financial impacts	Potential Materiality	Strategic response and mitigation
Policy and Legal	**Risk:** As an intensive energy user there is a risk that should the regulatory environment change there may be an increase of costs in carbon allowances / lack of availability.	Increased costs	Short term: Low Med term: Med Long term: High	Focus on reduction of carbon emissions and increasing renewables as the grid allows
Policy and Legal	**Opportunity:** A change to the regulatory environment leading to a zero-waste manufacturing requirement.	Potential for increased revenue through material innovation and recycling.	Short term: Low Med term: Med Long term: Med	Research into recycling of materials and repurposing
Technology	**Risk:** Customers moving to a lower carbon solution	Lower demand and revenue.	Short term: Low Med term: Low Long term: Low	Continued investment in low carbon materials and processes
Technology	**Risk:** Lack of customer appetite to pay for low carbon solutions	Lower demand and revenue	Short term: Med Med term: Med Long term: Low	Continued focus on factory efficiency to counteract cost pressures
Technology	**Risk**: Lack of competitive solution to decarbonise the production process.	Unsustainable cost increases	Short term: Low Med term: Med Long term: Low	Continued research into low carbon manufacturing and materials
Technology	**Opportunity:** Materials research to deliver a lower embedded carbon product to meet market expectations and reduce input costs.	Increased EBITDA through reduction in costs	Short term: Medium term: Long term:	Opportunity to develop low embedded carbon materials
Physical Risk	**Risk:** Increased precipitation leading to potential flooding and damage to manufacturing facility.	Costs of repair and reduced production capacity	Short term: Low Med term: Low Long term: Low	Current facility is on elevated land with good drainage, any future facilities will be sourced with this in mind.
Reputational Risk	**Risk:** Inability to economically transition to lower carbon technologies leading to reputational damage.	Reduced revenue from lower demand	Short term: Med term: Long term:	Strategic focus on achieving the transition

Short term is classed as falling within our 2030 ESG strategy window, 2030-2040 as medium term and 2040-2050 as long term.

Strategic Report

Describe the actual and potential impacts on the organisation's business model and strategy of risks and opportunities

Transitional Risk Impacts

The Company expects that there will be a low impact in the short term on its business model and strategy but that this impact will increase in the medium to long term. The expectation is that, taking account of the current direction of travel, there will be increases in legislation and regulation and that this may be accompanied by customer preference for more sustainable products.

Physical Impacts

There is an expectation of an increase in extreme weather events worldwide. In the UK this is expected to manifest itself in the form of increased precipitation and temperature increases. The risk associated with increased precipitation is assessed as low given the siting of our current facility and risk to production will be a criterion in any future new facilities. The risk associated with increased temperature is considered low, however there remains a need to monitor the wellbeing of the workforce in what is already a warm environment.

Priorities for 2024	How we will meet these
Improve and refine our impact assessment, looking in more detail at the impacts of climate related risk with a specific focus on the physical risks.	All material risks will be reviewed and assessed during the year and will include a review of financial impact
The financial impact on the organisation's business plan will be refined and integrated into the planning cycle under the 3 IPCC pathways.	This planning improvement will dovetail with a planned upgrade to the Company's planning processes

Risk Management

Describe the Company's process for identifying and assessing climate related risk and opportunities

Climate change is a key risk for Churchill, the key process for identifying organisational risk is through cross-functional work groups as part of our annual review and update of our organisational risk registers.

Climate and ESG risks are separately identified and reviewed and given the same priority as other operational risks.

Priorities for 2024	How we will meet these
Further integrate the climate related and ESG risk identification process into the wider operational risk process.	By including the discussion of these risks within our cross-functional groups discussing Company risk.

Describe the organisation's processes for managing climate related risks and opportunities

Following identification of the risks each risk is assessed in line with its materiality and financial impact after considering existing controls. Each risk is then assigned an owner so that each one receives the appropriate level of attention within the organisation. Progress of these is then monitored on a regular basis.

Describe how processes for identifying, assessing and managing climate related risks and opportunities are integrated into the Company's overall risk management process

Operational risks are considered twice per year at operational board level and annually by the plc Board as part of the Risk Register review. Risk reviews are a top down and bottom up process.

Priorities for 2024	How we will meet these
Risk review processes to be further refined to deliver more detailed and refined climate related risks.	The organisation will consider the creation of a climate specific risk register and associated processes for the management of these risks.

Metrics and Targets

Disclose the metrics used by the organisation to assess climate related risks and opportunities in line with its strategy and risk management process

The Company currently uses the metrics contained in the Streamlined Energy and Carbon Reporting Disclosure (SECR) on pages 14 and 15 to assess its impact on climate related risks and opportunities.

As a major user of energy the Company also assesses the reduction in energy on a year-on-year basis to identify progress on ESG goals.

The Company publicly reports our Scope 1 and Scope 2 emissions and the carbon intensity per tonne of raw material consumed within our SECR on pages 14 and 15. These have been calculated in accordance with the Greenhouse Gas (GHG) reporting methodology. The risks associated with the Company's emissions are discussed on page 14 and 15 in our Material risks section and also within our Principal risks and uncertainties.

Describe the targets used by the Company to manage climate-related risks and opportunities and performance against targets

The Company has a number of metrics that it has identified to manage climate related risks:

	Metric	Target
Environment	Reduce Scope 1 & 2 GHG emissions	2024 – Identify target reduction level
		2024 – Full review of on-site energy generation
	Quantify Scope 3 GHG emissions	2025 – Measure Scope 3 emissions
	Water	2024 – Set Water reduction strategy

Expected Reporting Metrics

The following metrics are a work in progress and the Company is committed to developing its systems to allow for these to be presented:

	Measure	Target
GHG Emissions Scope 1 & 2	Reduction in tonnes of carbon	25% reduction in output by 2030
GHG Emissions Scope 3	Reduction in tonnes of carbon	Target to be set in 2025 when quantified
GHG Emissions Scopes 1, 2 & 3	Reduction in tonnes of carbon	100% reduction by 2050
Water usage	Reduction in litres of water used	10% reduction in mains water by 2030
Waste management	Reduction in tonnes sent to landfill	Zero waste to landfill by 2040

The Company expects to monitor and assess its performance in meeting these targets through the use of KPIs. These KPIs will be introduced at the start of 2025, once the base data is available for 2024 and will be set taking into account the current business operations and future Company strategy.

Strategic Report

Key performance indicators

Revenue and revenue growth

The absolute levels of revenue and revenue growth are reviewed regularly by business and geographic destination through the year against comparative, target and strategic expectations.

Revenue	**2023 £m**	2022 £m	Growth %
Group	**82.3**	82.5	-0.2%
Ceramics	**74.2**	75.3	-1.5%
Sale of external materials*	**8.1**	7.2	12.5%
UK	**34.0**	33.2	2.4%
Export	**48.3**	49.3	-2.0%

* Revenue from Materials is shown following the elimination of intra group trading as shown in Note 2 to the financial statements.

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

	2023 £m	2022 £m	Growth %
Operating profit before exceptional items	**10.3**	9.2	11.9%
Operating margin before exceptional items	**12.4%**	11.1%	
Profit before exceptional items and income tax	**10.8**	9.1	18.7%
Exceptional items	**-**	0.5	
Profit before income tax	**10.8**	9.6	12.5%

Group operating profit before exceptional items rose significantly to £10.3m (2022: £9.2m). As previously disclosed this improvement has come from significant improvements in yields and an improvement in energy pricing in H2, the resulting operating margin has therefore improved to 12.4% (2022: 11.1%).

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

Profit before corporation tax rose substantially reflecting increases in operating profit.

Exceptional items, where they are recognised, are reviewed as part of the regular assessment of profit performance.

Net assets at the year end were £10.1m (2022: £10.3m)

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.

	2023 £m	2022 £m	Growth %
Operating cash generation	**8.7**	4.9	77.6%
Percentage of operating profit before exceptional items	**84%**	53%	
Percentage of operating profit before exceptional items (3 year average)	**95%**	107%	

Operating cash generation was impacted by several factors, primarily the increase in inventory. Employer contribution payments in respect of pension deficit amortisation remained at £1.8m per annum (2022: £1.8m).

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.

	2023 £m	2022 £m
Inventory	**21.9**	15.9

Inventory holding levels increased. Stock volumes of finished goods to improve customer service levels increased in line with our operational plans. Inventory valuation was also affected by increased material and energy costs.

Future outlook

The business expects to recommence its growth journey in 2024 as consumer confidence and the wider economy return to more stable conditions. Whilst there is still some uncertainty in the expectations for the coming year, the Board are confident that the business is well positioned to take advantage of an upturn in the market. The business has retained quality staff and reduced reliance on agency employees, we have improved efficiencies and yields and continue this journey on a daily basis. We have reduced our exposure to currency and energy fluctuations for a protracted period of time and where possible reduced risk.

We continue to experience good demand for our products, reflecting the success of our development strategy and the overall strength of market demand. Ordering volumes are returning to a more normal level and order books are consistent with pre-pandemic levels. Higher manufacturing output has allowed us to improve customer service levels. We will continue to target improvements in efficiency and have a number of capital projects targeted in this area.

The Board believes that hospitality markets will continue to grow and that the Company has the ability and product offering necessary to expand, particularly in our export markets where our underlying market share is still very low. Our product range and its development reflect long term investment in innovation. Our improved market position is supported by a clear and consistent set of objectives and initiatives. Our financial position allows us to maintain a high level of investment in our operations giving us the ability to improve our capacity, our productivity and our efficiency.

The Company remains focused on delivering a high quality, differentiated performing product and through this, consistent, profitable and sustainable growth.

By order of the Board

D M O'Connor
CEO
9 April 2024

Directors' Report

The Directors present their Annual Report and the audited consolidated financial statements of the Group for the year ended 31 December 2023.

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 44.

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 10.

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 Company has paid the following dividends in respect of the years ended 31 December 2023 and 31 December 2022:

	2023 £'000	2022 £'000
Ordinary dividend:		
Final dividend 2022 21.0p (2021: 17.3p) per 10p ordinary share	**2,309**	1,907
Interim dividend 2023 11.0p (2022: 10.5p) per 10p ordinary share	**1,210**	1,155
	3,519	3,062

The Directors now recommend payment of the following dividend:

Ordinary dividend:		
Final dividend 2023 25.0p (2022: 21.0p) per 10p ordinary share	**2,749**	2,310

Dividends on treasury shares held by the Company are waived.

The Company recognises that dividend income is important to shareholders and aims to pay a sustainable and progressive dividend linked to the medium and long-term performance of the business, consistent with the maintenance of appropriate levels of dividend cover and allowing the Company to meet other demands on its cash generation.

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:

R G W Williams* (Chairman)
A J McWalter* (resigned 8 June 2023)
D M O'Connor
D J S Taylor (resigned 12 April 2023)
J A Roper
B M Hynes*
J M Moore*
C J Stephens* (appointed 15 February 2023)
M Cunningham (appointed 8 June 2023)
M K Payne* (appointed 16 January 2024)

* Non-Executive

The Quoted Companies Alliance (QCA) has issued new governance guidance in 2023 for periods starting after April 2024; the Board has, however, decided to adopt the guidance on annual election of all Directors on an annual basis early. B M Hynes has indicated that he will be resigning from the Board as at the AGM and will therefore not be seeking re-election. All other Directors will offer themselves for election / re-election. As at the date of the Director's Report the unexpired terms of the service contract of R G W Williams 1 years 5 months and C J Stephens 1 years 9 months, J A Roper 2 years 1 months, M Cunningham 2 years 1 month and M K Payne 2 years 9 months.

The biographical details of the Directors are as follows:

David O'Connor, Chief Executive Officer has worked for Churchill for 32 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 has an MBA and is an alumnus of the Harvard Business School Advanced Management Program. David has worked in a number of roles within the UK ceramics industry, initially within production management and has developed an extensive knowledge of logistics, product sourcing and marketing. 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.

Michael Cunningham, Finance Director joined the Churchill Board in 2023. Michael has previously worked extensively in the automotive sector in dealer groups, tier 1 suppliers and for a large number of years within the VW Group under both the MAN and Bentley brands. An engineering graduate from Queens University Belfast, Michael qualified as a Chartered Certified Accountant whilst working for Readymix Concrete. Michael also holds an MBA from The European School of Management and Technology in Berlin.

James Roper, Sales and Marketing Director joined Churchill in 2001. James has worked in a number of sales and marketing roles across Churchill's business and has extensive experience in the development of the Group's strategy particularly in relation to product innovation and distribution channel management. He has an MBA from Manchester Business School and is an alumnus of the Harvard Business School Advanced Management Program. He was appointed to the Board in 2015.

Robin Williams, Non-Executive Chairman. Robin joined the Board of Churchill China plc in October 2022. He is an engineering graduate and qualified chartered accountant with over 30 years' experience with listed companies, initially as an adviser and then as a CEO and co-founder of Britton Group plc and then as an Executive director of Hepworth plc, the building materials business. He is currently Independent Non-Executive Chairman of Keystone Law Group plc and a Non-Executive Director of Headlam plc and of The Manufacturing Technology Centre Ltd, a private company.

Brendan Hynes, Non-Executive Director and Senior Independent Director, is an experienced Non-Executive Director. He was Chief Executive Officer of Nichols plc from 2007 to 2013 having previously been Finance Director. He has extensive experience of strategy development, business and financial management in public companies. Brendan is a Fellow of the Chartered Institute of Management Accountants and has an MBA from Manchester Business School. He joined the Board in 2013.

Mark Moore, Non-Executive Director. Mark joined the business during 2021 and has extensive Board level general management and manufacturing experience within a range of industries. He has previously worked within Morgan Advanced Materials plc and Essentra plc. He is a Chartered Engineer and holds degrees from the University of Bristol and Loughborough University.

Caroline Stephens, Non-Executive Director. Caroline joined the Board in February 2023. She was a senior executive at Johnson & Johnson for over 25 years in multiple leadership roles including UK Marketing Director. Latterly, Caroline has been a consultant, adviser and director with roles including joining the Board of Tristel plc, an AIM listed infection control business as a Non-Executive Director, and the EMEA Board of CI&T, a global digital solutions specialist.

Martin Payne, Non-Executive Director. Martin joined the Board in January 2024. Martin finished his executive career as CEO of Genuit Group plc a role he held after previously serving as CFO. He has extensive ceramics industry experience as Financial Director of Johnsons Tiles and as Group CFO of Norcros plc. Since 2021 Martin has been Chair of the Audit Committee at Stelrad plc. Martin is a Chartered Management Accountant and has over 30 years' experience in manufacturing industries.

Taxation

The majority of the Group's operations and the profits derived from them are subject to taxation in the United Kingdom.

Directors' Report

Environmental, Social and Governance

This year's Annual Report contains more detailed information on the business' Environmental, Social and Governance policies and performance in accordance with developing reporting practice. This information is shown on page 15 within the Strategic Report. The following information is given in addition to these disclosures.

Ethical standards and trading

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 code and supporting policies covering bribery and corruption, modern slavery and whistle-blowing.

Churchill sources materials and products from a range of local, national and international suppliers. We have an ethical trading policy and take steps, including factory visits and audits, to ensure that our standards are implemented within our supply chain and that local legislation and regulations are complied with.

Churchill has developed a formal brand framework which highlights the values which we believe embody our business. Many of these values reflect our commitment to our stakeholders. This brand framework is used daily within our business to guide our operations.

Employees

The Company recognise that well trained, engaged and motivated employees are central to the current and future success of our business. We involve our workforce through open communication including briefings and communication boards to encourage engagement with the strategy and goals of the business. The financial performance and forward plans of the business are shared on a bi-annual basis in order to build an awareness amongst employees of the financial and economic factors that may affect the performance of the Group. We work closely with the union representing our employee's interest to develop a relationship that will benefit our employees and meet our business needs.

Our employee training and development programme is an important part of our operations and we have further invested in reviewing and identifying development needs and opportunities. We have continued to work with further educational colleges and training organisations to provide functional and vocational training for employees and our manufacturing and engineering based apprenticeship scheme targets the development of ceramic and other skills within our team. Our long-term commitment to the training and development of all our employees helps morale, motivation and labour retention. We remain committed to our graduate training programme helping local graduates into our industry. We also take an active role in supporting both the local ceramic industry and wider initiative within the hospitality sector and support a number of training programmes.

Disabled people applying for roles within the business are given full and fair consideration in relation to job vacancies. Employees who are disabled, or who become disabled during their employment enjoy the same career prospects and access to training and development programmes as other employees.

Our Continuous Improvement programme involves employees at all levels from across our Company and has proved valuable in unlocking the potential of our workforce. Each employee has access to training to develop their technical skills and their overall capabilities. This programme also helps to communicate important business issues to our workforce and helps to align their efforts with the overall business strategy. This initiative has been developed into a 'Train the Trainer' programme where employees are taught training skills such that they can pass their expertise on to less experienced staff.

The Board has clearly considered the interests of employees in relation to key decisions during the year. Important decisions are taken within a framework giving appropriate reference to the long-term sustainability of the business, the delivery of steady growth, investment and job security.

We operate a Profit Improvement Bonus scheme where employees with one year's service share in a bonus scheme linked to Group profitability. This scheme recognises our employee's efforts, encourages performance in line with value creation and allows them to share in the Group's success. In addition, in the period from December 2022 to March 2023 we have introduced a one-off scheme where all employees receive a payment totalling £400 to help them deal with the increased cost of energy and other cost of living challenges.

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.

Our approach to Health and Safety is embedded in our working practices. We aim to identify and to reduce health and safety risks associated with our operations to the lowest practical levels. Training programmes are regularly undertaken to update safety skills for all our employees. Considerable progress has been made in the engagement of our workforce in relation to health and safety matters during the year.

Environment

The Group considers and manages the impact of its actions on the environment and wider social and community issues. Churchill is aware that it has many stakeholders, including its customers, employees, suppliers and neighbours alongside our shareholders. We seek to operate over the long term in a sustainable manner which recognises the needs of all of these groups.

The principal impacts of the Group's operations on the environment are in relation to the energy we consume, and the waste products produced as part of our operations.

Whilst the Company manufactures a product which may be re-used many thousands of times, a significant amount of energy is consumed in its production. We have made progressive improvements in developing our energy management processes at both strategic and operational levels over many years. We are focused on investing in research to provide long term solutions to reduce our energy footprint and in improving the efficiency of our manufacturing processes. We have replaced older systems and machinery with more modern energy efficient processes. Additional details are given in our Strategic Report.

We have increased our focus on managing and minimising the production of waste from our processes. We have instituted a programme of continuous improvement in relation to waste reduction and recycling of waste products.

Where possible we source our materials and services locally. A strong support industry is important to the long-term future of the Group.

Community

We understand that we have an impact on our local community and consider the effect of our actions on our local area. 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.

Research and Development

The introduction of new and innovative products, materials and process technologies 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 maintained 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 and to improve energy usage. 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.

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.

During the year the Group generated £8.5m of cash flow from operations, paid corporate taxation of £0.4m and invested £5.3m in capital projects. Dividends of £3.5m were paid during the year. Net cash and deposits before lease liabilities at the 31 December 2023 were £13.9m (2022: £19.0m).

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.

If additional financing is needed in the short term the Group has access to short term variable rate financing arrangements totalling £2.5m on an unsecured basis to provide finance for working capital requirements, should they be required. Additionally, forward capital expenditure may be supported using alternative sources of finance including lease purchase.

The Group currently has no net debt and holds substantial levels of unpledged assets including freehold property. These assets form an alternative source of secured medium- or long-term funding if this is required. Larger long term funding requirements may be met from debt and equity sources if necessary. There are no covenants in place relating to the Group's banking arrangements.

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. A proportion of net currency exposures are generally covered up to twelve 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 1 to the financial statements includes financial management risk considerations.

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 the preparation of the financial statements.

The Board has considered alternative scenarios in relation to the impact higher levels of inflation, increasing energy costs and other potential impacts on the business environment. This review has included consideration of the impact of reductions in revenue, periods of effect, alternative operational responses and cost reduction plans, the high level of cash and deposits held by the Group and additional available financing.

These reviews indicate that it is reasonable for the business to expect to continue in operational existence for at least the next twelve months.

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 financial statements. This has not been quantified because independent valuations have not been undertaken.

Overseas operations

The Group operates trading subsidiaries in the United States of America and Spain.

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 6 April 2024 exceeded 3% of the Company's issued share capital:

Shareholder	Number of ordinary shares	Percentage
Rathbone plc	1,832,379	16.66%
Charles Stanley Group	886,117	8.06%
Invesco	863,594	7.85%
Mrs S Roper	751,600	6.83%
Cannacord Genuity Group inc	647,288	5.89%
Phoenix Asset Management Partners	597,127	5.43%
Close Brothers Group	525,582	4.78%
E S & S J Roper	352,765	3.21%
A D & P H Roper	340,430	3.19%

Political contributions

The Group made no political contributions (2022: £nil) during the year.

Directors' Report

Statement of Directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

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 UK adopted international accounting standards and the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law, 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 Company and of the profit or loss of the Group for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK adopted international accounting standards have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101 have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006.

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.

Directors' confirmations

In the case of each Director in office at the date the directors' report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Group's and Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Group's and 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 M O'Connor
CEO
9 April 2024

Corporate Governance

This statement is not audited.

The Company is quoted on the Alternative Investment Market of the London Stock Exchange and uses the Quoted Companies Alliances 'Corporate Governance' ('the Code') as a benchmark to define and review its governance procedures. The Company complies with the Code.

The Code establishes ten principles of Corporate Governance grouped into three areas; the encouragement to deliver sustainable growth, the responsibility to maintain a dynamic management framework and an aim to build trust with shareholders and other stakeholders.

The Board supports the aims of the Code and seeks to exceed rather than simply meet the requirements it sets out. Many of the requirements of the Code are addressed through this Annual Report and further information may be found on the Investor pages of the Company's website, www.churchill1795.com.

The Board of Directors

The Board is currently composed of three Executive and five Non-Executive Directors and meets at least eleven times per year. The Board is led by the Chairman, Robin Williams. It is felt that the current composition and operation of the Board is adequate to provide the necessary skills and experience to lead and manage the business and to ensure a balance of power and authority. A review of the effectiveness of the Board is carried out on a regular basis with the most recent being in 2023. The Non-Executive members of the Board take an active and influential part in Board procedures. A senior Non-Executive Director, B M Hynes, has been appointed, and, on the announcement of these results, will be replaced in this role by M K Payne.

The Board acknowledges its role in defining and promoting the culture of the business. This culture is defined within the Company's brand values. It encourages all our employees, including Board members, to bring innovation, commitment and integrity to their roles.

The Code recommends that the Boards of quoted companies include at least two independent Non-Executive Directors. The Board has fully reviewed the independence of Non-Executive Directors and four Board members, J M Moore, R G W Williams, C J Stephens and M K Payne are considered to be independent under the terms of the Code. B M Hynes is no longer classed as independent under the terms of the Code, due to his having served 10 years on the Board. The Board believes that despite this lack of formal independence under the Code, B M Hynes has retained a high degree of objectivity and that his experience has been and continues to be of, significant benefit to the interests of shareholders as Board composition evolves.

Corporate Governance

As noted in the Chairman's Statement, B M Hynes will step down as Chair of the Audit Committee on announcement of these results to be succeeded by M K Payne, and from the Board in June 2024.

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**
D J S Taylor	4	4
D M O'Connor	12	12
C Stephens	11	11
A J McWalter	6	6
B M Hynes	12	12
J A Roper	12	12
M Cunningham	7	7
J M Moore	12	12
R G W Williams	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 three sub-committees of the Board.

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 M Moore.

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 has been chaired by B M Hynes.

The Nomination Committee, which is wholly composed of Non-Executive Directors, meets at least twice per year to discuss forward Board succession. A formal process has been established to deal with succession planning across the business. The Committee also considers the training and development needs of Directors. The Nomination Committee is chaired by R G W Williams.

Terms of reference for all three Committees and a Remuneration Policy statement have been agreed by the Board.

Shareholder engagement

The Company has a wide range of shareholders including major financial institutions and private investors. Regular contact is made with shareholders through presentations, direct contact and most importantly both formally and informally at the Company's Annual General Meeting. M Cunningham, Finance Director is the main point of contact for shareholders, but all Directors are encouraged to meet with investors. The Board considers feedback received from shareholders carefully.

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 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.

By order of the Board

D M O'Connor
CEO
9 April 2024

Remuneration Report

For the year ended 31 December 2023

This section of the accounts is unaudited

Annual Statement

The role of the Remuneration Committee is to determine and recommend to the Board the Remuneration Policy and to set Executive Director remuneration. The Committee also adopts a wider oversight role with respect to the broader company leadership team's remuneration but does not set this. In setting executive pay, the Committee considers various factors, including, wider workforce remuneration, structure and alignment of reward to performance, both personal and Company, with the aim of improving long term Company success.

The key areas of focus for the year were:

Review of remuneration outcomes – assessing the progress of equity and variable remuneration elements to ensure that the current policies and remuneration levels are achieving the desired outcomes for all stakeholders.

Base salary levels – a review was carried out and an increase awarded of 8%, below that awarded to the majority of the wider workforce. The size of increase was determined through inflationary pressures prevalent during the period.

Target setting – appropriate targets were set for variable remuneration, both LTIP awards where grant size and performance criteria were set in 2023 and 2024 bonus targets. In addition to target setting the level of new grants of LTIPs was assessed by the committee. As last year the Committee assessed targets that were in line with continued growth from pre-Covid levels.

Succession – the Committee considered matters relating to the ongoing Board succession plans.

The Company adopts a long term approach to the development of its business emphasising steady growth and the management of risk. The Remuneration Policy seeks to reflect this and to balance fixed and variable pay components accordingly. The design of variable pay does not encourage short term decision making and the Remuneration Committee believes that there is an appropriate balance between annual profit bonus targets, medium term development objectives and the promotion of longer term growth.

In each case the Committee was conscious of the need to clearly align Executive Directors' remuneration packages with shareholders interests and with consideration of wider workforce remuneration.

Details of the outcome of this work are set out below and later in the Annual Report on Remuneration.

The Remuneration Committee has considered overall performance in the year to 31 December 2023 and is satisfied that the outcome of the remuneration policy in 2023 is consistent with both the results delivered in year and progress against longer term targets and other metrics. Profit before exceptional items and taxation increased by more than 15% despite a number of challenges to our operations. The business has also made good progress against strategic targets in a number of areas including operational strategy and our longer term energy position.

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 M Moore, who acts as Chair, B M Hynes and C J Stephens. M K Payne was appointed to the remuneration committee on 16 January 2024. All members of the Committee are Non-Executive Directors. D M O'Connor (Chief Executive Officer) attended Remuneration Committee meetings but withdrew from any meeting where his remuneration was discussed. The Remuneration Committee has received advice from FIT Remuneration Consultants LLP during the year. The total fees paid to FIT Remuneration Consultants were £5,030.

Directors' Remuneration Policy

This section sets out the Company's Directors' Remuneration policy. The Policy is determined by the Remuneration Committee of the Company and is subject to regular and detailed review in relation to market practice and alignment with the Group's strategy. This policy has applied from the date of the 2020 Annual General Meeting.

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, provided they do not materially advantage Directors, to aid in its operation or implementation.

Remuneration Report

For the year ended 31 December 2023

Future policy table

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

This policy has applied June 2023

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: • 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 • The annual pay review is conducted on 1 April each year.	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: • A Director assuming additional responsibilities • Significant improvement in individual performance • Significant change in the size or scope of a Directors' role. • Where salary is initially set below market levels for a newly appointed Director to allow for progress in their role	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. Clawback and malus applies in a number of circumstances to enable the Company to mitigate risk	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. The Remuneration Committee has the right to operate both clawback and malus provisions in respect of bonus scheme awards in relation to circumstances of material misstatement of results, serious misconduct or reputational damage and corporate failure which may have occurred at any time before claw back is operated. 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.
Benefits Provide a market competitive benefits package to help recruit and retain employees of the appropriate calibre and experience	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. Executive Directors are entitled to receive repayment of costs deemed necessary for them to perform their duties. Other benefits may be provided based on individual circumstances including, but not limited to, housing or relocation expenses.	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.

Purpose and link to strategy	Operation	Maximum potential value	Performance metrics
Pensions Provide market competitive post-employment benefits to help recruit and retain employees of the appropriate calibre and experience	Executive Directors are entitled to membership of Company pension schemes in operation from time to time. The Company currently operates a defined contribution scheme. The Company previously operated a defined benefit scheme, which was closed for future accrual in 2006. One Executive Director is a deferred member of this scheme. 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. Bonus and other benefits received by Executive Directors do not count towards pensionable pay.	Up to 10% of basic pay under the defined contribution scheme.	Not applicable.
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 in a number of circumstances to enable the Company to mitigate risk	The Company operates an LTIP approved by shareholders on 22 June 2022. 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. Once exercised the net shares remaining after the payment of associated tax charges must be retained for a further two years. The Remuneration Committee has the right to operate both clawback and malus provisions in respect of LTIP awards in relation to material misstatement of results, serious misconduct or reputational damage and corporate failure which may have occurred at any time before claw back is operated. LTIP payments are non-pensionable.	Executive Directors may normally be granted LTIP awards up to 100% of salary each year. For threshold performance, 25% of the award vests. For on-target performance, 40% of the award vests. For maximum performance, 100% of the award vests. Straight line vesting applies between threshold, target and maximum vesting. In exceptional circumstances, such as recruitment where it may be necessary to grant a buy-out award, Executive Directors may be granted LTIP awards of up to 150% of salary each year.	Challenging performance targets are set each year reflecting the business priorities that underpin longer term Group strategy. At least 50% of the LTIP award will normally vest based on adjusted Basic Earnings Per Share performance targets.

There were no significant 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	Fees for Non-Executive Directors are normally reviewed annually (but may be reviewed more frequently if required). Consideration is given to the following when determining fee levels: • Market conditions including typical fee levels for comparator companies • A Non-Executive Director's role and responsibilities • Non-Executive Directors do not participate in any incentive scheme.

Remuneration Report

For the year ended 31 December 2023

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 strategic and 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 £	Pension £	Benefits £	Pay in lieu of pension £	Annual bonus £	Total remuneration £
2023						
Executive						
D J S Taylor	412,945	–	–	7,012	42,460	462,417
D M O'Connor	329,626	–	1,680	29,436	194,480	555,222
M Cunningham[*1]	124,667	5,000	980	6,154	118,460	255,261
J A Roper	255,675	–	875	21,243	152,125	429,918
Non-Executive						
A J McWalter[*2]	38,558		–	–	–	38,558
B M Hynes	51,050		–	–	–	51,050
J M Moore	51,050		–	–	–	51,050
C Stephens	46,960		–	–	–	46,960
R G W Williams	74,951		–	–	–	74,951
	1,385,482	5,000	3,535	63,845	507,525	1,965,387
2022						
Executive						
D J S Taylor	236,299		582	20,639	160,480	418,000
D M O'Connor	306,667		582	26,810	208,466	542,525
J A Roper	252,890		727	14,557	161,698	429,872
Non-Executive						
A J McWalter	84,767		–	–	–	84,767
B M Hynes	47,300		–	–	–	47,300
J M Moore	47,300		–	–	–	47,300
R G W Williams[*3]	12,069		–	–	–	12,069
	1,010,553		1,891	62,006	530,644	1,990,163

M Cunningham[*1] From date of appointment 1 June 2023

A J McWalter[*2] Until date of resignation 6 June 2023

R G W Williams[*3] From date of appointment 11 October 2022

This section of the Remuneration Report is not audited

All Directors received an increase in base salary of 8.0% during the year, slightly below the base rise given to the majority of other staff.

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. Pension costs above represent contributions made by the Group to defined contribution schemes or payments in lieu of such contributions.

Performance bonuses

Performance bonuses were awarded given the achievement of growth in Operating Profit before exceptional items substantially above target levels and also in relation to the achievement of personal objectives.

During 2023 Executive Directors were able to earn a maximum of 100% of salary as a performance bonus. Of this figure 14% of salary was payable for achievement of threshold profit levels, 28% for on target performance, 56% for maximum profit objectives and 76% for the achievement of super-maximum profit objectives. A further 24% of salary could be earned against specified personal objectives. Straight line vesting applied between threshold, target and maximum performance levels.

In 2023 threshold profit bonus levels were payable on the achievement of an operating profit before exceptional items of £9,975,000, on target profit levels were payable on the achievement of operating profits before exceptional items of £10,500,000, maximum target profit levels were operating profits before exceptional items of £11,500,000 and super-maximum target profit levels were operating profits before exceptional items of £12,100,000.

Profit based awards during the year were of 37% of base salary and personal objectives represented a maximum of 24% of base salary.

Reflecting performance against the financial and personal objectives, the bonus payouts for 2023 are 59%, 59.5% and 61% of salary for D M O'Connor, J A Roper and M Cunningham

The operation of the annual performance bonus scheme for 2024 has been amended to reflect increased performance targets taking into consideration the interests of shareholders.

Compensation for loss of office

As part of the Company's succession planning process the Company agreed with D J S Taylor that he would leave his position as Finance Director on 12 April 2023 and a settlement agreement to this effect was signed on 12 December 2022. Under this settlement agreement D J S Taylor received a sum of £331,000. The total sum to be paid includes pay in lieu of a notice period of twelve months as provided in his service contract and is included in the salary figure within the emoluments table.

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. Each option has an exercise price of 10p per ordinary share.

	Number of options 31 December 2022	Options granted	Options lapsed	Number of options 31 December 2023	Date from which exercisable	Expiry date
D J S Taylor						
2021 grant	13,538	–	(13,538)	–	June 2024	June 2031
2022 grant	16,918	–	–	16,918	June 2025	June 2032
D M O'Connor						
2021 grant	17,586	–	(17,586)	–	June 2024	June 2031
2022 grant	21,977	–	–	21,977	June 2025	June 2032
2023 grant	–	24,425	–	24,425	June 2026	June 2033
M Cunningham						
2023 grant	–	14,545	–	14,545	June 2026	June 2033
J A Roper						
2021 grant	13,641	–	(13,641)	–	June 2024	June 2031
2022 grant	17,046	–	–	17,046	June 2025	June 2032
2023 grant	–	18,945	–	18,945	June 2026	June 2033

Exercise of the above options is subject to the achievement of performance conditions as specified by the Remuneration Committee and they are also subject to clawback and malus provisions which may be enacted 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 options 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.

Notional pension fund interest has been excluded from both the base and target EPS levels.

Remuneration Report

For the year ended 31 December 2023

Share price movements during the year

The market price of the Company's shares at the end of the financial year was 1,450p (2022: 1,175p). The range of prices for the year to 31 December 2023 was 1,085p to 1,640p (2022: 1,070p to 1,772.5p) per ordinary share.

Pensions

This section of the Remuneration Report is audited.

D J S Taylor, D M O'Connor and J A Roper were not active members of a Company pension scheme during the year. M Cunningham was an active member for part of his employment in the year. Directors are allowed to exchange pension benefits for additional salary. Pension contributions and payments in lieu of contributions made by the Group were as shown on page 34 and were at an equivalent rate of 10% of basic salary for D J S Taylor and D M O'Connor, 7% for J A Roper and 5% for M Cunningham.

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

D J S Taylor and D M O'Connor are deferred members of the Churchill Retirement Benefit Scheme. 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.

Directors' service contracts

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.

Non-Executive Directors are generally initially appointed on fixed term contracts for a period of three years before moving to renewal every twelve month but may normally be terminated with a notice period of three months.

There are no defined contractual payments in the event of termination of a Directors' service contract other than the specified notice period.

	Date of signature	**Unexpired term at 31 December 2023**
Executive		
M Cunningham	1 June 2023	12 months
D M O'Connor	15 May 2012	12 months
J A Roper	3 November 2015	12 months
Non-Executive		
B M Hynes	12 April 2022	3 months
J M Moore	25 January 2021	1 month
R G W Williams	29 September 2022	1 year 10 months
C J Stephens	1 February 2023	2 years 11 months
M K Payne	16 January 2024	Not applicable*

* M K Payne's service contract was signed on 16 January 2024

Directors' interests

This section of the Remuneration Report is audited.

The interests of the Directors and their immediate families and family trusts at 31 December 2023 in the 10p ordinary shares of the Company were as follows:

	2023	2022
D M O'Connor	**23,655**	23,655
B M Hynes	**4,000**	4,000
J A Roper	**994,035**	994,035
J M Moore	**270**	270
M Cunningham	**2,033**	-
R G W Williams	**1,000**	-
A J McWalter	-	6,000
D J S Taylor	**-**	43,555
	1,024,993	1,071,515

J A Roper's interest in the 10p ordinary shares of the Company at 31 December 2023 represented 9.0% (2022: 9.0%) of the Company's issued share capital.

There has been no change in the interests set out above between 31 December 2023 and 9 April 2024.

Director shareholding requirements

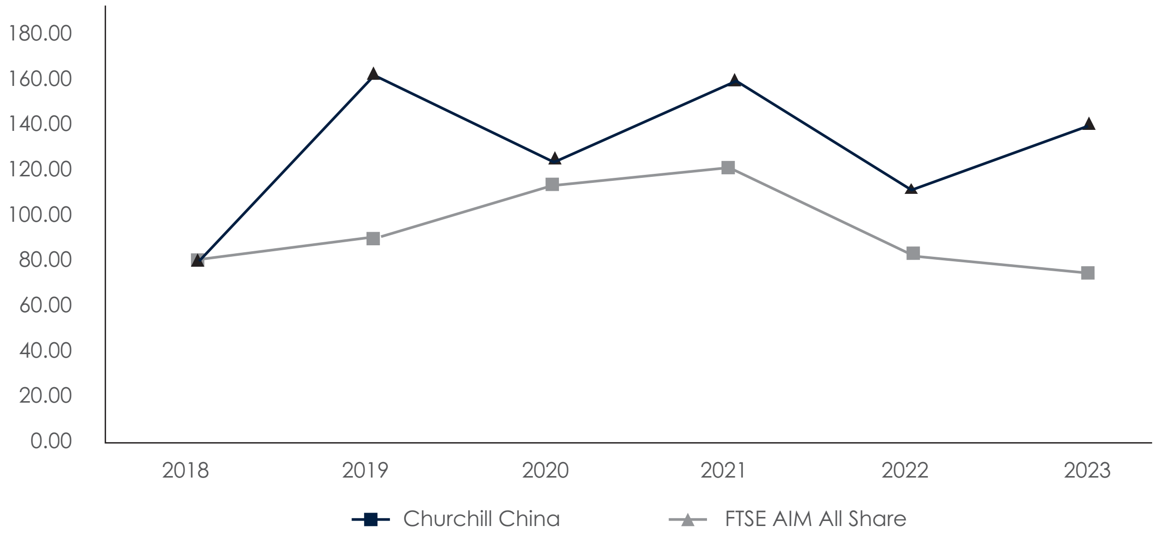
Directors are expected to hold shares in the Company in order to align their interests with those of shareholders. In the longer-term Executive Directors are encouraged to hold the equivalent of 100% of annual base salary as shares in the Company and it is expected that this target level will be achieved 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 the 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 2022 Annual General Meeting, the standard resolution in relation to the approval of the Report of the Remuneration Committee contained in the Annual Report for 2022 was passed. 99.9% of votes were cast in favour of the resolution, 0.1% against, with abstentions of 0.0%.

Total Shareholder Return – rebased to 100



(Source: Investec Bank plc)

Over a five year period the Group's total return to shareholders has remained above that generated by the AIM All Share index. Total returns from the Company in the year have increased as a result of a rise in our share price. The Group has also increased dividend payments to shareholders during the year.

Our overall five year return has risen to an average compound rate of 10.53% (AIM: -1.0%). Over the five year period total shareholder return from the Group has been 65% whilst that achieved by the AIM index as a whole was -5%. In the year to 31 December 2023 the overall return from the Group was 26.4%, (AIM: -6.4%).

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

Over the same period the Chief Executive Officer's remuneration has been as follows:

	2018	2019	2020	2021	2022	**2023**
Single figure of remuneration (£'000)	617	810	293	605	543	**557**
Bonus payout (of base salary)	70%	70%	0%	99%	68%	**60%**
LTIP vesting (of maximum)	100%	100%	0%	0%	0%	**0%**
Profit before exceptional items and income tax (£'000)	9,388	11,176	848	5,963	9,054	**10,843**
Share price at 31 December	940p	1,820p	1,340p	1,762.5p	1,175p	**1,450p**

On behalf of the Board

J M Moore
Chair of the Remuneration Committee
9 April 2023

Nomination Committee Report

For the year ended 31 December 2023

Annual Statement

During the year the Company has continued its succession activities. As previously communicated, Alan McWalter retired from the Board and Nomination Committee and was replaced by Robin Williams. David Taylor resigned from the Board and the role of CFO was assumed by Michael Cunningham. Caroline Stephens joined the Board as an Independent Non-Executive Director.

The Nomination Committee has considered a number of matters during the year including:

- Consideration of the current and future structure, size and composition of the Board, including assessment of its skills, knowledge and experience. Levels of diversity and independence within the Board have been clear areas of focus;
- Further development and implementation of a formal succession plan covering the Company's Board and the Board of its principal subsidiary Churchill China (UK) Limited;
- The recruitment of a further experienced independent Non-Executive Director, Martin Payne, who joined the Board in January 2024.

The Board recognises the need for independence within its Non-Executive Directors and has a Board with four independent members. Alongside this desire to maintain an appropriate level of independence the Board also recognises the benefit that experience and knowledge of the business and its values bring to the Company. Our succession planning and nomination processes will always attempt to balance these two objectives.

The Nomination Committee operates under Terms of Reference agreed by the Board.

R G W Williams
Chair of the Nomination Committee

Audit Committee Report

For the year ended 31 December 2023

Dear Shareholders

I am pleased to present our Audit Committee (AC) Report for 2023 and my final one as Chair of the Committee.

I begin this report by welcoming Martin Payne who joined the Company on 16 January 2024 and who has joined the AC and will replace me as Chair following the preliminary results announcement on the 10th April 2024.

The AC's primary role is to assist the Board in its oversight of the financial controls of the business and in the assessment of the risk management framework of the operation. In addition, the Committee is responsible for assessing the independence, quality and objectivity of the external Auditor and in assessing the appropriateness of the fees being charged, ensuring value for money for the shareholders.

Our programme over the year focused on matters that involve a level of judgement to the ongoing results and performance of Churchill. We review areas that have levels of estimation and where there is increasing stakeholder scrutiny.

Topics addressed in 2023 included a review of standard costing models and their impact on stock levels and an in-depth full balance sheet review following the start of the new CFO; a review of the new TCFD reporting included in this Annual Report.

The Audit Committee has considered a number of matters since the beginning of 2023 including:

- Review of the annual and interim financial results and the Annual Report;
- Consideration of the Report of the External Auditors, PricewaterhouseCoopers LLP, to the Audit Committee;
- Agreement of the Audit Plan of the External Auditors for the year to 31 December 2023 including the scope of work to be carried out;
- Review of the independence, effectiveness and level of fees to be paid to the External Auditors;
- Consideration of the Company's Risk Review process and the changes in risk arising from changes in the business environment with particular reference to financial performance, new and emerging risks, cybersecurity, business continuity and financial resilience

Financial reporting and significant financial issues

The Audit Committee assesses whether suitable accounting policies have been adopted, whether management have made appropriate estimates and judgements and reviews reports prepared by management in relation to major judgements.

Stock valuation has been reviewed in depth to ensure that the balance sheet accurately reflects the value being held. This is particularly critical as the Company has been deliberately increasing its stock holding position in order to improve customer service levels.

The Audit Committee has considered the position of the Group's Defined Benefit Pension Scheme and believes that it is appropriate to recognise the surplus of £7.9m as calculate under IAS 19 as an asset within the Financial Statements.

Auditors

The Board, on the recommendation of the Audit Committee, has appointed PwC to complete the audit. The company carried a retendering process in 2022 and is satisfied as to the independence, quality and value offered by PwC.

Internal audit

The Company does not use an internal audit department and currently 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.

B M Hynes
Chair of the Audit Committee

Independent auditors' report to the members of Churchill China plc

Report on the audit of the financial statements

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 2023 and of the group's profit and the group's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the consolidated and company balance sheets as at 31 December 2023; the consolidated income statement and consolidated statement of comprehensive income, the consolidated cash flow statement and the reconciliation of operating profit to net cash inflow from operating activities, and the consolidated and company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview

Audit scope	• We conducted a full scope audit of Churchill China (UK) Limited and Churchill China plc, as well as targeted procedures on specific balances in Furlong Mills Limited, which collectively accounts for 99% of consolidated revenue, 100% of profit before income tax and 96% of total assets. • The consolidation adjustments included within the consolidated results of the group have been audited to overall group performance materiality.
Key audit matters	• Inventory valuation (group) • Valuation of defined benefit pension liability (group) • Valuation of the investments in subsidiaries (parent)
Materiality	• Overall group materiality: £539,000 (2022: £480,000) based on 5% of profit before tax (2022: 5% of profit before tax). • Overall company materiality: £102,000 (2022: £103,000) based on 1% of total assets. • Performance materiality: £404,000 (2022: £360,000) (group) and £77,000 (2022: 77,000) (company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

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

This is not a complete list of all risks identified by our audit.

The valuation of the investments in subsidiaries and valuation of pension liabilities are new key audit matters this year. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Inventory valuation (group) Refer to the summary of significant accounting policies and critical accounting estimates and judgements in note 1 to the accounts, and note 14 (Inventories). Inventory represents a significant asset on the group's balance sheet and is carried at the lower of cost and net realisable value ("NRV"). The group's accounting policy is to determine a provision based upon obsolete, slow moving or defective inventories, taking into account historical sales volumes, agreed stock levels and expected scrap values. There is a risk that the provision is materially misstated given the quantum and inherent levels of estimation uncertainty in its determination.	For a sample of inventory lines, we tested the inputs to the provision calculation, including historical sales data, agreed stock levels, scrap values and the cost of the item, agreeing the respective inputs to supporting information. We tested the integrity of the provision calculation model to assess whether it was mathematically accurate. In order to assess the level of inventory provision held at year end, we have performed several lookback assessments and other analytical procedures which include considering; the inventory SKU's where total contribution in the year was negative, any damaged stock that has had to be written down and any SKUs which have not been sold for a period of time and hence would be classified as clearance stock. For the raw material provision we challenged management on the provision with reference to prices achieved on actual sales made in the year and subsequent to the year end, and estimated future selling prices. We found the final accounting for inventory valuation provisions to be materially appropriate and consistent with the audit evidence obtained.
Valuation of defined benefit pension liability (group) Refer to the summary of significant accounting policies in note 1 to the accounts and note 20 (Retirement benefit asset). The valuation of pension plan liabilities requires estimation in determining appropriate assumptions such as salary increases, mortality rates, discount rates and inflation levels. Movement in these assumptions can have a material impact on the determination of the liability. Management uses external actuaries to assist in determining these assumptions, and this is considered to be the significant audit risk.	We used our actuarial experts to assess whether the assumptions used in the calculation of the defined benefit liability were reasonable and in line with accounting standards. We assessed the reasonableness of those assumptions by comparing to our own independently determined benchmarks considering the potential impact if these assumptions are to be changed within a reasonable range. We ensured the sensitivity analysis disclosed in the financial statements was consistent with the actuarial report. We found that the final assumptions utilised were reasonable and within our expected ranges and supported by available evidence.
Valuation of the investments in subsidiaries (parent) Refer to the summary of significant accounting policies in note 1 to the accounts, and note 13 (Investments in subsidiaries). Subsidiary 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 101. This balance remains the largest single balance in the Company's accounts and so has been the principal focus of our audit effort.	We evaluated whether there were any indicators of an impairment trigger in relation to the parent company's investments balance, with specific consideration given to the following: • the trading results of the subsidiaries, forecasts results and market capitalisation of the Group; • any significant changes with an adverse impact in relation to the market in which the subsidiaries operates, noting that there were no such changes. We consider management's conclusion that there are no indicators of impairment to be appropriate.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

The group financial statements are predominantly a consolidation of three UK statutory entities, comprising the group's main trading entity, Churchill China (UK) Limited, the Churchill China plc company and Furlong Mills Limited. In establishing the overall approach to the group audit strategy, we concluded that Churchill China (UK) Limited and Churchill China plc are full scope components. Where balances in out of scope components, such as Furlong Mills Limited, are in excess of group performance materiality and contribute a significant proportion of a certain financial statement line item, these balances have also been subject to audit procedures. For the two full scope components, we have allocated materiality to these components and designed our audit testing for each financial statement line item based on the size and nature of the transactions and balances for that line item and our assessment of the risk of material misstatement. We used our professional judgement to determine the nature and extent of testing required over each line item in the company financial statements.

The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the extent of the potential impact of climate risk on the group's and company's financial statements, and we remained alert when performing our audit procedures for any indicators of the impact of climate risk. Our procedures did not identify any material impact as a result of climate risk on the group's and company's financial statements.

Independent auditors' report to the members of Churchill China plc

Materiality

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

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements – group	Financial statements – company
Overall materiality	£539,000 (2022: £480,000).	£102,000 (2022: £103,000).
How we determined it	5% of profit before tax (2022: 5% of profit before tax)	1% of total assets
Rationale for benchmark applied	Profit before tax (PBT) is the primary measure used by the shareholders in assessing the performance of the group and is a generally accepted auditing benchmark.	The Company is not a profit oriented entity and is a holding company. As such it is considered that total assets is the most appropriate basis upon which to determine materiality and this is a generally accepted auditing benchmark.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £102,000 and £512,000.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2022: 75%) of overall materiality, amounting to £404,000 (2022: £360,000) for the group financial statements and £77,000 (2022: 77,000) for the company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above £26000 (group audit) (2022: £24,000) and £4,000 (company audit) (2022: £5,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the group's and the company's ability to continue to adopt the going concern basis of accounting included:

- Evaluating management's detailed cash flow forecasts and liquidity headroom under both a base case and downside scenarios;
- Testing that the cash flows are consistent with board approved forecasts;
- Assessing management's track record of forecasting accuracy;
- Testing the integrity of management's cash flow models; and
- Assessing whether any mitigating actions are within the control of management.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the company's ability to continue as a going concern.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report
In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2023 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements
As explained more fully in the statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to Companies Act 2006 and taxation legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries that increase profit and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Reviewing minutes of meetings of those charged with governance;
- Made enquiries as to whether there was any correspondence with legal advisors;
- Challenging assumptions and judgements made by management in their significant accounting estimates; and
- Testing of journals posted to revenue and expenses that have unusual account combinations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report
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.

Other required reporting

Companies Act 2006 exception reporting

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

- we have not obtained 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
- certain disclosures of directors' remuneration specified by law are not made; 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.

Sarah Phillips (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
9 April 2024

Consolidated Income Statement

for the year ended 31 December 2023

	Note	**2023 £'000**	2022 £'000
Revenue	2	**82,339**	82,528
Operating profit before exceptional items		**10,252**	9,142
Exceptional items	3	**–**	547
Operating profit	3	**10,252**	9,689
Finance income	6	**611**	60
Finance costs	6	**(75)**	(148)
Profit before exceptional items and income tax		**10,788**	9,054
Exceptional items	3	**–**	547
Profit before income tax		**10,788**	9,601
Income tax expense	8	**(3,071)**	(1,706)
Profit for the year		**7,717**	7,895
Basic earnings per ordinary share	9	**70.2p**	71.7p
Adjusted basic earnings per ordinary share	9	**70.2p**	66.9p

All of the above figures relate to continuing operations.

The notes on pages 52 to 73 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2023

	Note	**2023 £'000**	2022 £'000
Other comprehensive (expense)/income			
Items that will not be reclassified to profit and loss:			
Remeasurements of post-employment benefit obligations net of tax	**19**	**(900)**	9,332
Items that may be reclassified subsequently to profit and loss:			
Currency translation differences		**(25)**	58
Other comprehensive (expense)/income for the year		**(925)**	9,390
Profit for the year		**7,717**	7,895
Total comprehensive income for the year		**6,792**	17,285

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 8.

Consolidated Balance Sheet

as at 31 December 2023

	Note	2023 £'000	2022 £'000
Assets			
Non-current assets			
Property, plant and equipment	11	**25,085**	23,039
Intangible assets	12	**663**	849
Deferred income tax assets	19	**82**	132
Retirement benefit assets	20	**7,855**	6,924
		33,685	30,944
Current assets			
Inventories	14	**21,896**	15,889
Trade and other receivables	15	**11,036**	14,380
Other financial assets	16	**–**	5,057
Cash and cash equivalents		**13,933**	9,604
		46,865	44,930
Total assets		**80,550**	75,874
Liabilities			
Current liabilities			
Trade and other payables	17	**(14,355)**	(14,291)
		(14,355)	(14,291)
Non-current liabilities			
Lease liabilities	18	**(677)**	(477)
Deferred income tax liabilities	19	**(5,577)**	(4,458)
Non-current liabilities		**(6,254)**	(4,935)
Total liabilities		**(20,609)**	(19,226)
Net assets		**59,941**	56,648
Equity attributable to owners of the Company			
Issued share capital	21	**1,103**	1,103
Share premium account	21	**2,348**	2,348
Treasury shares	22	**(431)**	(431)
Other reserves		**1,363**	1,344
Retained earnings		**55,558**	52,284
Total equity		**59,941**	56,648

The notes on pages 52 to 73 are an integral part of these consolidated financial statements. The financial statements on pages 44 to 73 were approved by the Board of Directors on 9th April 2024 and were signed on its behalf by:

D M O'Connor
Director

M Cunningham
Director

Company number 02709505

Company Balance Sheet

as at 31 December 2023

	Note	2023 £'000	2022 £'000
Fixed assets			
Intangible assets	12	**531**	735
Investments in subsidiaries	13	**7,008**	7,008
		7,539	7,743
Current assets			
Trade and other receivables: non-current	15	**1,951**	1,970
Trade and other receivables: current	15	**307**	393
Deferred income tax assets	19	**–**	33
Cash at bank and in hand		**362**	187
		2,620	2,583
Creditors: amounts falling due within one year			
Trade and other payables	17	**(71)**	(50)
Net current assets		**2,549**	2,533
Total assets less current liabilities		**10,088**	10,276
Net assets		**10,088**	10,276
Equity attributable to owners of the Company			
Issued share capital	21	**1,103**	1,103
Share premium account	21	**2,348**	2,348
Treasury shares	22	**(431)**	(431)
Other reserves		**198**	145
Retained earnings		**6,870**	7,111
Total equity		**10,088**	10,276

The notes on pages 52 to 73 are an integral part of these financial statements.

The financial statements on pages 44 to 73 were approved by the Board of Directors on 9th April 2024 and were signed on its behalf by:

D M O'Connor
Director

M Cunningham
Director

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 £3,311,000 (2022: £3,343,000).

Consolidated Statement of Changes in Equity

for the year ended 31 December 2023

	Note	Retained earnings £'000	Issued share capital £'000	Share premium account £'000	Treasury shares £'000	Other reserves £'000	Total equity £'000
Balance at 1 January 2022		**38,117**	**1,103**	**2,348**	**(80)**	**1,195**	**42,683**
Comprehensive income/(expense):							
Profit for the year		7,895	–	–	–	–	7,895
Other comprehensive income/(expense):							
Depreciation transfer – gross		12	–	–	–	(12)	–
Depreciation transfer – tax		(3)	–	–	–	3	–
Remeasurement of post-employment benefit obligations – net of tax		9,332	–	–	–	–	9,332
Currency translation		–	–	–	–	58	58
Total comprehensive income		**17,236**	–	–	–	**49**	**17,285**
Transactions with owners							
Transactions with owners							
Dividends relating to 2022	10	(3,062)	–	–	–	–	(3,062)
Treasury Shares	22	–	–	–	(351)	–	(351)
Share based payment	21	–	–	–	–	100	100
Deferred tax – share based payment	19	(7)	–	–	–	–	(7)
Total transactions with owners		**(3,069)**	**–**	**–**	**(351)**	**100**	**(3,320)**
Balance at 31 December 2022		**52,284**	**1,103**	**2,348**	**(431)**	**1,344**	**56,648**
Comprehensive income/(expense):							
Profit for the year		7,717	–	–	–	–	7,717
Other comprehensive income/(expense):							
Depreciation transfer – gross		12	–	–	–	(12)	–
Depreciation transfer – tax		(3)	–	–	–	3	–
Remeasurement of post-employment benefit obligations – net of tax		(900)	–	–	–	–	(900)
Currency translation		–	–	–	–	(25)	(25)
Total comprehensive income		**6,826**	**–**	**–**	**–**	**(34)**	**6,792**
Transactions with owners							
Dividends relating to 2023	10	(3,519)	–	–	–	–	(3,519)
Share based payment	21	–	–	–	–	53	53
Deferred tax – share based payments	19	(33)	–	–	–	–	(33)
Total transactions with owners		**(3,552)**	**–**	**–**	**–**	**53**	**(3,499)**
Balance at 31 December 2023		**55,558**	**1,103**	**2,348**	**(431)**	**1,363**	**59,941**

Other Reserves

Included within other reserves are the revaluation, currency reserve and share based payment reserves.

Company Statement of Changes in Equity

for the year ended 31 December 2023

	Note	Retained earnings £'000	Issued share capital £'000	Share premium account £'000	Treasury shares £'000	Other reserves £'000	Total equity £'000
Balance at 1 January 2022		**6,837**	**1,103**	**2,348**	**(80)**	**45**	**10,253**
Comprehensive Income:							
Profit for the year		3,343	–	–	–	–	3,343
Total comprehensive income		3,343	–	–	–	–	3,343
Transactions with owners							
Dividends relating to 2022	10	(3,062)	–	–	–	–	(3,062)
Treasury shares	22	–	–	–	(351)	–	(351)
Share based payment	21	–	–	–	–	100	100
Deferred tax – share based payment	19	(7)	–	–	–	–	(7)
Total transactions with owners		**(3,069)**	**–**	**–**	**(351)**	**100**	**(3,320)**
Balance at 31 December 2022		**7,111**	**1,103**	**2,348**	**(431)**	**145**	**10,276**
Comprehensive income:							
Profit for the year		3,311	–	–	–	–	3,311
Total comprehensive income		3,311	–	–	–	–	3,311
Transactions with owners							
Dividends relating to 2023	10	(3,519)	–	–	–	–	(3,519)
Share based payment	21	–	–	–	–	53	53
Deferred tax – share based payments	19	(33)	–	–	–	–	(33)
Total transactions with owners		**(3,552)**	**–**	**–**	**–**	**53**	**(3,499)**
Balance at 31 December 2023		**6,870**	**1,103**	**2,348**	**(431)**	**198**	**10,088**

Other Reserves

Included within other reserves are the revaluation, currency and share based payment reserves.

Consolidated Cash Flow Statement

for the year ended 31 December 2023

	2023 £'000	2022 £'000
Cash flows from operating activities		
Cash generated from operations (see page 51)	**8,321**	4,939
Interest received	**229**	60
Interest paid	**(75)**	(35)
Income tax paid	**–**	(991)
Net cash generated from operating activities	**8,475**	3,973
Cash flows from investing activities		
Purchases of property, plant and equipment	**(5,334)**	(4,618)
Proceeds on disposal of property, plant and equipment	**54**	15
Purchases of intangible assets	**(73)**	(86)
Repayment/(payment) of other financial assets	**5,057**	(1,052)
Net cash used in investing activities	**(296)**	(5,741)
Cash flows from financing activities		
Dividends paid	**(3,519)**	(3,062)
Principal elements of leases	**(330)**	(263)
Purchase of treasury shares	**–**	(351)
Net cash generated from/(used in) in financing activities	**(3,849)**	(3,676)
Net increase/(decrease) in cash and cash equivalents	**4,330**	(5,444)
Cash and cash equivalents at the beginning of the year	**9,604**	15,046
Exchange loss/(gain) on cash and cash equivalents	**(1)**	2
Cash and cash equivalents at the end of the year	**13,933**	9,604

Reconciliation of Operating Profit to Net Cash Inflow from Operating Activities

for the year ended 31 December 2023

	2023 £'000	2022 £'000
Continuing operating activities		
Operating profit after exceptional items	**10,252**	9,689
Adjustments for:		
Depreciation and amortisation	**3,510**	2,983
Gain on disposal of property, plant and equipment	**(16)**	(4)
Charge for share based payments	**53**	100
Defined benefit pension cash contribution (see note 20)	**(1,750)**	(1,750)
Changes in working capital:		
Inventory	**(6,007)**	(5,403)
Trade and other receivables	**2,346**	(3,067)
Trade and other payables	**(67)**	2,391
Net cash inflow from operations	**8,321**	4,939

Notes to the Financial Statements

for the year ended 31 December 2023

1. Summary of significant accounting policies

Churchill China plc is a public company limited by shares that is incorporated and domiciled in the United Kingdom. The address of its registered office is No.1 Marlborough Way, Tunstall, Stoke-on-Trent, Staffordshire, ST6 5NZ, England. The Company's ordinary shares are publicly traded on AIM and it is not under the control of any single shareholder.

Group significant accounting policies

Basis of Preparation

The financial statements of Churchill China plc have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

The consolidated financial statements have been prepared under the historical cost convention, financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss and defined benefit pension plan measured at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain key sources of estimation uncertainty. 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 1.

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

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 the preparation of the financial statements.

The Board has considered alternative scenarios in relation to the effect of loss of revenues and input cost rises. This review has included consideration of the impact of different levels of reduction in revenue, different periods of effect, alternative operational responses and cost reduction plans, the high level of cash and deposits held by the Group and additional available financing.

These reviews indicate that it is reasonable for the business to expect to continue in operational existence for at least the next twelve months.

New standards and interpretations not yet adopted

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.

Basis of consolidation

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

The financial statements of each undertaking in the Group are prepared to the balance sheet date under FRS 101. Subsidiary accounting policies are amended, where necessary, to ensure consistency with the Group accounting policies under IFRS.

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.

Segment reporting

Segmental information is 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 arising directly from a business segment is identified to that segment. Transactions between reportable segments are at arms length.

Revenue

The Group manufactures and sells a range of ceramic tableware and raw materials to the ceramics industry. Revenue and a corresponding receivable are recognised when title and control of the products has transferred, since at this point in time the consideration is unconditional because only the passage of time is required before payment is due. Sales of ceramic tableware are made on an ex works basis, with revenue being recognised at the point of despatch. Sales of raw materials are made on a delivered basis, with revenue recognised following delivery to the relevant customer site.

Products are often sold with retrospective volume discounts based on aggregate sales over a 12 month period. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume discounts percentage contractually agreed. Actual experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. No significant element of financing is deemed present, because the sales are made with a standard credit term, consistent with market practice. The Group's obligation to replace faulty products under the quality and edge chip warranty terms is recognised in other creditors.

1. Summary of significant accounting policies continued

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 Company's right to receive payment has been established.

Leases

New leases are reviewed and classified in accordance with IFRS 16 based on their length and value. Right of use assets are recognised within Property, Plant and Equipment. Current lease liabilities are recognised in trade and other payables and non-current lease liabilities are presented on a separate line on the balance sheet as there are no other non-current trade and other payables.

Operating profit and exceptional items

Operating profit is stated both before and after the effect of exceptional items but before the Group's finance income and costs and taxation.

The Group has adopted an 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, non-trading related income, material impairments of non-current assets, material profits and losses on the disposal of assets, material increases or reductions in pension scheme charges 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.

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 net obligation/asset presented in the balance sheet is calculated on an actuarial basis at the reporting date. An asset position is recognised where the assets of scheme exceed the present value of the liabilities, if in accordance with the scheme rules and accounting standards, the Group believes any surplus recognised would be recoverable. 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 income or 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 equity settled 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.

Notes to the Financial Statements
continued

1. Summary of significant accounting policies continued

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

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
Plant and machinery	10–25 on cost
Motor vehicles	25 on reducing net book value
Fixtures and fittings	25–33 on cost

Freehold land and assets in the course of construction is not depreciated.

Right of use assets are depreciated on a straight line basis over the remaining life of the lease in accordance with IFRS 16.

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 amount.

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
Trademarks acquired	10–20 on cost

Neither the Group nor the Company holds any 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.

1. Summary of significant accounting policies continued

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.

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 large proportion of the Group's outstanding Trade Receivables are covered by credit insurance, however where this is not in place the Group applies the IFRS 9 expected credit loss model when reviewing the provision against Trade Receivables. Industry and sector information is reviewed to ensure any factors that would affect the future ability of these receivables to be collected is recognised.

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.

The Group routinely invests in deposit accounts whereby between 32 and 95 days notice is required to withdraw the cash. The Group do not consider these items to be short-term highly liquid investments that are readily convertible into cash and consequently these are presented as an other financial asset, rather than cash and cash equivalent within the financial statements.

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 7.

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.

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. Details of the year end receivables in their respective currency can be found in note 15.

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 2023, if Sterling had weakened by 5% against the US dollar with all other variables held constant, post tax profit for the year would have been £303,000 (2022: £254,000) higher, mainly as a result of foreign exchange gains on translation of US dollar denominated trade receivables, payables and cash balances. Equity would have been a further £25,000 (2022: £26,000) higher mainly as a result of differences in the translation of US dollar investments in subsidiary undertakings. If Sterling had weakened by 5% against the Euro with all other variables held constant, post tax profit for the year would have been £937,000 (2022: £942,000) higher, mainly as a result of foreign exchange gains on translation of Euro denominated trade receivables and cash balances. There would have been no substantial other changes in Equity.

(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 2023, had the interest rates achieved been 5% higher with all other variables held constant then post tax profit for the year would have been £9,000 (2022: £3,000 higher). Other components of equity would have been unchanged.

Notes to the Financial Statements
continued

1. Summary of significant accounting policies continued

(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.

Cash and cash equivalents are as follows:

	2023 £'000	2022 £'000
A1/A+ institutions	**13,933**	9,604

Other financial assets are as follows:

	Credit rating	**2023 £'000**	2022 £'000
Santander UK plc	A1	**–**	3,036
HSBC Bank plc	A1	**–**	2,021
		–	5,057

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 debtor position and considers it is in a position of having limited credit risk (see note 15).

(c) Price risk

As explained in the Strategic 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 3 months with the exception of lease liabilities for which the maturity profile is set out in note 23.

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 of trade and other receivables and trade and other payables are assumed to approximate their fair values.

Key sources of estimation uncertainty

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 (estimate):

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 net realisable value of excess inventories were to be 10% higher than management's estimates the value of this provision would reduce by £358,000 (2022: £265,000). If the net realisable value of excess inventories were to be 10% lower than management's estimates the value of this provision would increase by £379,000 (2022: £265,000).

1. Summary of significant accounting policies continued

(b) Pension benefits assumptions (estimate):

The present value depends on several factors on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost of 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 20.

(c) Pension surplus (judgement):

The retirement benefit asset/obligations recognised on the balance sheet represents the surplus or deficit in the Group's defined benefit pension scheme calculated on an IAS19 basis at the end of the reporting period. The Group has assessed the recoverability of any net asset arising from a surplus position as applicable under IFRIC 14. The Group considers that based on the Trust Deed and Scheme rules, that any surplus would be recoverable on cessation of the scheme.

It is not considered that any items meet the definition of a key source of estimation uncertainty for the Company.

Parent Company significant accounting policies

Basis of preparation

The Company financial statements are prepared in accordance with The Companies Act 2006 as applicable to companies using Financial Reporting Standard 101 'Reduced Disclosure Framework'. The financial statements have been prepared under the historical cost convention. 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.

Disclosure exemptions

The Company has adopted the disclosure exemptions covering the following standards as permissible by Financial Reporting Standard 101 'Reduced Disclosure Framework':

(a) The requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 Share-based Payment

(b) The requirements of IFRS 3 Business Combinations

(c) The requirements of paragraph 33(c) of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

(d) The requirements of IFRS 7 Financial Instruments: Disclosures

(e) The requirements of paragraphs 91 to 99 of IFRS 13 Fair Value Measurement

(f) The requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information

(g) The requirements of IAS 7 Statement of Cash Flows.

(h) The requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

(i) The requirements of paragraphs 17 and 18A of IAS 24 Related Party Disclosures.

(j) The requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member

Fixed asset investments

Fixed asset investments, comprising investments in subsidiary and associated companies, are stated as follows:

Subsidiary 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 101.

Other

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

There are no significant estimates or judgements relating to the Parent Company.

Notes to the Financial Statements
continued

2. Segmental analysis

The Group reports to the Chief Operating Decision Maker, the Board, on two distinct segments of revenue. The Group's reportable segments are as follows; Ceramics, the sale of ceramic tableware and complementary items and; Materials, the sale of materials for the production of ceramics, predominantly to the tableware industry.

	2023 £'000	2022 £'000
Market segment – Revenue		
Ceramics	**74,159**	75,335
Materials	**14,687**	13,500
	88,846	88,835
Intra Group revenue	**(6,507)**	(6,307)
Group Revenue	**82,339**	82,528

	2023 £'000	2022 £'000
Geographical segment – Revenue		
United Kingdom	**34,004**	33,244
Rest of Europe	**32,949**	31,888
USA	**8,399**	8,715
Rest of the World	**6,987**	8,681
	82,339	82,528

The profits of the business are allocated as follows:

Operating profit before exceptional items	**2023 £'000**	2022 £'000
Ceramics	**9,106**	7,932
Materials	**1,146**	1,210
	10,252	9,142

Exceptional items	**2023 £'000**	2022 £'000
Ceramics	**–**	484
Materials	**–**	63
	–	547

Operating profit after exceptional items	**2023 £'000**	2022 £'000
Ceramics	**9,106**	8,416
Materials	**1,146**	1,273
	10,252	9,689

Unallocated items	**2023 £'000**	2022 £'000
Finance Income	**611**	60
Finance costs	**(75)**	(148)
Profit before income tax	**10,788**	9,601

2. **Segmental analysis** continued

Segmental Assets	**2023 £'000**	2022 £'000
Ceramics	**71,491**	66,469
Materials	**9,059**	9,405
	80,550	75,874

Segmental Liabilities	**2023 £'000**	2022 £'000
Ceramics	**18,305**	15,625
Materials	**2,304**	3,601
	20,609	19,226

Capital expenditure on tangible and intangibles assets was made as follows:

Ceramics £5,013,000 (2022: £4,178,000), Materials £394,000 (2022: £662,000).

3. Operating profit

	2023 £'000	2022 £'000
(Income)/Expenses by nature		
Changes in inventories of finished goods and work in progress	**(6,464)**	(3,144)
Raw materials used	**9,580**	7,445
Purchase of goods for resale	**4,375**	5,274
Employee benefit expense – before exceptional costs (note 5)	**31,155**	27,533
Other external charges – before exceptional costs	**30,001**	33,264
Depreciation and amortisation charges	**3,510**	2,983
Profit on disposal of property, plant and equipment	**(16)**	(4)
Foreign exchange (gain)/loss	**(54)**	35
Other external income – exceptional	**–**	(550)
Employee benefit expense – exceptional	**–**	415
Other external charges – exceptional	**–**	59
Profit on disposal – exceptional	**–**	(471)
Total cost of sales, distribution costs and administrative expenses	**72,087**	72,839

During the prior year, the Company received £471,000 as a payment in relation to the voluntary winding up of a ceramic industry trade body of which the Company was a member. Due to the size and nature of this income, the receipt was treated as an exceptional profit on disposal.

Exceptional income of £550,000 was recognised during 2022 relating to COVID-19 Rate Relief credits received from Stoke-on-Trent City Council for the reduced activity during 2020 due to the impact of COVID-19 on the Group's core market. Related to this receipt, the Group recognised exceptional costs totalling £415,000, to support all of our employees with the increased cost of living. Other external exceptional costs in the year are legal fees relating to employment advice.

There are no items classified as exceptional income or costs in the current year.

4. Average number of people employed

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

	2023 Number	2022 Number
By activity		
Production and warehousing	**619**	590
Sales and administration	**217**	212
	836	802

The Company had no employees other than Directors (2022: none).

Notes to the Financial Statements
continued

5. Employee benefit expense

	2023 £'000	2022 £'000
Staff costs (for the employees shown in note 4)		
Wages and salaries	**27,332**	23,885
Social security costs	**2,865**	2,517
Defined contribution pension cost (see note 20)	**876**	867
Other pension costs (see note 20)	**29**	164
Share options granted to directors and employees (see note 21)	**53**	100
	31,155	27,533
Employee benefit expense – exceptional (note 3)	**–**	415
	31,155	27,948

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 (page 31). In addition statutory disclosures in respect of the number of Directors to whom retirement benefits are accruing is disclosed. There are no 'non-directors' that are considered to be key management personnel.

Company

The Company did not make any payments to employees (2022: nil). Directors' emoluments disclosed within the Remuneration Report include fees for services provided for the Company.

6. Finance income and costs

	2023 £'000	2022 £'000
Interest income on cash and cash equivalents	**229**	60
Interest on defined benefit schemes	**382**	–
Finance income	**611**	60
Interest on defined benefit schemes (note 20)	**–**	(113)
Interest on lease liabilities	**(64)**	(35)
Other interest	**(11)**	–
Finance costs	**(75)**	(148)
Net finance income/(costs)	**536**	(88)

7. Auditors' remuneration

During the year, the Group obtained the following services from the Company's Auditors:	**2023 £'000**	2022 £'000
Fees payable to the Company's Auditors for the audit of the Company and consolidated financial statements (Company £6,000, 2022: £6,000)	**290**	259
Total fees payable to the Group's auditors	**290**	259

8. Income tax expense

Group	**2023 £'000**	2022 £'000
Current tax – current year	**1,507**	764
Current tax – current year exceptional	**–**	14
– adjustment in respect of prior periods	**128**	(147)
Current tax	**1,635**	631
Deferred tax (note 19)		
Current year	**1,144**	1,075
Current year – adjustment in respect of prior periods	**292**	–
Deferred tax	**1,436**	1,075
Income tax expense	**3,071**	1,706

8. Income tax expense continued

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 entitles as follows:

	2023 £'000	2022 £'000
Profit before income tax	**10,788**	9,601
Tax calculated at domestic tax rates applicable to profits in the respective countries	**2,535**	1,824
Expenses not deductible for tax purposes	**89**	53
Adjustment in respect of prior periods	**420**	(147)
Other	**27**	(24)
Tax charge	**3,071**	1,706

The weighted average tax rate for the year was 23.5% (2022:19%). Following the announcement of the UK Government's intention to increase Corporation Tax rates from 19% to 25% with effect from 2023, deferred tax balances were provided for at 25% in the year ending December 2022 and as such there is no impact of change in rate in the current year.

During the year a charge of £553,000 (2022: £3,111,000) in relation to deferred tax arising from actuarial gains and losses on the Group's defined benefit pension obligation and a debit of £32,000 (2022: £7,000) in relation to deferred taxation on share based payments were adjusted directly within equity.

9. Earnings per ordinary share

Basic earnings per ordinary share is based on the profit after income tax and on 10,997,835 (2022: 11,009,068) ordinary shares, being the weighted average number of ordinary shares in issue during the year. Adjusted basic earnings per share is calculated after adjusting for the post tax effect of exceptional items (see Note 3).

	2023 Pence per share	2022 Pence per share
Basic earnings per share (Based on earnings £7,717,000 (2022: £7,895,000))	**70.2**	71.7
Less: Exceptional Items: £nil (2022: £532,000)	**–**	(4.8)
Adjusted basic earnings per share (based on adjusted earnings £7,717,000 (2022: £7,363,000))	**70.2**	66.9

10. Dividends

The dividends paid in the year were as follows:

Group and Company

Ordinary	2023 £'000	2022 £'000
Final dividend 2022 21.0p (2022: 17.3p) per 10p ordinary share	**2,309**	1,907
Interim 2023 11.0p (2022: 10.5p) per 10p ordinary share paid	**1,210**	1,155
	3,519	3,062
The Directors now recommend payment of the following dividend:		
Ordinary dividend:		
Final dividend 2023 25.0p (2022: 21.0p) per 10p ordinary share	**2,749**	2,310

Dividends on treasury shares held by the Company are waived.

Notes to the Financial Statements
continued

11. Property, plant and equipment

The Company has no property, plant and equipment (2022: none). Details of property, plant and equipment relating to the Group are as follows:

Group		**Freehold land and buildings £'000**	**Plant and Machinery £'000**	**Motor vehicles £'000**	**Fixtures and fittings £'000**	**Total £'000**
At 1 January 2022						
Cost		18,512	36,984	673	2,593	58,762
Accumulated depreciation		(6,531)	(28,587)	(368)	(2,255)	(37,741)
Net book amount		**11,981**	**8,397**	**305**	**338**	**21,021**
Year ended 31 December 2022						
Opening net book amount		11,981	8,397	305	338	21,021
Additions		415	4,081	172	81	4,749
Disposals		–	(6)	(6)	–	(12)
Depreciation charge		(368)	(2,051)	(115)	(185)	(2,719)
Closing net book amount		**12,028**	**10,421**	**356**	**234**	**23,039**
At 31 December 2022						
Cost		18,927	40,996	806	2,674	63,403
Accumulated depreciation		(6,899)	(30,575)	(450)	(2,440)	(40,364)
Net book amount		**12,028**	**10,421**	**356**	**234**	**23,039**
Year ended 31 December 2023						
Opening net book amount		12,028	10,421	356	234	23,039
Additions		465	4,535	222	112	5,334
Disposals		–	–	(37)	–	(37)
Depreciation charge		(423)	(2,556)	(140)	(132)	(3,251)
Closing net book amount		**12,070**	**12,400**	**401**	**214**	**25,085**
At 31 December 2023						
Cost		19,063	45,362	829	2,786	68,040
Accumulated depreciation		(6,993)	(32,962)	(428)	(2,572)	(42,955)
Net book amount		**12,070**	**12,400**	**401**	**214**	**25,085**
Net book value of Right-of-Use-assets included within Property, Plant and Equipment						
	Note					
At 31 December 2023	**23**	**487**	**100**	**341**	**46**	**974**
At 31 December 2022	23	310	152	232	–	694

Included within Property, Plant and Equipment is £1,242,000 classified as Plant and Machinery (2022: £966,000 classified in Land and Buildings) which meet the classification of Assets In the Course of Construction.

12. Intangible assets

The Company holds intangible assets with a cost of £1,500,000 (2022: £1,500,000) and a net book value of £531,000 (2022: £735,000) relation to Dudson trademarks. These are the only intangible assets the Company holds and it is the only individually material intangible asset to the group. The remaining weighted average amortisation period of the Dudson trademark is 4.8 years (2022: 4.2 years).

Details of intangible assets relating to the Group are as follows:

Group	**Computer software £'000**	**Trademarks £'000**	**Total £'000**
At 31 December 2021			
Cost	1,260	1,500	2,760
Accumulated amortisation	(1,177)	(561)	(1,738)
Net book amount	**83**	**939**	**1,022**
Year ended 31 December 2022			
Opening net book amount	83	939	1,022
Additions	91	–	91
Amortisation charge	(60)	(204)	(264)
Closing net book amount	**114**	**735**	**849**
At 31 December 2022			
Cost	1,351	1,500	2,851
Accumulated amortisation	(1,237)	(765)	(2,002)
Net book amount	**114**	**735**	**849**
Year ended 31 December 2023			
Opening net book amount	114	735	849
Additions	73	–	73
Amortisation charge	(55)	(204)	(259)
Closing net book amount	**132**	**531**	**663**
At 31 December 2023			
Cost	1,424	1,500	2,924
Accumulated amortisation	(1,292)	(969)	(2,261)
Net book amount	**132**	**531**	**663**

13. Investments in subsidiaries

Company

	2023 £'000	2022 £'000
Cost		
At 1 January	**7,440**	7,431
Addition – Incorporation of subsidiary	**–**	9
At 31 December	**7,440**	7,440
Impairment		
At 1 January and 31 December	**(432)**	(432)
Net book value		
At 1 January	**7,008**	6,999
Addition – Incorporation of subsidiary	**–**	9
At 31 December	**7,008**	7,008

Notes to the Financial Statements
continued

13. Investments in subsidiaries continued

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 and voting rights	Principal activity
Churchill China (UK) Limited*	England and Wales	Ordinary	100%	Manufacture and sale of ceramic and related products
Furlong Mills Ltd*	England and Wales	Ordinary	100%	Manufacture and sales of raw material for the ceramics industry
Churchill China, Inc**	USA	Ordinary	100%	Sale of ceramic and related products
Churchill Ceramica Iberia, S.L.***	Spain	Ordinary	100%	Provision of sales and management services within the Group.
Churchill China RM S.R.L.****	Romania	Ordinary	100%	Provision of management services.
Churchill Housewares Limited*	England and Wales	Ordinary	100%	Dormant
Churchill Ceramics (UK) Ltd.*	England and Wales	Ordinary	100%	Dormant
James Broadhurst & Sons Ltd.*	England and Wales	Ordinary	100%	Dormant
Churchill Tableware Limited*	England and Wales	Ordinary	100%	Dormant
Churchill Fine Bone China Holdings* Limited	England and Wales	Ordinary	100%	Dormant
Churchill Fine Bone China Limited*	England and Wales	Ordinary	100%	Dormant
Elizabethan Fine Bone China Limited*	England and Wales	Ordinary	100%	Dormant

The Directors believe the carrying value of subsidiaries is supported by their recoverable amounts. All subsidiaries are directly held with exception of Churchill Tableware Limited, Churchill Fine Bone China Limited and Elizabethan Fine Bone China Limited.

The consolidated financial statements include the results of each of the subsidiaries listed in the table above. Churchill China (UK) Limited and Furlong Mills Ltd have taken an exemption from audit for the year ended 31 December 2023 by virtue of s479A of the Companies Act 2006. In order to allow these subsidiaries to take the audit exemption, Churchill China plc has provided a guarantee to these subsidiaries, in accordance with s479C of the Companies Act 2006. This guarantees that Churchill China plc will support these subsidiaries in full going forward, will not recall any loans and will provide financial support should it be required.

* Registered address: No.1, Marlborough Way, Tunstall, Stoke on Trent, ST6 5NZ, United Kingdom

** Registered address: 2043, Corporate Lane, Suite 115, Naperville, Illinois 60563. USA

*** Registered address: Ortega y Gasset, 22-24, Planta 3ª 28006 Madrid

****Registered address: 32 Dorobanti Way, 1st District, Bucharest, Romania

14. Inventories

The Company has no inventory (2022: none). Details of inventory relating to the Group are as follows:

	2023 £'000	2022 £'000
Raw materials	**3,176**	3,633
Work in progress	**3,183**	1,303
Finished goods	**15,537**	10,953
	21,896	15,889

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 1.

The cost of inventories recognised as an expense and included in the income statements amounted to £50,094,000 (2022: £50,471,000). The movement in impairment provisions against the value of inventory in relation to slow moving and obsolete items during the year was a decrease for the Group of £156,000 (2022: increase of £129,000).

15. Trade and other receivables

	Group		Company	
	2023 £'000	2022 £'000	**2023 £'000**	2022 £'000
Trade receivables	**10,712**	12,954	**–**	–
Less: provision for impairment of trade receivables	**(219)**	(326)	**–**	–
Trade receivables – net	**10,493**	12,628	**–**	–
Prepayments and other debtors	**543**	1,162	**–**	–
Corporation tax	**–**	590	**–**	–
Receivables from group undertakings	**–**	–	**2,258**	2,363
	11,036	14,380	**2,258**	2,363
Less non-current portion: loans to group undertakings	**–**	–	**(1,951)**	(1,970)
Current portion	**11,036**	14,380	**307**	393

All non current receivables are due within five years from the balance sheet date, are not interest bearing and are unsecured.

Derivative financial instruments represent the fair value of gains on foreign exchange contracts.

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 2023, trade receivables of £7,223,000 (2022: £9,562,000) were fully performing.

As of 31 December 2023, trade receivables with a gross value of £1,926,000 (2022: £2,693,000) were impaired and provided for. The amount of provision for 31 December 2023 was £219,000 (2022: £326,000). 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:

	2023 £'000	2022 £'000
Up to 3 months	**1,894**	2,682
3 to 6 months	**25**	10
Over 6 months	**7**	1
	1,926	2,693

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

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

	2023 £'000	2022 £'000
At 1 January	**326**	196
(Decrease)/increase in provision for receivables impairment	**(107)**	109
Written back during the year	**–**	21
At 31 December	**219**	326

The creation and release of provision for impaired receivables have been included in 'other external charges' in the income statement (note 3). Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

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

	2023 £'000	2022 £'000
Pounds	**6,897**	9,677
Euros	**3,113**	3,759
US Dollars	**1,026**	934
Canadian Dollars	**–**	10
	11,036	14,380

During the year, the Group realised gains of £56,000 (2022: £58,000) on settled forward option contracts that have been recognised in the Income Statement and as at 31 December 2023 held foreign currency exchange contracts for the sale of Euros of £9,786,000 (2022: £6,575,000) and the sale of US dollars of £3,068,000 (2022: £2,882,000). These contracts are held at their fair value with a loss of £63,000 (2022: £148,000) recognised in relation to the contracts outstanding at the year end.

Notes to the Financial Statements
continued

15 **Trade and other receivables** continued

Company

As of 31 December 2023, all Company trade receivables were fully performing. Amounts receivable are repayable in accordance with agreed terms. No interest is chargeable.

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

	2023 £'000	2022 £'000
Pounds	**2,112**	2,217
US dollar	**146**	146
	2,258	2,363

We have assessed amounts receivable from Group undertakings in accordance with the expected credit loss model prescribed by IFRS 9. The provision for impairment against these balances is considered to be immaterial.

16. Other financial assets

	Group		**Company**	
	2023 £'000	2022 £'000	**2023 £'000**	2022 £'000
Other financial assets	**–**	5,057	**–**	–

Other financial assets represent term deposits made with banks not classified as cash and cash equivalents with maturities of less than one year as at the balance sheet date. The deposits are not impaired. Further detail of other financial assets is given within Note 1.

17. Trade and other payables

		Group		**Company**	
	Note	**2023 £'000**	2022 £'000	**2023 £'000**	2022 £'000
Trade payables		**2,658**	4,422	**–**	–
Social security and other taxes		**1,120**	855	**–**	–
Accrued expenses		**9,572**	8,761	**58**	37
Lease liabilities	18	**336**	253	**–**	–
Corporation Tax		**669**	–	**–**	–
Payable to group companies		**–**	–	**13**	13
		14,355	14,291	**71**	50

All the above liabilities mature within twelve months from the year end.

18. Lease liabilities

	Group	
	2023 £'000	2022 £'000
Lease liabilities – current	**336**	253
Lease liabilities – non current	**677**	477
	1,013	730

Further analysis relating to the lease liabilities acquired is included in Note 23.

19. 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	2023 £'000	2022 £'000
Deferred tax assets:		
– Deferred tax asset to be recovered after more than 12 months	**4**	46
– Deferred tax asset to be recovered within 12 months	**78**	86
	82	132
Deferred tax liabilities:		
– Deferred tax liabilities to be recovered after more than 12 months	**(4,019)**	(3,936)
– Deferred tax liabilities to be recovered within 12 months	**(1,558)**	(522)
	(5,577)	(4,458)
Deferred tax liability	**(5,495)**	(4,326)

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

	2023 £'000	2022 £'000
At 1 January	**(4,326)**	(133)
Income statement charge (note 8)	**(1,151)**	(1,075)
Tax credits relating to components of comprehensive income	**(50)**	–
Tax (charged)/credited directly to equity	**32**	(3,118)
At 31 December	**(5,495)**	(4,326)

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:

Deferred tax liabilities	Accelerated tax depreciation £'000	Land and building revaluation £'000	Retirement Benefit £'000	Other £'000	Total £'000
At 1 January 2022	**1,671**	**274**	**–**	**30**	**1,975**
Charged/(credited) to the income statement	756	(3)	–	(1)	752
Reclassification from assets	–	–	1,731	–	1,731
At 31 December 2022	**2,427**	**271**	**1,731**	**29**	**4,458**
Charged/(credited) to the income statement	889	3	533	–	1,419
Tax credits relating to components of comprehensive income	–	–	(300)	–	(300)
At 31 December 2023	**3,316**	**268**	**1,964**	**29**	**5,577**

Deferred tax assets	Retirement benefit obligation £'000	Other £'000	Total £'000
At 1 January 2022	**1,789**	**53**	**1,842**
Charged to the income statement	(409)	86	(323)
Tax charges relating to components of comprehensive income	(3,111)	–	(3,111)
Charged directly to equity	–	(7)	(7)
Reclassification to liabilities	**1,731**	**–**	**1,731**
At 31 December 2022	**–**	**132**	**132**
Charged to the income statement	–	(18)	(18)
Tax charges relating to components of comprehensive income	–	(32)	(32)
At 31 December 2023	**–**	**82**	**82**

The deferred tax asset relates wholly to the defined benefit pension scheme. The deferred tax asset will be recognised as the defined benefit pension scheme unwinds.

Notes to the Financial Statements
continued

19. Deferred income tax continued

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

	2023 £'000	2022 £'000
Fair value reserves in shareholders' equity for both Group and Company:		
Tax on share based payments	**(32)**	7
	(32)	7

Deferred income tax of £3,000 (2022: £3,000) was transferred from other reserves to retained earnings. 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 £1,147,000 (2022: £1,155,000) in respect of capital losses amounting to £4,587,000 (2022: £4,621,000) that can be carried forward against future capital gains.

Company

Deferred tax assets of £nil are recognised relating to short-term timing differences (2022: £33,000). The net charge to the Income Statement and Statement of Comprehensive Income was £nil (2022: £25,000).

20. Retirement benefit asset

	2023 £'000	2022 £'000
Balance sheet asset/(obligations)		
Pension benefits	**7,855**	6,924
Income statement charge		
Pension benefits	**902**	1,031
Finance costs	**(382)**	113

The Group has operated four principal pension schemes during the year. The cost of these schemes is as follows;

Scheme	**2023**	2022	**Nature**
Churchill Group Retirement Benefit Scheme	**–**	–	Final salary defined benefit plan. Closed to new entrants in 1999 and to which the accrual of future benefits ceased in 2006
Churchill China 2019 Pension Scheme	**£836,000**	£830,000	Defined contribution (Master Trust)
Furlong Mills Ltd. Pension Plan	**£7,000**	£8,000	Defined contribution plan
Furlong Mills Ltd. section of the Now Pension scheme	**£30,000**	£29,000	Defined contribution auto enrolment scheme

The assets of the schemes are held separately from those of the Group. The total pension cost for the Group was £902,000 (2022: £1,031,000). 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 £13,000 (2022: £211,000).

No contributions have been made to the Churchill Group Retirement Benefit Scheme ('the RBS') in relation to current service since the date of cessation of the future accrual of benefits on 31 March 2006. A contribution of £1,750,000 (2022: £1,750,000) was made in respect of the amortisation of past service liabilities during the year.

The Board of Trustees of the Churchill RBS are responsible for the administration and governance of the Scheme. The forward funding rate of the Scheme was agreed with the Scheme Trustees and Actuary following the completion of the 31 May 2020 triennial actuarial valuation in November 2022. The Group has agreed to make payments of £1,750,000 per annum in respect of the amortisation of past service deficits for three years to October 2024 and £1,284,000 per annum until May 2028 in respect of the amortisation of past service deficits.

Any deficit in the RBS is a liability of the Group as Scheme employer and the deficit amortisation payments aimed at removing this deficit may vary dependant on changes in the assumptions underlying the calculation of liabilities and actual experience. The Group takes into account the level of present and future payments into the RBS along with capital expenditure and other investments, when considering the allocation of available cash flow and setting dividend policy.

20. **Retirement benefit asset** continued

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

	2023 £'000	2022 £'000
Present value of funded obligations	**(40,040)**	(39,700)
Fair value of plan assets	**47,895**	46,624
Asset/(liability) in balance sheet	**7,855**	6,924

The preliminary actuarial valuation of the Scheme as at 31 May 2023 was completed by a qualified independent actuary (Mercer) and the results of this have been updated on an approximate basis to 31 December 2023. The funding level of the RBS has improved substantially during the year as a result of an increase in discount rates applied to scheme liabilities following higher general interest rates. The scheme's investment strategy has been adjusted to reflect revised market conditions. The Company is reviewing the forward position in relation to future scheme funding.

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

	2023 £'000	2022 £'000
At 1 January	**39,700**	61,007
Interest cost	**1,891**	1,086
Experience gains on liabilities	**(533)**	3,652
Re-measurements from change in demographic assumptions	**441**	(47)
Re-measurements from change in financial assumptions	**1,467**	(24,667)
Benefits paid	**(2,225)**	(1,331)
At 31 December	**40,741**	39,700

Included within net scheme liabilities is a liability of £701,000 (2022: £712,000) offset by a matching insurance policy asset of £701,000 (2022: £712,000) in respect of annuitised member benefits.

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

	2023 £'000	2022 £'000
At 1 January	**46,624**	53,851
Expected return on plan assets	**2,273**	973
Re-measurement of return on plan assets excluding amounts included in interest expense	**174**	(8,619)
Employer contributions	**1,750**	1,750
Benefits paid	**(2,225)**	(1,331)
At 31 December	**48,596**	46,624

Plan assets are comprised as follows:

	2023		2022	
	£'000		£'000	
Equity investment funds	**–**	**0%**	12,358	27%
Absolute return funds	**–**	**0%**	2,270	5%
Other investment funds	**12,746**	**26%**	1,316	3%
Debt investments	**34,295**	**72%**	27,523	59%
Cash and cash equivalents	**854**	**2%**	3,157	7%
	47,895		46,624	

The expected return on plan assets under IAS 19 (revised) is calculated at the same rate used to discount scheme liabilities. Nil% (2022: 0.2%) of plan assets are quoted.

The amounts recognised in the income statement are as follows:

	2023 £'000	2022 £'000
Interest cost on defined benefit plans	**(382)**	113

The actual return on plan assets was a loss of £1,746,000 (2022: £7,646,000).

Notes to the Financial Statements
continued

20. Retirement benefit asset continued

Remeasurement gains of £701,000 (2022: £12,443,000) 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 £9,938,000 (2022: £9,237,000).

The principal actuarial assumptions used were as follows:

Pension benefits

	2023 % per annum	2022 % per annum
Discount rate	**4.8%**	4.9%
Inflation rate – RPI	**3.1%**	3.2%
– CPI	**2.7%**	2.8%
Duration used to set discount rates	**14.00 years**	15.00 years
Rate of increase of pensions in payment	**2.6%**	2.6%
Rate of increase of deferred pensions	**2.7%**	2.8%
Post retirement mortality assumptions	**111% (males) and 107% females of the standard tables S3PMA/ S3PFA_M, Year of birth, no age rating projected using CMI_2022 converging to 1.25% p.a.**	120% of the standard tables S3PMA/S3PFA_M, Year of birth, no age rating projected using CMI_2021 converging to 1.25% p.a.

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

	2023 Years	2022 Years
Male	**20.7**	20.8
Female	**22.8**	22.6

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

	2023 Years	2022 Years
Male	**21.9**	22.1
Female	**24.3**	24.1

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 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. The Trustees investment aim is to meet pension liabilities as they fall due.

Changes in bond yields which impact discount rate

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

Inflation risk

The Group's 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 plan's 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.

20. **Retirement benefit asset** continued

Sensitivity

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

The effect of a 50 basis point decrease in the discount rate to 4.3% would be to increase scheme liabilities by £2,730,000 (6.9%).

The effect of a 25 basis point increase in CPI inflation to 2.95% would increase scheme liabilities by £839,000 (2.1%).

The effect of a 1 year increase to life expectancy would increase scheme liabilities by £1,120,000 (2.8%).

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

21. Called up share capital and share premium account

Group and Company	**Number of shares '000**	**Ordinary shares £'000**	**Share premium £'000**
At 1 January 2023 and 31 December 2023	11,030	1,103	2,348

The total authorised number of ordinary shares is 14,300,000 (2022: 14,300,000) with a par value of 10p (2022: 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 equity settled and 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.

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

Long term incentive plan

Grant date	**21 June 2023**	28 June 2022
Share price at grant date	**1,375p**	1,415p
Exercise price	**10p**	10p
Number of employees	**11**	11
Shares under option	**94,011**	84,056
Vesting period (years)	**3**	3
Expected volatility	**39.3%**	39.2%
Option life (years)	**10**	10
Expected life (years)	**3**	3
Risk free rate	**4.4%**	1.7%
Expected dividends expressed as a dividend yield	**2.2%**	1.7%
Fair value per option	**1,245p**	1,302p

The following options exercisable over ordinary shares were outstanding at 31 December 2023 under the Long Term Incentive Plan:

Number of shares	**2023**	2022	**Exercise price**	**Date from which exercisable**	**Expiry date**
June 2021 Grant	**–**	44,765	10p	June 2024	June 2031
June 2022 Grant	**84,056**	84,056	10p	June 2025	June 2032
June 2023 Grant	**94,011**	–	10p	June 2026	June 2033
	178,067	128,821			

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 2023 is set out below.

Notes to the Financial Statements
continued

21. Called up share capital and share premium account continued

	2023 Number '000	**2023 Weighted average exercise price**	2022 Number '000	2022 Weighted average exercise price
Outstanding at 1 January	**128,821**	**10.0p**	44,765	10.0p
Granted	**94,011**	**10.0p**	84,056	10.0p
Lapsed	**(44,765)**	**10.0p**	–	10.0p
Outstanding at 31 December	**178,067**	**10.0p**	128,821	10.0p
Exercisable at 31 December	**–**	**–**	–	–

There were 94,011 share options granted during the year (2022: 84,056).

	2023 Weighted average exercise price	**2023 Number '000**	**2023 Weighted average remaining life (expected)**	**2023 Weighted average remaining life (contractual)**	2022 Weighted average exercise price	2022 Number '000	2022 Weighted average remaining life (expected)	2022 Weighted average remaining life (contractual)
0–50p	**10p**	**178,067**	**2.0**	**9.0**	10p	128,821	2.2	9.2

The weighted average price for options exercised in the year was nil (2022: nil). The total charge during the year for employee share based payment plans was £53,000 (2022: £100,000) before tax, which related to equity settled share based payment transactions.

22. Treasury shares

Group and Company	**2023 £'000**	2022 £'000
As at 1 January	**431**	80
Purchase of own shares	**–**	351
As at 31 December	**431**	431

During the year the Group repurchased nil (2022: 25,000) 10p ordinary shares at a market price of £14.00 per share and reissued nil (2022: nil) under employee share option schemes. The Group currently holds 32,337 (2022: 32,337) shares in Treasury.

23. Leases

The Group has recognised assets and financial commitments in respect of non cancellable leases for Buildings, Plant and Machinery and Motor Vehicles as below:

	2023 £'000	2022 £'000
Right of Use Assets – Net Book Value		
Land and Buildings	**487**	310
Plant & Equipment	**146**	152
Motor Vehicles	**341**	232
Total	**974**	694

The Group has recognised amounts in the Income Statement for Right of Use Assets included within Fixed Assets

	2023 £'000	2022 £'000
Depreciation charge on Right of Use Assets		
Land and Buildings	**139**	87
Plant & Equipment	**81**	92
Motor Vehicles	**114**	72
Total	**334**	251

23. **Leases** continued

Lease Liability	**Land and Buildings £'000**	**Plant & Equipment £'000**	**Motor Vehicles £'000**	**Total £'000**
Opening at 1 January 2022	69	206	134	409
Additions	333	79	172	584
Payments	(108)	(115)	(75)	(298)
Interest	23	9	3	35
At 31 December 2022	**317**	**179**	**234**	**730**
Opening at 1 January 2023	317	179	234	730
Additions	318	73	223	614
Payments	(171)	(103)	(120)	(394)
Interest	45	9	10	64
At 31 December 2023	**509**	**158**	**347**	**1,014**

The maturity of lease liabilities is as follows. The amounts disclosed in the table are the contractual undiscounted cash flows.

	2023 £'000	2022 £'000
Within 1 year	**387**	285
Between 1 and 5 years	**762**	537
Total	**1,149**	822

The total cash outflow for leases in the year was £395,000 (2022: £298,000).

24. Capital commitments

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

	Group		**Company**	
	2023 £'000	2022 £'000	**2023 £'000**	2022 £'000
Property, plant and equipment	**1,179**	507	**–**	–
	1,179	507	**–**	–

25. Related party transactions

All subsidiaries within the Group are wholly owned and therefore the Group has taken the exemption from disclosing the related party transactions.

26. Financial instruments by category

The accounting policies for financial instruments have been applied to the line items in the financial statements. All financial assets including cash and cash equivalents, other financial assets and trade and related party receivables are classified as amortised cost, with the exception of derivative financial instruments classified as fair value through profit and loss, in both 2023 and 2022, as disclosed in note 15. Derivative financial instruments disclosed in note 15 are classified as level 2 in the fair value hierarchy given this is the fair value of financial instrument not traded in an active market and is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. All significant inputs required to fair value an instrument are observable and therefore the instrument is included in level 2.

All amounts shown in notes 17 and 18 are financial liabilities measured at amortised cost.

The carrying value and fair value of all financial instruments is considered to be materially consistent.

Five-Year Financial Record
(unaudited)

	2019 £'000	2020 £'000	2021 £'000	2022 £'000	**2023** **£'000**
Revenue	67,502	36,362	60,839	82,528	**82,339**
Operating profit before exceptional item	11,242	922	6,122	9,142	**10,252**
Exceptional items	117	(757)	-	547	**-**
Operating profit	11,359	165	6,122	9,689	**10,252**
Share of results of associate net of impairment	(22)	-	-	-	**-**
Net Finance (costs)/income	(44)	(74)	(159)	(88)	**536**
Profit before exceptional item and income tax	11,176	848	5,963	9,054	**10,788**
Exceptional items	117	(757)	-	547	**-**
Profit before income tax	11,293	91	5,963	9,601	**10,788**
Income tax (expense)/credit	(2,136)	22	(1,797)	(1,706)	**(3,071)**
Profit for the year	9,157	113	4,166	7,895	**7,717**
Dividends paid	3,356	-	739	3,062	**3,519**
Net assets employed	41,841	37,141	42,683	56,648	**59,941**
Ratios					
Operating margin before exceptional items	16.7%	2.5%	10.1%	11.1%	**12.5%**
Earnings before exceptional items, interest, tax, depreciation and amortisation (£000)	13,594	3,508	8,960	12,125	**13,762**
Basic earnings per share (p)	82.6	1.0	37.8	71.7	**70.2**
Adjusted basic earnings per share (p)	81.7	6.5	37.8	66.9	**70.2**

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