CHURCHILL

INTERIM REPORT 2020

Key Highlights

Financial

- Operating profit before exceptional items £0.5m (2019 H1: £4.2m; 2019: £11.2m)
- Profit before exceptional items and tax £0.5m (2019 H1: £4.2m; 2019: £11.2m)
- Reported (loss) / profit before tax after exceptional items (£0.4m) (2019 H1: £4.3m; 2019: £11.3m)
- Adjusted earnings per share 3.5p (2019 H1: 30.4p; 2019: 81.7p)
- Basic (loss) / earnings per share (2.9p) (2019 H1: 31.3p; 2019: 81.8p)
- Interim dividend to be reviewed December 2020
- Cash generated from operations £3.4m (2019 H1: £2.4m; 2019: £11.3m)
- Cash and deposits £16.3m (2019 H1: £13.5m; 2019: £15.6m)

Business

- Total revenues £18.9m (2019 H1: £31.9m; 2019: £67.5m)
- Strong start to 2020, impact of COVID in Q2
- Revised operational plans implemented swiftly
- Market recovery progressing
- Continued shift of sales mix towards Europe
- Sales of Hospitality added value product over 50% for the first time
- Forward investment in business continues

Alan McWalter
Chairman of Churchill China, commented:

"Churchill remains a resilient Company with a strong market position and a geographically wide spread of business within the hospitality sector. Our key strengths of innovative design, technically differentiated products and market leading customer service will remain important in our markets."

Chairman's Statement

Introduction

The first six months of 2020 have demonstrated many of the qualities that define Churchill as a business. The year began exceptionally well, building on the success achieved over several years and the investments made in 2019. Our growth and differentiation strategies continued to deliver market share gains, particularly in export. The effect of COVID and associated worldwide lockdown measures on our business in the second quarter has been substantial, but our operational and financial strengths have allowed us to weather the initial storm, to respond quickly and to begin to recover with a high degree of energy. We have developed and implemented a number of plans that will give us more flexibility to respond to market conditions which, whilst currently improving, are likely to remain uncertain.

Our wide spread of business has enabled us to benefit from faster recovery rates in different countries. Our differentiated product range and fulfilment capabilities continue to deliver competitive advantage in what remain repeat orientated markets. This market position continues to be supported by a well invested business, a strong financial position and an experienced management team.

Each year I am pleased to thank our workforce for their effort and commitment to building our success. This year is no exception. 2020 has clearly placed substantial additional demands on all our employees and I have been hugely appreciative of their response. We have a strong team of people at all levels of the business who are experienced and above all have a positive approach to addressing and resolving problems. The challenges posed by COVID are not yet fully clear, but I am sure that with our team we will face them from a strong position.

Financial Review

Total revenues decreased by 41% to £18.9m (2019 H1: £31.9m) with the growth achieved in the first quarter of the year offset by substantially lower revenues during Q2. Ceramics revenues were £17.0m (2019 H1: £29.9m) and revenue from Materials (Furlong Mills) was £1.9m (H1 2019 post acquisition: £2.0m). UK revenues were £6.8m (2019 H1: £12.6m) and export sales were £12.0m (2019 H1: £19.3m).

In the first two months of 2020, Ceramics revenues increased by 33%, demonstrating significant progress against our strategic plans and the benefit of an improvement in our competitive position following the acquisition of Dudson products in 2019. Following the imposition of lockdown measures across our main markets towards the end of March revenue fell substantially and in April was 9% of the equivalent period in 2019. This improved during May (to 14% of 2019 levels) and June (30% of the prior year), largely reflecting progress in Europe. In July this figure reached 50% of 2019 as an improvement in the UK following the re–opening of hospitality supported the earlier recovery in Europe.

We have managed our cost base carefully during the lockdown period. Given the need to operate safely and to adjust our short term output levels, the majority of our workforce were furloughed during March, with a skeleton staff remaining to manage the business and to plan and prepare for re–opening. Scale level production was re–commenced during July and is expected to reach 70% of 2019 levels in August. We retain a degree of flexibility to amend these production levels should market demand vary.

Profit before exceptional items and income tax was £0.5m (2019 H1: £4.2m).

Adjusted earnings per share was 3.5p (2019 H1: 30.4p).

The need to adjust our operations to reflect the impact of COVID has resulted in costs of £0.9m which have been treated as exceptional. These charges largely relate to the reduction of manpower levels consistent with lower levels of production.

Reported loss before tax after exceptional items was £0.4m (H1 2019: Profit £4.3m).

Basic (loss) / earnings per share after exceptional items, was (2.9p) (2019 H1: 31.3p)

We continue to manage our cash flow carefully with good control of working capital. We entered the year with £15.6m of net cash and deposits. At 30 June 2020 this had risen to £16.3m. Whilst the increase reflects the cash generative nature of Churchill's business, it has been improved in the short term by the change in working capital requirements and lower capital expenditure during the lockdown period. We expect this working capital benefit to reverse in the second half year as we grow inventory and receivables, leading to lower, although still good, cash reserves at the year end. We have continued to generate good cash flows, operating cash generation was £3.4m (2019 H1: £2.4m).

We retain a strong balance sheet with net assets of £41.3m (H1 2019: £41.4m), including net cash and deposits of £16.3m (H1 2019: £13.5m). This balance sheet strength provides re–assurance and resilience during uncertain business conditions.

Dividend

The importance of dividend income to our shareholders is well understood within Churchill and we have formed our long term business plan recognising the need to pay a fair and regular dividend.

We believe that the Company retains the capacity to propose and pay an interim dividend, but that at present we should balance the current uncertainty in our markets ahead of an immediate return to dividend. The fourth quarter of the year has always been an important part of our performance and remains so this year. As such we will review our dividend policy and the declaration of an interim dividend again at the end of the year in the light of performance in the fourth quarter and forward trading conditions.

Business

Ceramics

As we indicated earlier in this statement, our Ceramics business started the year with two record months including strong progress in all our geographic market sectors. This reflects the work we have done over the long term to build our worldwide distribution network and differentiated, added value, product portfolio. It was also supported by the improvement in our market position following the acquisition of products from Dudson during 2019. We remain well placed to recover lost ground as general trading levels improve.

Our geographic spread of business continues to be a major benefit. Progress has been fastest in Europe where we were growing strongly and enjoy a premium market position. We believe that we have continued to take increased market share in the first half year, with gains once again largely attributable to improved distribution and our strong portfolio of added value products. We will continue to prioritise investment in growing our European sales. Revenues in the UK have recovered at a slower rate as hospitality markets continued to be affected by restrictions until early July.

We enjoy long term relationships with many distributors and end users and these contacts have allowed us to remain focused on developing and securing market opportunities in otherwise difficult times.

Export revenues now represent 71% of Ceramics revenues (2019 H1: 65%).

We continue to make progress in increasing the proportion of our revenues represented by added value products. In January and February this represented over half our Hospitality sales for the first time, up 6% from 2019 and has remained at these higher levels since. We have continued to prioritise innovation and see the differentiation provided as an important part of our recovery plan. We continue to plan further new product introductions later this year.

Our Retail business has performed satisfactorily. We planned to reduce revenue in this area, but have taken the opportunity to continue to use Retail as a means to provide background volume to our manufacturing operations and to develop new decorating techniques.

Materials

Furlong Mills has been affected by the impact of COVID as a number of UK ceramic manufacturers, including Churchill, have scaled back their levels of operation. Trading levels have again been satisfactory and we have used the period of lower activity to progress a number of projects aimed at building the Group's technical capabilities and in support of our product development programme.

Operations

The first half of 2020 has clearly represented a major challenge to Churchill's operations in both manufacturing and logistics. We entered 2020 well placed in terms of our operations, with a well invested factory delivering a strong blend of efficiency and flexibility. This has allowed us to respond quickly to the difficulties posed by COVID.

Our first responsibility is to operate safely and we therefore paused our manufacturing activities during March and the majority of April. However, we have been determined to maintain our reputation offering a market leading service to our customers and we continued to supply during the lockdown period. We expect to reach a revised medium term operating level of around 70% of 2019 volumes later in August. We believe this level represents a base from which we can move efficiently to respond to changes in demand as trading conditions become clearer with time.

This revised operating level is necessarily below previous levels and it is with regret that we have needed to undertake an exercise to more closely align our output levels with short to medium term demand resulting in the loss of a number of roles within the business. We believe that we will be operating at a level where, despite lower overall volumes, we can still achieve efficient levels of productivity.

As a business we have always prioritised investment in our operations and we are bringing to completion three major projects. We have also reviewed our forward manufacturing strategy in the light of revised operational conditions and have approved further projects important to our forward operations under COVID. We expect our overall capital expenditure to remain at a controlled level in the medium term as we prioritise a return on the investments made in the recent past, but will continue to support projects aligned to our long term strategy.

Outlook

The impact COVID on all our markets has been substantial but we have responded well to the initial challenges and have orientated Churchill to the new business environment. We have many long term advantages; our business model remains strong, we have well invested and flexible operations, a strong balance sheet and an experienced and committed workforce.

We are not yet in a position where we can assess the extent or longevity of the COVID disruption to our markets and the effect this will have on our forward revenues. As such we are not yet in a position to give guidance in relation to our future financial performance. Pleasingly we are now beginning to see some momentum in the improvement of trading across our business.

Churchill remains a resilient Company with a strong market position and a geographically wide spread of business within the hospitality sector. Our key strengths of innovative design, technically differentiated products and market leading customer service will remain important in our markets.

Alan McWalter
Chairman
20 August 2020

Consolidated income statement

for the six months ended 30 June 2020

	Note	**Unaudited Six months to 30 June 2020 £000**	Unaudited Six months to 30 June 2019 £000	Audited Twelve months to 31 December 2019 £000
Revenue	1	**18,853**	31,934	67,502
Operating profit before exceptional item	1	**498**	4,237	11,242
Exceptional items	2	**(869)**	117	117
Operating Profit	1	**(371)**	4,354	11,359
Share of results of associate company		**–**	(22)	(22)
Finance income	3	**56**	69	124
Finance costs	3	**(67)**	(100)	(168)
Profit before exceptional item and income tax		**487**	4,184	11,176
Exceptional items	2	**(869)**	117	117
(Loss) / profit before income tax		**(382)**	4,301	11,293
Income tax / (credit) expense	4	**66**	(815)	(2,136)
(Loss) / profit for the period		**(316)**	3,486	9,157
(Loss) / profit for the period is attributable to:				
Owners of the Company		**(316)**	3,425	9,063
Non–controlling interests		**–**	61	94
		(316)	3,486	9,157

	Note	**Pence per share**	Pence per share	Pence per share
Adjusted earnings per ordinary share	5	**3.5**	30.4	81.7
Diluted adjusted earnings per ordinary share	5	**3.5**	30.1	80.9
Basic (loss) / earnings per ordinary share	5	**(2.9)**	31.3	82.6
Diluted (loss) / earnings per ordinary share	5	**(2.9)**	31.0	81.8

Consolidated statement of comprehensive income

for the six months ended 30 June 2020

	Unaudited Six months to 30 June 2020 £000	Unaudited Six months to 30 June 2019 £000	Audited Twelve months to 31 December 2019 £000
Other comprehensive income/(expense)			
Items that will not be reclassified to profit and loss:			
Actuarial gain / (loss) on retirement benefit obligations (net)	**107**	–	(996)
Items that may be reclassified subsequently to profit and loss			
Impact of change in UK tax rate on deferred tax on revaluation reserve	**(23)**	–	–
Exchange differences	**29**	2	(16)
Other comprehensive income / (expense)	**113**	2	(1,012)
(Loss) / profit for the period	**(316)**	3,486	9,157
Total comprehensive (expense) / income for the period	**(203)**	3,488	8,145
Attributable to:			
Owners of the Company	**(203)**	3,427	8,051
Non–controlling interest	**–**	61	94
	(203)	3,488	8,145

All above figures relate to continuing operations.

Consolidated balance sheet

as at 30 June 2020

	Unaudited 30 June 2020 £000	Unaudited 30 June 2019 £000	Audited 31 December 2019 £000
Assets			
Non-current assets			
Property, plant and equipment	**20,531**	18,964	19,769
Intangible assets	**1,434**	1,620	1,571
Deferred income tax assets	**1,092**	998	1,103
	23,057	21,582	22,443
Current assets			
Inventories	**11,866**	11,747	11,647
Trade and other receivables	**3,965**	12,013	10,951
Other financial assets	**1,504**	6,511	3,007
Cash and cash equivalents	**14,833**	6,971	12,572
	32,168	37,242	38,177
Total assets	**55,225**	58,824	60,620
Liabilities			
Current liabilities			
Trade and other payables	**(7,130)**	(10,572)	(11,105)
Current income tax liabilities	**(93)**	(836)	(1,022)
Total current liabilities	**(7,223)**	(11,408)	(12,127)
Non-current liabilities			
Lease liabilities payables	**(250)**	(274)	(269)
Deferred income tax liabilities	**(1,137)**	(972)	(1,040)
Retirement benefit obligations	**(5,296)**	(4,809)	(5,343)
Total non-current liabilities	**(6,683)**	(6,055)	(6,652)
Total liabilities	**(13,906)**	(17,463)	(18,779)
Net assets	**41,319**	41,361	41,841
Equity			
Issued share capital	**1,103**	1,103	1,103
Share premium account	**2,348**	2,348	2,348
Treasury shares	**(446)**	(445)	(446)
Other reserves	**1,573**	1,653	1,802
Retained earnings	**36,741**	34,739	37,034
Capital and reserves attributable to owners of the Company	**41,319**	39,398	41,841
Non-controlling interest	**–**	1,963	–
Total equity	**41,319**	41,361	41,841

Consolidated statement of changes in equity

as at 30 June 2020

	Retained earnings £000	Issued share capital £000	Share premium £000	Treasury shares £000	Other reserves £000	Total £000	Non-controlling interest £000	Total equity £000
Balance at 1 January 2019	33,542	1,103	2,348	(729)	1,703	**37,967**	–	**37,967**
Comprehensive income								
Profit for the period	3,425	–	–	–	–	**3,425**	61	**3,486**
Other comprehensive income								
Depreciation transfer – gross	5	–	–	–	(5)	**–**	–	**–**
Depreciation transfer – tax	(1)	–	–	–	1	**–**	–	**–**
Currency translation	–	–	–	–	2	**2**	–	**2**
Total comprehensive income	3,429	–	–	–	(2)	**3,427**	61	**3,488**
Transactions with owners								
Dividends	(2,224)	–	–	–	–	**(2,224)**	–	**(2,224)**
Proceeds of share issue	–	–	–	3	–	**3**	–	**3**
Share based payment	200	–	–	–	(48)	**152**	–	**152**
Deferred tax – share based payment	73	–	–	–	–	**73**	–	**73**
Treasury shares	(281)	–	–	281	–	**–**	–	**–**
Non–controlling interest on acquisition	–	–	–	–	–	**–**	1,902	**1,902**
Total transactions with owners	(2,232)	–	–	284	(48)	**(1,996)**	1,902	**(94)**
Balance at 30 June 2019	34,739	1,103	2,348	(445)	1,653	**39,398**	1,963	**41,361**
Comprehensive income								
Profit for the period	5,638	–	–	–	–	**5,638**	33	**5,671**
Other comprehensive income								
Depreciation transfer – gross	7	–	–	–	(7)	**–**	–	**–**
Depreciation transfer – tax	(1)	–	–	–	1	**–**	–	**–**
Re–measurement of retirement benefit obligations – net of tax	(996)	–	–	–	–	**(996)**	–	**(996)**
Currency translation	–	–	–	–	(18)	**(18)**	–	**(18)**
Total comprehensive income	4,648	–	–	–	(24)	**4,624**	33	**4,657**
Transactions with owners								
Dividends	(1,132)	–	–	–	–	**(1,132)**	–	**(1,132)**
Share based payment	–	–	–	–	173	**173**	–	**173**
Deferred tax – share based payment	45	–	–	–	–	**45**	–	**45**
Treasury shares	–	–	–	(1)	–	**(1)**	–	**(1)**
Purchase of non–controlling interest	–	–	–	–	–	**–**	(1,996)	**(1,996)**
Write off premium on purchase of non–controlling interest	(1,266)	–	–	–	–	**(1,266)**	–	**(1,266)**
Total transactions with owners	(2,353)	–	–	(1)	173	**(2,181)**	(1,996)	**(4,177)**
Balance at 31 December 2019	37,034	1,103	2,348	(446)	1,802	**41,841**	–	**41,841**
Comprehensive income								
Profit for the period	(316)	–	–	–	–	**(316)**	–	**(316)**
Other comprehensive income								
Depreciation transfer – gross	5	–	–	–	(5)	**–**	–	**–**
Depreciation transfer – tax	(1)	–	–	–	1	**–**	–	**–**
Re–measurement of retirement benefit obligations – net of tax	107	–	–	–	–	**107**	–	**107**
Deferred tax – change in rate	–	–	–	–	(23)	**(23)**	–	**(23)**
Currency translation	–	–	–	–	29	**29**	–	**29**
Total comprehensive income	(205)	–	–	–	2	**(203)**	–	**(203)**
Transactions with owners								
Share based payment	–	–	–	–	(231)	**(231)**	–	**(231)**
Deferred tax – share based payment	(88)	–	–	–	–	**(88)**	–	**(88)**
Total transactions with owners	(88)	–	–	–	(231)	**(319)**	–	**(319)**
Balance at 30 June 2020	**36,741**	**1,103**	**2,348**	**(446)**	**1,573**	**41,319**	**–**	**41,319**

Consolidated cash flow statement

for the six months ended 30 June 2020

	Unaudited Six months to 30 June 2020 £000	Unaudited Six months to 30 June 2019 £000	Audited Twelve months to 31 December 2019 £000
Cash flows from operating activities			
Cash generated from operations (note 6)	**3,392**	2,434	11,327
Interest received	**56**	69	124
Interest paid	**(7)**	(19)	(38)
Income tax paid	**(759)**	(922)	(1.845)
Net cash generated from operating activities	**2,682**	1,562	9,568
Investing activities			
Purchases of property, plant and equipment	**(2,015)**	(2,010)	(3,914)
Proceeds on disposal of property, plant and equipment	**8**	49	96
Purchases of intangible assets	**(7)**	(1,619)	(1,721)
Payments for acquisition of subsidiary, net of cash acquired	**–**	370	370
Net cash used in investing activities	**(2,014)**	(3,210)	(5,169)
Financing activities			
Issue of ordinary shares	**–**	3	3
Dividends paid	**–**	(2,224)	(3,356)
Purchase of non–controlling interest	**–**	–	(3,263)
New leases acquired	**153**	21	576
Principal element of finance lease payments	**(65)**	(52)	(161)
Net sale / (purchase) of other financial assets	**1,503**	(3,509)	(5)
Net cash generated by / (used in) financing activities	**1,591**	(5,761)	(6,206)
Net increase / (decrease) in cash and cash equivalents	**2,259**	(7,409)	(1,807)
Cash and cash equivalents at the beginning of the period	**12,572**	14,380	14,380
Exchange gain / (loss) on cash and cash equivalents	**2**	–	(1)
Cash and cash equivalents at the end of the period	**14,833**	6,971	12,572

Notes to the financial statements

for the six months ended 30 June 2020

1. Segmental analysis

	Unaudited Six months to 30 June 2020 £000	Unaudited Six months to 30 June 2019 £000	Audited Twelve months to 31 December 2019 £000
Revenue by class of business			
Ceramics	**16,985**	29,927	62,681
Materials	**2,901**	3,090	7,787
	19,886	33,017	70,468
Intersegment	**(1,033)**	(1,083)	(2,966)
	18,853	31,934	67,502
Revenue by destination			
United Kingdom	**6,844**	12,587	28,460
Rest of Europe	**7,553**	13,109	24,477
USA	**2,442**	2,934	7,232
Rest of the World	**2,014**	3,304	7,333
	18,853	31,934	67,502

	Unaudited Six months to 30 June 2020 £000	Unaudited Six months to 30 June 2019 £000	Audited Twelve months to 31 December 2019 £000
Operating profit before exceptional items			
Ceramics	**460**	4,067	10,840
Materials	**38**	170	402
	498	4,237	11,242
Exceptional items			
Ceramics	**(832)**	–	–
Materials	**(37)**	117	117
	(869)	117	117
Operating (loss) / profit after exceptional items			
Ceramics	**(372)**	4,067	10,840
Materials	**1**	287	519
	(371)	4,354	11,359
Unallocated items			
Share of results of associate company	**–**	(22)	(22)
Finance income	**56**	69	124
Finance costs	**(67)**	(100)	(168)
(Loss) / profit before income tax	**(382)**	4,301	11,293

Notes to the financial statements
for the six months ended 30 June 2020

2. Exceptional items

2020: Costs of £869,000 associated with the restructuring of the Group's operations following the impact of COVID–19 have been charged to the Income Statement as an exceptional item. A related income tax credit of £165,000 has been provided for.

2019: In accordance with IFRS, the negative goodwill of £117,000 generated on the acquisition of a controlling interest in Furlong Mills Limited has been credited to the Income Statement as an exceptional item. A related deferred tax charge of £20,000 has been provided for.

3. Finance income and costs

	Unaudited Six months to 30 June 2020 £000	Unaudited Six months to 30 June 2019 £000	Audited Twelve months to 31 December 2019 £000
Finance income			
Other interest receivable	**56**	69	124
Finance income	**56**	69	124
Finance costs			
Interest paid	**(12)**	(19)	(38)
Interest on pension scheme	**(55)**	(81)	(130)
Finance costs	**(67)**	(100)	(168)

The interest cost arising from pension schemes is a non cash item.

4. Income tax expense

	Unaudited Six months to 30 June 2020 £000	Unaudited Six months to 30 June 2019 £000	Audited Twelve months to 31 December 2019 £000
Current taxation	**(170)**	621	1,729
Deferred taxation	**104**	194	407
Income tax expense	**(66)**	815	2,136

Following the announcement of the UK Government's intention not to reduce Corporation Tax rates from 19% to 17% as previously indicated, deferred tax balances have been provided for at a rate of 19%.

Notes to the financial statements

for the six months ended 30 June 2020

5. Earnings per ordinary share

Basic (loss) / earnings per ordinary share is based on the (loss) / profit after taxation attributable to owners of the Company of (£316,000) (June 2019: £3,425,000; December 2019: £9,063,000) and on 10,986,234 (June 2019: 10,961,584; December 2019: 10,974,010) ordinary shares, being the weighted average number of ordinary shares in issue during the period. Adjusted earnings per ordinary share is calculated after adjusting for the post tax effect of the exceptional items (see note 2).

	Unaudited Six months to 30 June 2020 £000	Unaudited Six months to 30 June 2019 £000	Audited Twelve months to 31 December 2019 £000
Basic (loss) / earnings per share	**(2.9)**	31.3	82.6
Add / (less) exceptional items	**6.4**	(0.9)	(0.9)
Adjusted earnings per share	**3.5**	30.4	81.7

Diluted basic (loss) / earnings per ordinary share is based on the (loss) / profit after taxation attributable to owners of the Company of (£316,000) (June 2019: £3,425,000; December 2019: £9,063,000) and on 11,089,136 (June 2019: 11,064,534; December 2019: 11,069,061) ordinary shares, being the weighted average number of ordinary shares in issue during the period of 10,986,234 (June 2019: 10,961,584; December 2019: 10,974,010) increased by 102,902 (June 2019: 102,950; December 2019: 102,980) shares, being the weighted average number of ordinary shares which would have been issued if the outstanding options to acquire shares in the Group had been exercised at the average price during the period. Diluted adjusted earnings per ordinary share is calculated after adjusting for the post tax effect of the exceptional items (see note 2).

	Unaudited Six months to 30 June 2020 £000	Unaudited Six months to 30 June 2019 £000	Audited Twelve months to 31 December 2019 £000
Diluted basic (loss) / earnings per share	**(2.9)**	31.0	81.8
Add / (less) exceptional items	**6.4**	(0.9)	(0.9)
Diluted adjusted earnings per share	**3.5**	30.1	80.9

6. Reconciliation of operating profit to net cash inflow from continuing activities

	Unaudited Six months to 30 June 2020 £000	Unaudited Six months to 30 June 2019 £000	Audited Twelve months to 31 December 2019 £000
Cash flow from operations			
Operating (loss) / profit	**(371)**	4,354	11,359
Adjustments for			
Depreciation and amortisation – before exceptional item	**1,289**	1,187	2,375
Negative goodwill – exceptional item	**–**	(117)	(117)
Profit on disposal of property, plant and equipment	**(8)**	(22)	(22)
(Credit) / charge for share based payment	**(231)**	152	324
Decrease in retirement benefit obligations	**(107)**	(715)	(1,430)
Changes in working capital			
Inventory	**(219)**	(1,006)	(906)
Trade and other receivables	**7,025**	(402)	304
Trade and other payables	**(3,986)**	(997)	(560)
Cash inflow from operations	**3,392**	2,434	11,327

Notes to the financial statements

for the six months ended 30 June 2020

7. Basis of preparation and accounting policies

The financial information included in the interim results announcement for the six months to 30 June 2020 was approved by the Board on 19 August 2020.

The interim financial information for the six months to 30 June 2020 has not been audited or reviewed and does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The Company's statutory accounts for the year ended 31 December 2019, prepared in accordance with accounting standards adopted for use in the European Union (International Financial Reporting Standards – IFRS), have been delivered to the Registrar of Companies; the report of the auditors on these accounts was unqualified and did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006.

The interim financial statements have been prepared in accordance with IFRS as adopted by the European Union, IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS, under the historical cost convention as modified by the revaluation of land and buildings and financial assets and liabilities (including derivative instruments) at fair value through the profit and loss account. The same accounting policies, presentation and methods of computation are followed in the interim financial statements as were applied in the Group's last audited financial statements for the year ended 31 December 2019.

8. Share buybacks

The Company did not buy back any ordinary shares during the first six months of the year, but may consider making further ad hoc share buybacks going forward at the discretion of the Board and subject to the shareholder authorities approved at the 2020 Annual General Meeting.

The half–yearly report and this announcement will be available shortly on the Company's website: www.churchill1795.com

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