CHURCHILL

ANNUAL REPORT 2024

CHURCHILL

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

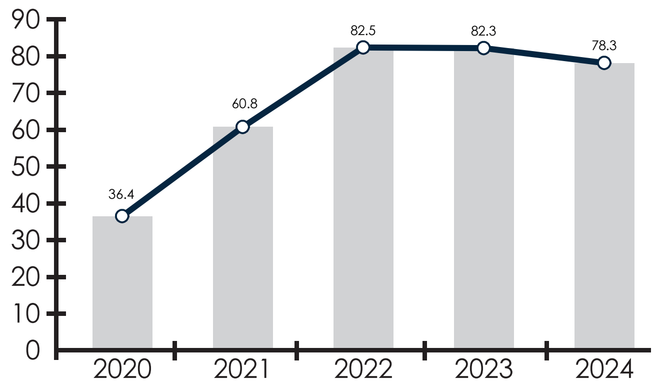
Within the hospitality sector, the choice of tableware must meet the highest standards for presentation, practicality and performance. Over 225 years of innovation, passion and expertise make Churchill the natural partner for providing tabletop solutions.

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.

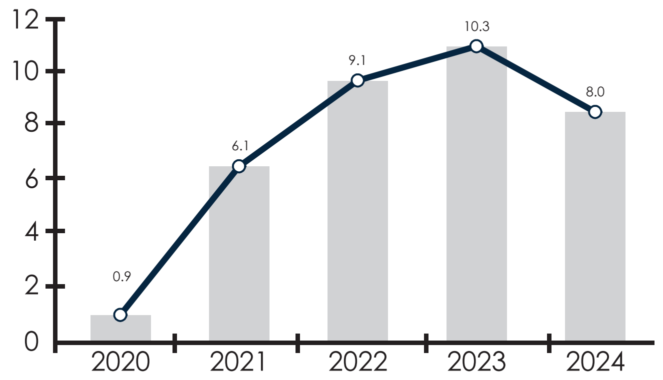
Contents

Five Year Performance

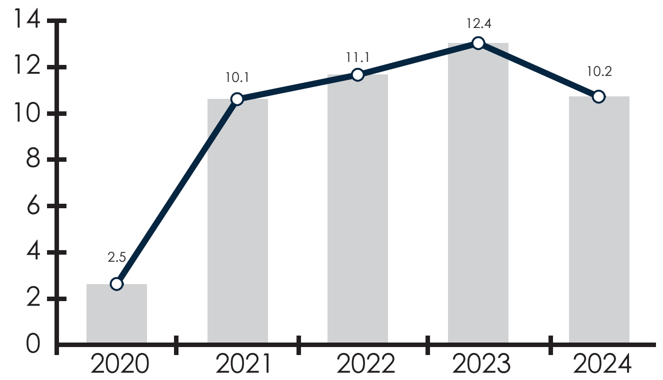
Revenue (£m) — £78.3m ↓ £4.0m



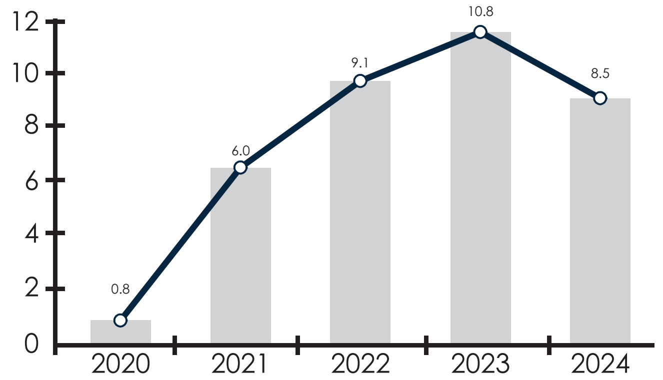
*Operating Profit (£m) — £8.0m ↓ £2.3m



*Operating Margin (%) — 10.2% ↓ 2.2%



*Profit before Income Tax (£m) — £8.5m ↓ £2.3m



* Excluding exceptional items.

Other Highlights

- EPS reduced to 57.9p (2023: 70.2p)
- Cash generated from operations £5.1m (2023: £8.3m)
- Total cash and financial assets of £10.1m (2023: £13.9m)

Financial Highlights

for the year ended 31 December 2024

	2024 £'000	2023 £'000
Revenue	**78,279**	82,339
Operating profit	**7,995**	10,252
Net finance income / (cost)	**541**	536
Profit before income tax	**8,536**	10,788
Cash and cash equivalents	**10,100**	13,933
Trade debtors	**11,289**	10,493
Dividends paid	**4,014**	3,519
Key ratios		
Operating margin	**10.2%**	12.4%
Earnings before interest, tax, depreciation and amortisation (£'000)	**11,661**	13,762
Basic earnings per share	**57.9p**	70.2p
Interim dividend per share paid	**11.5p**	11.0p
Final dividend per share proposed	**26.5p**	25.0p

Directors, Secretary and Advisers

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

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

Company Secretary and Registered Office
Michael Cunningham, FCCA
No.1, Marlborough Way
Tunstall
Stoke-on-Trent
Staffordshire
ST6 5NZ

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

Nomad and Joint Broker
Investec Bank plc
30 Gresham St
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EC2V 7QP

Joint Broker
Panmure Liberum Limited
Ropemaker Place, Level 12
25 Ropemaker Street
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8th Floor
40 Spring Gardens
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Registrars
Equiniti
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6ZX

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

Chairman's Statement

"These results demonstrate the strength of our brand, as we continued to experience steady demand in weak markets. Our performance in our core markets was strong, with the UK showing good resilience, and we preformed comparatively well in northern Europe."

Dear Shareholders

Operational and commercial performance

These results demonstrate the strength of our brand as we continued to experience steady demand in weak markets both in the UK and export. We continued to deliver new product into the market with those introduced in the last two years delivering £7m of sales. Our performance in our core markets was strong with the UK showing good resilience and we performed comparatively well in northern Europe.

2024 was, however, a challenging year for the Company. Waning consumer confidence and political uncertainty dominated both at home and in our major overseas markets, meaning that even our strong performance was against a backdrop of decline. Furthermore, the October UK Budget created further financial challenges for our UK hospitality customer base and added considerably to our costs of employment.

As a result, revenue in the year reduced to £78.3m, down from £82.3m in 2023, a reduction of 4.9% year-on-year. The profit impact of reduced volumes and a difficult pricing environment was partially offset by improved operational performance, leaving profit before tax at £8.5m for the year (2023: £10.8m) representing a return on sales of 10.9% (2023: 13.1%).

Chairman's Statement

Across all of our key markets, the year was characterised by a lower number of new installations and replacements. In our core UK market, we believe that we have continued to grow market share, albeit within a contracting market. While growth opportunities remain in our key export markets, economic conditions have held back share gains.

Operationally, the Company continues to have a long-term perspective and is addressing those factors that are within our control. Efficiencies and yields continued to improve in the year, and we have now surpassed the already impressive pre-COVID-19 yields achieved in 2019. We now believe ourselves to be sector leading in terms of our waste levels through our manufacturing process, but encouragingly, our continuous improvement activities give us confidence that there is more to come.

The strength of our unencumbered balance sheet and our strong cash position has allowed us to maintain healthy capital expenditure and dividend payments during the year, meaning the Company had an outflow of £3.8m (2023: inflow £4.3m). This left our year end cash balance at £10.1m (2023: £13.9m).

Overall, business performance has been resilient given the headwinds faced, and we continue to look forward to an improving economic situation for which we are well positioned.

Dividend

We are pleased to propose a final dividend of 26.5p per share giving a total dividend of 38.0p per share for the year. Whilst profitability is down for the year, the level of dividend highlights the Board's belief that the Company can continue to make sustainable cash flows, and that the underlying performance of the business has the potential for sustainable growth.

Consolidating growth

Outside the UK, the Company continues to have low market share in large fragmented markets where we invest in sales and marketing to increase market share and support our move from whiteware to value added product. A focus on overcoming the cost pressures on the business through improving yield and productivity on the factory floor have been ongoing and have, to date, been successful. This has allowed the Company to maintain a competitive price point within the market and hold market share.

The Company expects export growth to continue once market conditions improve, and we continue to see significant opportunities for sales expansion medium term in these overseas markets.

The Company is firmly committed to maintaining an active capital expenditure program to facilitate our long-term focus on cost reduction, productivity and yield. In addition, we continue to investigate the opportunities from alternative energy and reduced carbon processes to achieve both net zero and reduced cost.

Board changes

As communicated in last year's report, in January we welcomed Martin Payne as our Senior Independent Director and Audit Committee Chair. We also bade farewell to Brendan Hynes in June, who had served the Company as Audit Committee Chair for almost 11 years.

Employees

I would like to take this opportunity to thank the hard work and dedication of all our employees on delivering the Company's result under challenging conditions, including those who left us as a result of our actions on costs within the year.

Environmental, Social and Governance ('ESG')

We continue to focus on ESG within the business, with energy projects continuing to make up the bulk of our focus in this area. Following trials of electrification of our glazing lines, we have seen significant yield improvements through process consistency and control. This has moved projects that were seen as trials into mainstream and further iterations of these projects are now ongoing. This project will reduce the energy footprint of glazing by 80%, a process that, pre-electrification, would have consumed circa 12% of the factory's gas.

We have also refreshed the governance aspect of the Board by complying ahead of adoption dates with the QCA code, revisiting and reviewing our terms of reference for our various committees and undergoing a Board evaluation process during the year.

Outlook

The Company continues to deliver differentiated performance products that are highly regarded in the marketplace. We continue to have a business that has a strong installed customer base leading to healthy replacement business which we expect to continue through 2025. The area that is currently more uncertain is the number of new installations however, as always, with our market leading delivery times and stock levels we are always well placed to service new installations rapidly.

A more robust hospitality market is required for a step forward in our market penetration and profitability. We will continue to focus on improving efficiencies within the business and invest strategically to ensure we are in the best position to capitalise on future opportunities, as underlying macro conditions and consumer sentiment improves.

Robin G W Williams
Chairman
8 April 2025

Strategic Report

For the year ended 31 December 2024

The Directors present their Strategic Report for the Group for the year ended 31 December 2024.

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 revenue. 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 11.8 years, which is a key KPI for the business and we believe this highlights our ability to create a good working environment for our colleagues.

The Board believes 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

The Company always expected 2024 to be a challenging year which would be highly dependent on a recovery in H2. Unfortunately, this recovery never materialised, and trading was broadly flat from H2 2023 through to the end of 2024.

The well documented macro-economic factors at play have impacted both our own cost base and that of our end market, whilst the cost of living pressures on consumers have meant that opportunities to pass cost increases on in full are more limited.

Regardless of this, the Company put through a price increase in the early part of the year and this was accepted by our customers. Our differentiated, performance offering still delivers a level of pricing power and this can be seen by us retaining and, in some markets, growing our market share, albeit in declining markets.

The Company continues to have a strong installed base which allows a high level of replacement business where customers will continue using Churchill products to replace breakages. What we are seeing, however, is a reduction in the number of new openings in our more established markets. That said, our current pipeline for installation business in our export markets remains strong.

Evidence from our end users suggests that the hospitality trade is still healthy, and consumers continue to eat out. What is happening, however, is that profitability within establishments is being compressed and it is this dynamic that is restricting the growth in sales that the Company has seen for the last 15 years.

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 14 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 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. These investments continue and have had significant impacts on process stability and yield, allowing us to improve efficiencies in the factory.

Strategic Report

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 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 36 days (2023: 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 2024 Annual General Meeting was positive with over 99% 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 benefited 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 Company invests in robotics and mechanisation in areas that allow the removal of repetitive and unfulfilling tasks. 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 and this approach is something that is ingrained in the Company culture.

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 the 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 resources 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 Statements on page 43.

Operationally, the business has performed very well, driving efficiencies into the production process, and improving underlying gross margin. Unfortunately, the reduced volumes and increased costs in the year have resulted in the Company delivering a reduction in contribution margin, albeit of only 1.2%.

Revenue in the year fell from £82.3m in 2023 to £78.3m, with the shortfall mainly in the first half of the year. This was compounded in Q4 when, predominately in the EU, the macro-economic situation reduced business confidence within the hospitality sector.

The Company has, however, continued to maintain a good level of sales in the UK given our strong market position in the pub chain sector, which tends to be less impacted by economic sentiment compared with independents.

The focus of the business in 2024 was to continue our exemplary customer service offering along with driving down costs of production within the factory. Significant continuous improvement programmes have been ongoing throughout the year, and this has led to a significant improvement in yields which we now believe are industry leading and surpass even those achieved before the pandemic.

We have continued to introduce new products with a focus on our new inkjet capabilities where we combine both our historic hand decoration techniques alongside new technology.

We believe this continues with our core competence of delivering innovative products that are difficult to replicate.

As previously mentioned, the eating out market continues to be buoyant but has been suffering from reduced profitability and the recent budget announcement on National Insurance contributions and the above inflation increase in minimum wage has caused some outlets to pause and review their offerings. Fundamentally though the consumer appears to still want to eat out and to favour experiences over possessions.
We expect that in the longer term the customer base will improve its profitability and that investment will recommence.

Strategic Report

Our Materials business, Furlong Mills, has performed well during the year, however, the general retail ceramics market, where most of our customers operate, has also been under pressure during the year with many of Furlong's customers on reduced working in Q4. This has resulted in a reduction in sales of £1.0m and, given the fixed nature of Furlong's cost base, a reduction in profitability.

Overall, cash has decreased in the year by £3.8m driven primarily by increased stock of £1.4m and increased debtors of £1.2m. The debt position was primarily driven by the timing of the year end which resulted in a short month for collection and by a stronger position than usual at the end of 2023.

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.

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, recover 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 several 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.

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. The latest appointment made in January 2024 means that all non-Executive Directors are independent, and that Board Committees are properly constituted. 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 as a result all directors were put forward for election at the 2024 AGM. We have continued to develop and implement the Board succession planning process, and this will remain under constant review.

During 2024 the Board carried out an internal evaluation of its effectiveness. The minor issues identified in the 2023 review were reviewed and no significant issues were highlighted, again the Board will continue with this process in the coming years.

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 20.

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.

SECR 2024	**2024**	**2024**	2023	2023
Tonnes of CO_2	**Base**	**REGO***	Base	REGO
Scope 1 Direct	**11,974**	**11,974**	13,496	13,496
Scope 2 Indirect	**2,636**	**90**	3,031	659
Total	**14,610**	**12,064**	16,527	14,155
Intensity Metric: Scope 1 & 2 per metric tonne of raw material input	**0.45**	**0.43**	0.43	0.36
Total UK Energy Consumption (MWh)	**78,849**	**78,849**	88,930	88,930

The Group's total use of energy reduced by 11.3% as furnace usage was better managed during the year. Only tunnel furnaces were utilised during 2024, however, as a result of the decreases in volume, the business has unfortunately been slightly less efficient in its energy usage per tonne of input. 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 2024 contains 1,434 MWh of energy generated through solar arrays at our Marlborough site, to which no CO_2 emissions are attributable.

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

The Company had a strong year given the market dynamics in play, with revenues falling to £78.3m (2023: £82.3m). Revenue was broadly flat through the year from H2 2023 through to the end of 2024 showing that the market appears to at least be stable within our replacement business. The UK, Europe and the USA all showed reductions in revenue against last year with the rest of the world outperforming 2023. This was spread evenly through the year with H1 and H2 both showing similar reductions in revenue.

Revenue (£m)	**2024**	2023	Change
Ceramics	**71.1**	74.2	(4.2%)
External materials sales	**7.2**	8.1	(11.1%)
Total	**78.3**	82.3	(4.9%)
UK	**32.8**	34.0	(3.5%)
Export	**45.5**	48.3	(5.8%)
Total	**78.3**	82.3	(4.9%)

As previously reported the gross margins in the Company have reduced during the year from 37.8% to 36.6%. The main drivers for this are the reduced volumes during the year, including a reduction in the rate of stock build, which, given the large proportion of fixed costs within the factory means that cost of sales has increased.

Profit before tax fell by £2.3m to £8.5m which has been primarily driven by the reduced turnover. In the circumstances the Company believes that this is a good result and shows the underlying effort being put into the factory. These efforts around efficiency and productivity continue and have delivered a positive counterbalance to the difficult market conditions.

Reported profit before income tax was £8.5m (2023: £10.8m).

Basic earnings per share, was 57.9p (2023: 70.2p).

Cash flow for the year has been negative with a net cash used of £3.8m (2023: cash inflow £4.3m). Significant increases in working capital utilisation in the year have been responsible for this position. Debtors and inventory have both increased and have been compounded by a lower trade creditor position than in 2023.

Following the actuarial valuation, pension assets exceed liabilities and as a result the Company has ceased making additional cash contributions to the fund. This will have a positive effect on cash flow in the coming years of £1.2m when compared to 2024.

Dividend

We are pleased to propose a final dividend of 26.5p per share, giving a total dividend of 38.0p per share for the year, a 5.5% increase on the 36.0p paid in relation to 2023. This dividend will be payable on 5 June 2025 to shareholders on the register on 2 May 2025. Whilst profitability has been reduced the level of dividend indicates the boards belief in the long-term cash generation nature of the business and the expectations that the core business will return to its previous growth potential as the market recovers.

Business

The business has performed well within manufacturing, with yields continuing to rise through the year. Final glost yields now exceed the highs achieved in 2019 which is a benchmark that the Company has utilised to incentivise itself. The Company believes that there is still room for improvement, and the rollout of Six Sigma (a data-driven methodology for improving business processes) through the workforce continues apace. It is anticipated that by the end of 2025 over half of the production workforce will have at least an entry-level Six Sigma qualification.

Ceramics

Hospitality sales were down in the year highlighting the difficult trading conditions of our customers. The Company's plan at the start of 2024 anticipated stronger sales in H2 as it was hoped that this would materialise on the back of reducing interest rates and that increasing confidence would drive the hospitality market forward. To accommodate this, the Company envisaged flat production through the year to maximise efficiencies, with the result that stock would build in H1 and sell down in H2. The fact that this uptick in sales never materialised meant that it was only in H2 that production was pared back and hence why stock increased. This has meant that we currently have a level of excess stock which we will begin to address in 2025.

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 the disappointing year, 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 2023. An average pay award across the Company of 6% was applied in April to counter the inflation pressures affecting many of our colleagues. The Company has further expanded its risk reduction strategy with regards to energy and now has a level of forward purchasing out to 2028 with each year's pricing at a level lower than the preceding year, meaning that we are well placed to deliver cost control within an inflationary environment. The solar panels installed last year have contributed a total of 14% of the site's electricity requirement at 1,434 MWh.

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, which is normal and a situation that the Company has seen previously in these types of economic conditions.

Materials

Furlong Mills is reliant on the performance of Churchill and the wider potteries industry, and short-time working and extended holiday periods at some of our largest customers has led to a reduction in performance. Gross turnover (including intra-Group) reduced to £13.1m (2023: £14.7m).

Operations

The Company has continued its capital programme, continuing the focus on productivity and automation. Capital expenditure in the year was £3.1m (2023: £5.4m). The key purchase in the year was the addition of a new flat-making machine, this machine will significantly reduce energy consumption and increase agility within this department. The anticipation is that there should be a significant improvement in yield in our largest volume area of the factory.

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.

The Company has continued to evolve its environmental strategy during the year with, as previously mentioned, a number of capital projects focussed at reducing the amount of CO_2 generated in the production of our products. We have continued converting gas processes to electricity, which whilst a trial last year that wasn't expected to have a good payback has proved to significantly improve process control and yield, as mentioned the new flat-making machine will reduce the site's reliance on compressors, which tend to be very energy intensive and in addition suffer from waste through leakage. These compressors have also been undergoing a programme of replacement to modern units that allow on demand switching.

The Company continues to look towards how to achieve net zero in 2050, however, the Company is of the opinion that this target is dependent on the delivery of an upgraded electricity network in the local area. The capacity requirements in both on-site generation and supply required to replace our existing-gas-fired kilns are significantly above that currently available, with capacity for on-site generation not available until 2033.

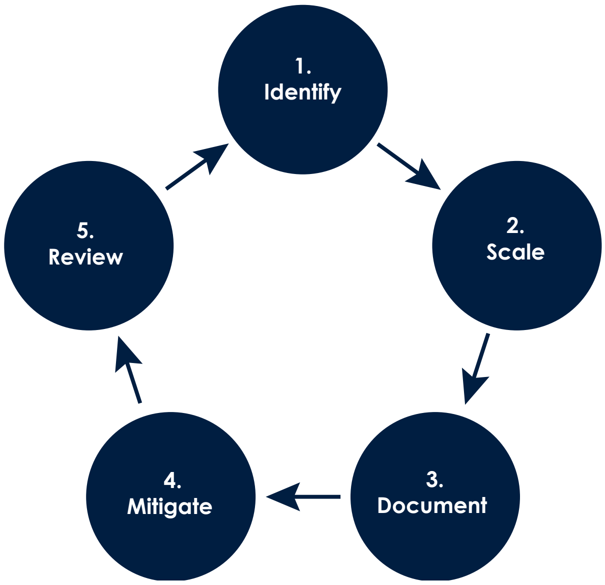
We have also implemented a number of initiatives in relation to our workforce and our engagement with our local community. We have always prioritised training and development of our workforce and we have continued to invest in this area. Future plans emphasise the improvement of our employees' working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

Strategic Report

Principal risks and uncertainties

The Group's operations are subject to several 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 implements 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 Health and Safety	=	The Company has a history of being very proactive on health and safety and has this topic front and centre at all senior meetings at a daily, weekly and monthly basis. Given the nature of the work being carried out with heavy moving equipment and the presence of high temperatures and flames, there is always a risk of serious injury to employees. The Company reviews all accidents, incidents and near misses with the aim of eradicating all of these. The Company mitigates this risk by allocating a significant amount of time and effort to the review of standard operating procedures and the health and safety in each process.
Cyber Security	=	Our business uses information technology to manage our operations and deliver value through data collection and management. Post year end the Company has completed Cyber Essentials and will continue on the journey to Cyber Essentials Plus. The Company mitigates risk in this area by adopting best practice where possible using two-factor authentication and other cutting-edge techniques to limit access points and vulnerabilities in our systems.

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 KPIs
- 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 2024, the Company had several priorities which were addressed as follows:

Priorities for 2024	
To develop a 2030 ESG strategy and to closely monitor the effectiveness of the ESG governance framework.	The Board reviewed the need for an ESG Committee concluding that due to the size and composition of the board there is no need for this. The Board will review this on an ongoing basis.
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.
Priorities for 2025	
To continue the ESG strategy development.	The Board will also reassess whether an ESG Committee is required and will reassess the ongoing strategy.
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 continue the rollout of energy reducing capital equipment where this is of environmental benefit and where there are additional business benefits such as yield improvements, as these also reduce energy consumption.
To further refine the KPIs within the business.	The Board will review the existing KPIs and examine which additional KPIs will add value to the business.

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 its 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	The Company had intended the rollout of risk analysis training during 2024, however, the focus was changed to continual improvement with a view to reducing waste in the organisation. 2025 will revert to delivering risk analysis training to key personnel on risk identification and mitigation as a priority.

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 (2.0°C) and RCP 8.5 (4.3°C).

Scenario	Description
RCP2.6 (2.0°C)	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 (2.4°C)	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 (4.3°C)	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.

During the year, as part of our normal risk management process, the Company assessed the possible financial impact of climate change on the business. Currently, the Company assesses the financial risks of climate change, using our normal probability-based approach, to be low.

The Company has assessed the maximum quantum of financial risk attributable to climate risk to be £32.8m, being the contribution level impact of the various perceived risks. These risks are driven primarily through water usage and flooding risk. In the event of increasing temperatures and drought there is a risk that production would cease if access to water was withheld. This is due to the large water content of our product in its raw material slip form. As mentioned, the Company currently assesses the probability of these scenarios as very low and the subsequent weighted risk is of very low value.

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, particularly if there was a shift of moving climate levies and costs from electricity to gas	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	**Risk:** That the DNO does not expand grid capacity rapidly enough to allow for the increased demand	Increased costs due to the inability of the organisation to move to renewables or to mitigate increased levies on gas	Short term: Low Med term: Med Long term: Med	Investigation of off grid renewable generation and storage
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: Low Med term: Med Long term: Med	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: Low Med term: Low Long term: Med	Strategic focus on achieving the transition

During the year the Company became aware of the timescales around the increase of grid capacity for feed-in sources of energy. This timescale means that additional on-site generation will have to be delayed until 2033 or be completely off grid and so this risk has been added to our list.

Strategic Report

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

The Company performs a risk review process which identifies risks and assigns a potential impact value to these. This value is then modified by applying a probability to these to give a weighted cost score. Whilst subjective, the involvement of the executive team and other senior business managers means that a balanced opinion is achieved. Low materiality is classed as less than £1m p.a. gross impact, medium materiality as £1–5m p.a. gross and high materiality as costs in excess of £5m p.a.

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 2025	How we will meet these
We will reassess the physical impacts on site particularly with regard to flooding. One area of the factory has been identified as having a medium level of risk.	The site assessments will continue, and remedial repairs will be carried out to de-risk the identified potential flood area.
The financial impact on the organisation's business plan will be refined and integrated into the planning cycle under the 3 IPCC pathways.	This was a target priority for 2024, however, actions around improvements to the planning process have been slower to implement than expected. This action will therefore carry over to 2025.

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 2025	How we will meet these
Continue the climate related and ESG risk identification process within 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. These risks are then reviewed by the Audit Committee which then reports annually to the plc Board as part of the Risk Register review. Risk reviews are a top down and bottom-up process.

Priorities for 2025	How we will meet these
Having refined the risks during 2024, the Company will select a defined set of these for in depth review based on the weighted risk.	The biggest climate risk identified by our existing process is air temperatures within the factory which may be exacerbated by increasing air temperature. We will identify ways in which this risk may be mitigated.

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 page 14 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 Scope1 and Scope 2 emissions and the Carbon intensity per tonne of raw material consumed within our SECR on page 14. 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 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	4,000 tonne reduction in CO_2 compared to 2023
		2025 - Full review of on-site, off grid energy generation as no additional online generation will be allowed by the DNOI until 2033.
	Quantify Scope 3 GHG emissions	2025 – Measure Scope 3 emissions
	Water	10% reduction in water usage by 2030

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:

Subject	Measure	Target
GHG emissions Scope 1 & 2	Reduction in tonnes of carbon	25% reduction in output by 2030 – 2024 showed an 11.1% reduction in CO_2
GHG emissions Scope 3	Reduction in tonnes of carbon	Target to be set in 2025 when quantified
GHG emissions Scope 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	**2024 £m**	2023 £m	Growth/ (Contraction) %
Group	**78.3**	82.3	(4.9%)
Ceramics	**71.1**	74.2	(4.2%)
Sale of external materials*	**7.2**	8.1	(11.1%)
UK	**32.8**	34.0	(3.5%)
Export	**45.5**	48.3	(5.8%)

* Revenue from materials is shown following the elimination of intra-Group trading as shown in Note 2 to the financial statements.

Profitability

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

	2024 £m	2023 £m	Growth/ (Contraction) %
Operating profit	**8.0**	10.3	(22.3%)
Operating margin	**10.2%**	12.4%	
Profit before income tax	**8.5**	10.8	(21.3%)

Group operating profit fell to £8.0m (2023: £10.3m). As previously disclosed, this reduction came through the reduction in turnover seen in the year giving an operating margin of 10.2% (2023: 12.4%).

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

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.

	2024 £m	2023 £m	Growth %
Cash generated from operations	**5.1**	8.3	(38.6%)
Percentage of operating profit	**64%**	81%	
Percentage of operating profit (3-year average)	**67%**	95%	

Operating cash generation was impacted by several factors, primarily the increase in inventory. Employer contribution payments in respect of pension deficit amortisation dropped to £1.2m this year and has now ceased (2023: £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.

	2024 £m	2023 £m
Inventory	**23.3**	21.9

Inventory holding levels increased during the year due to lower sales than anticipated but also through the improved yields which meant the Company delivered additional stock at the end of the manufacturing process than expected.

Future outlook

With a weak market backdrop we are focusing on the issues within the business that are within our control and we continue with our automation and continuous improvement programmes, alongside our focus on cost.

We have taken the difficult decision to trim some of our overhead costs within the business and believe this leaves us with a more appropriate overhead base, without risking our performance. We do however continue to invest in sales resource in selected markets knowing from experience that these are the investments that drive real value when the market returns.

We continue to see strong demand for our product in our core markets. This is particularly true within our replacement business which confirms the efficacy of our strategy where we have a strong installed base that secures baseline revenue levels. Our strong customer focus and commitment to very short delivery timescales does give us a consequently short order book which in turn makes medium term forecasting challenging.

The Board believes that whilst our end markets are under cost pressures at present, the natural tendency of the consumer to want to eat out and enjoy social experiences will continue and that end market profitability will recover, leading to increased investment and improving sales for Churchill.

The Company remains focussed 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
8 April 2025

Directors' Report

For the year ended 31 December 2024

The Directors present their Annual Report and the audited consolidated financial statements of the Group for the year ended 31 December 2024.

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 43.

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 2024 and 31 December 2023:

	2024 £'000	2023 £'000
Ordinary dividend:		
Final dividend 2023 25.0p (2022: 21.0p) per 10p ordinary share	**2,749**	2,309
Interim dividend 2024 11.5p (2023: 11.0p) per 10p ordinary share	**1,265**	1,210
	4,014	3,519

The Directors now recommend payment of the following dividend:

Ordinary dividend:		
Final dividend 2024 26.5p (2023: 25.0p) per 10p ordinary share	**2,914**	2,749

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)
D M O'Connor
J A Roper
J M Moore*
C J Stephens*
M Cunningham
M Payne* (appointed 16 January 2024)

* Non-Executive

The Quoted Companies Alliance ('QCA') has issued new governance guidance for periods starting after April 2024, in advance for this AGM. All Directors will therefore offer themselves for re-election. As at the date of the Director's Report, the unexpired terms of the service contract of R G W Williams 10 months and C J Stephens 1 years 11 months, J A Roper 12 months, M Cunningham 12 months and M Payne 2 years 1 month.

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 joined the Board of Churchill China plc in October 2022 and became Chairman in June 2023. 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 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.

Mark Moore, Non-Executive Director 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 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 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, in 2024 he was appointed to the board of Topps Tiles 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 14 within the Strategic Report. The following information is given in addition to these disclosures.

Ethical standards and trading

The Group expects 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 whistleblowing.

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 recognises 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 employees' interests 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 employees' efforts, encourages performance in line with value creation and allows them to share in the Group's success.

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.

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 £5.1m of cash flow from operations, paid corporate taxation of £1.6m and invested £3.1m in capital projects. Dividends of £4.0m were paid during the year. Net cash and deposits before lease liabilities at 31 December 2024 were £10.1m (2023: £13.9m).

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 effect of loss of revenues. 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.

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.

Overseas operations

The Group operates trading subsidiaries in the United States of America, Romania, Germany 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 7 March 2025 exceeded 3% of the Company's issued share capital:

Shareholder	Number of ordinary shares	Percentage
Rathbone plc	1,569,442	14.27%
Channon Holdings	929,717	8.45%
Charles Stanley Group	828,261	7.53%
Mrs S Roper	751,600	6.83%
Invesco	713,253	6.49%
Cannacord Genuity Group Inc.	631,138	5.74%
Close Brothers Group	601,492	5.47%
Aberdeen plc	497,268	4.52%

Political contributions

The Group made no political contributions (2023: £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
8 April 2025

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 four 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, Martin Payne, has been appointed.

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 Payne are considered to be independent under the terms of the Code.

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 M O'Connor	12	12
C Stephens	12	12
B M Hynes	4	4
J A Roper	12	12
M Cunningham	12	12
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 three times 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 M Payne.

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, and the Chairman, Senior Independent Director are also available. 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 is 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
8 April 2025

Remuneration Report

For the year ended 31 December 2024

This section of the financial statements is unaudited

Annual statement

The role of the 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. Where the Committee feels it does not have the relevant knowledge or expertise it utilises external expert advice.

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 4%. 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 2024 and 2025 bonus targets. In addition to target setting, the level of new grants of LTIPs was assessed by the Committee.
- LTIP targets – the Committee has reviewed the appropriateness of targets for the LTIP scheme and have concluded that a review of these may occur for the 2025 grant and that the reliance on EPS should be changed to include other metrics.
- Workforce pay – the Committee reviewed and had input over the pay awards given to the wider workforce. During the period the Company was influenced in this decision by the wider increase in national living wage which significantly influenced decision making.

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 2024 and is satisfied that the outcome of the remuneration policy in 2024 is consistent with both the results delivered in year and progress against longer-term targets and other metrics. Profit before taxation decreased in the year by 20.9% due to weak market conditions. Despite these performance issues, the Company has made solid progress in many of its strategic objectives, continuing to deliver on improving factory performance, improving the energy footprint of the Company and cementing its position as the supplier of choice in the hospitality tableware sector.

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, C J Stephens and M Payne. B M Hynes retired from the Committee on 4 June 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 £875.

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.

Future policy table

Executive Directors

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

This policy has been applied since June 2023.

<table>
<tr><th>Purpose and link to strategy</th><th>Operation</th><th>Maximum potential value</th><th>Performance metrics</th></tr>
<tr><td>Basic pay
Core element of fixed remuneration to help recruit and retain employees of the appropriate calibre and experience</td><td>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.</td><td>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 Director's role
Where salary is initially set below market levels for a newly appointed Director to allow for progress in their role.</td><td>Not applicable, although overall performance of the individual and the Company is considered by the Remuneration Committee when setting and reviewing salaries.</td></tr>
<tr><td>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</td><td>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.</td><td>Executive Directors are entitled to earn up to 100% of basic pay as a bonus.</td><td>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.</td></tr>
<tr><td>Benefits
Provide a market competitive benefits package to help recruit and retain employees of the appropriate calibre and experience</td><td>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.</td><td>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.</td><td>Not applicable.</td></tr>
</table>

Remuneration Report

For the year ended 31 December 2024

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.

During the year the only change to remuneration policy was the addition of an underpin to the bonus which is that in order to achieve bonus based on Company performance the result should exceed that of the prior 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.

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; and
- 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 £
2024						
Executive						
D M O'Connor	345,921	–	1,978	31,044	83,021	461,964
M Cunningham	223,813	–	824	14,774	53,715	293,126
J A Roper	283,314	–	1,030	20,080	64,395	368,819
Non-Executive						
B M Hynes*[2]	26,371	–	–	–	–	26,371
J M Moore	53,258	–	–	–	–	53,258
M Payne*[1]	49,785	–	–	–	–	49,785
C Stephens	53,258	–	–	–	–	53,258
R G W Williams	96,779	–	–	–	–	96,779
	1,132,499	–	3,832	65,898	201,131	1,403,360
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*[3]	124,667	5,000	980	6,154	118,460	255,261
J A Roper*[4]	270,675	–	875	21,243	152,125	444,918
Non-Executive						
A J McWalter	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
	1,400,482	5,000	3,535	63,845	507,525	1,980,387

M Payne*[1] From date of appointment 16 January 2024
B M Hynes*[2] Until date of resignation 4 June 2024
M Cunningham*[3] From date of appointment 1 June 2023
J Roper*[4] In the 2023 annual report a car allowance of £15,000 was omitted from the emoluments table and has been corrected here.

Remuneration Report

For the year ended 31 December 2024

This section of the Remuneration Report is not audited

All Directors received an increase in base salary of 4.0% during the year.

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 are awarded for 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 2024, 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 2024, threshold profit bonus levels were payable on the achievement of an operating profit before exceptional items of £10,217,000, on target profit levels were payable on the achievement of operating profits before exceptional items of £10,759,000, maximum target profit levels were operating profits before exceptional items of £11,802,000 and super-maximum target profit levels were operating profits before exceptional items of £12,426,000.

As a result of performance during the year, no profit bonus was achieved by the executive directors. Personal objectives represented a maximum of 24% of base salary.

Reflecting performance against the financial and personal objectives, the bonus payouts for 2024 are 24%, 24% and 24% of salary for D O' Connor, J Roper and M Cunningham, respectively.

The operation of the annual performance bonus scheme for 2025 has been amended to reflect increased performance targets taking into consideration the interests of shareholders.

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 2023	Options granted	Options lapsed	Number of options 31 December 2024	Date from which exercisable	Expiry date
D M O'Connor						
2022 grant	21,977	–	–	21,977	June 2025	June 2032
2023 grant	24,425	–	–	24,425	June 2026	June 2033
2024 grant	–	32,191	–	32,191	June 2027	June 2034
M Cunningham						
2023 grant	14,545	–	–	14,545	June 2026	June 2033
2024 grant	–	20,704	–	20,704	June 2027	June 2034
J A Roper						
2022 grant	17,046	–	–	17,046	June 2025	June 2032
2023 grant	18,945	–	–	18,945	June 2026	June 2033
2024 grant	–	24,969	–	24,969	June 2027	June 2034

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.

Share price movements during the year

The market price of the Company's shares at the end of the financial year was 700p (2023: 1,450p). The range of prices for the year to 31 December 2024 was 1,450p to 652.5p (2023: 1,085p to 1,640p) per ordinary share.

Pensions

This section of the Remuneration Report is audited.

M Cunningham, D M O'Connor and J A Roper were not active members of a Company pension scheme during 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 33 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.

During the year D M O'Connor transferred out of the Churchill Retirement Benefit Scheme and is no longer a member.

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 2024
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		
J M Moore	25 January 2021	12 months
R G W Williams	29 September 2022	10 months
C J Stephens	1 February 2023	1 year 11 months
M Payne*	16 January 2024	2 years 1 month

* M 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 2024 in the 10p ordinary shares of the Company were as follows:

	2024	2023
D M O'Connor	**23,655**	23,655
J A Roper	**1,024,035**	994,035
J M Moore	**270**	270
C Stephens	**819**	–
M Payne	**1,000**	–
M Cunningham	**2,033**	2,033
R G W Williams	**2,000**	1,000
	1,053,812	1,020,993

J A Roper's interest in the 10p ordinary shares of the Company at 31 December 2024 represented 9.3% (2023: 9.0%) of the Company's issued share capital.

There has been no change in the interests set out above between 31 December 2024 and 8 April 2025.

Remuneration Report

For the year ended 31 December 2024

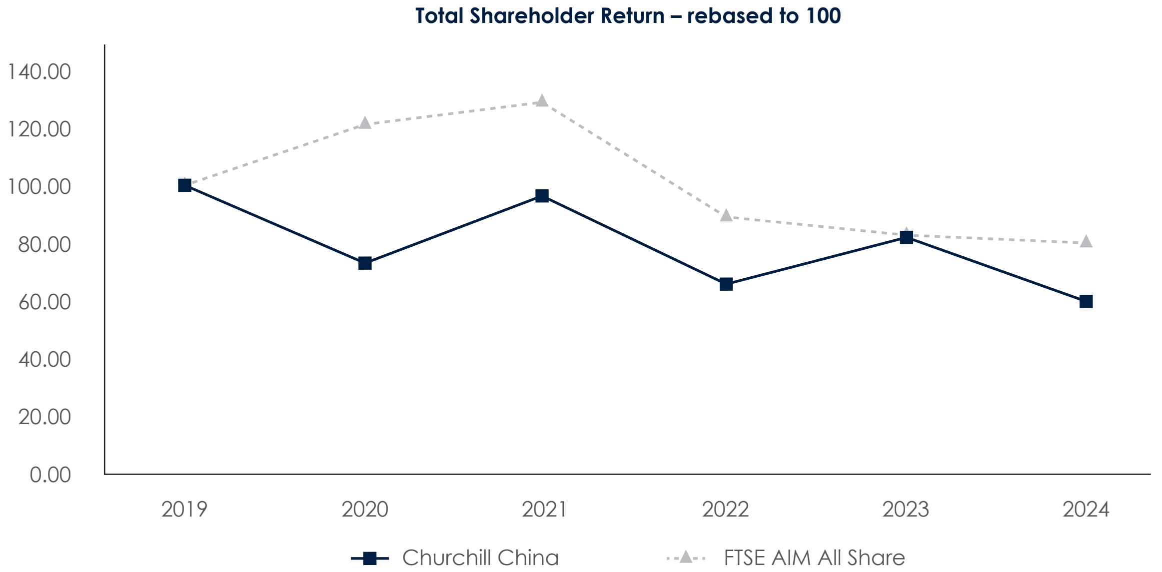
Director shareholding requirements

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 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 2023 Annual General Meeting, the standard resolution in relation to the approval of the Report of the Remuneration Committee contained in the Annual Report for 2023 was passed. 99.9% of votes were cast in favour of the resolution, 0.1% against, with abstentions of 0.0%.



(Source: Investec Bank plc)

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

Our overall five-year return has risen to an average compound rate of -9.57% (AIM: -4.24%). Over the five year period total shareholder return from the Group has been -39.52% whilst that achieved by the AIM index as a whole was -19.48%. In the year to 31 December 2023 the overall return from the Group was -27.59%, (AIM: -3.95%).

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:

	2019	2020	2021	2022	2023	**2024**
Single figure of remuneration (£'000)	810	293	605	543	555	**462**
Bonus payout (of base salary)	70%	0%	99%	68%	60%	**24%**
LTIP vesting (of maximum)	100%	0%	0%	0%	0%	**0%**
Profit before exceptional items and income tax (£'000)	11,176	848	5,963	9,054	10,788	**8,536**
Share price at 31 December	1,820p	1,340p	1,762.5p	1,175p	1,450p	**700p**

On behalf of the Board

J M Moore
Chair of the Remuneration Committee
8 April 2025

Nomination Committee Report

For the year ended 31 December 2024

Annual statement

During the year the Company has continued its succession activities. Martin Payne joined the board as both Chair of the Audit Committee and Senior Independent Director. The Committee has also been addressing strengthening of the senior management team and has had oversight of the recruitment of a Chief Operating Officer below board level.

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, and the next level of management, 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;
- A review of the terms of reference of the committee which has since been agreed and approved by the full Board.

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.

On behalf of the Board

R G W Williams
Chair of the Nomination Committee
8 April 2025

Audit Committee Report

For the year ended 31 December 2024

Dear Shareholders

I am pleased to present my first Audit Committee (AC) Report for 2024.

I would like to thank Brendan Hynes for his long and dedicated service to the Company and wish him all the best in his retirement.

The primary role of the Audit Committee is to oversee the controls and processes within the business and assess the suitability of the management framework. In addition, the committee is responsible for assessing the independence, objectivity and quality of the external auditor and in assessing the suitability of the fee levels being charged.

During the year the Committee met three times in line with the agreed schedule. During the year the committee discussed and agreed the terms of reference of the committee and agreed these with the wider board.

The Audit Committee has considered a number of matters since the beginning of 2024 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 2024 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;
- A review of the Company's risk management process and the resulting key risks which are highlighted in the principal risks section of the strategic report. Also assessed is how these risks are impacted by the wider business environment.

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.

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 £8.2m as calculated under IAS 19 as an asset within the Financial Statements.

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 increasing its stock holding position in order to improve customer service levels.

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 affected 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.

On behalf of the Board

M Payne
Chair of the Audit Committee
8 April 2025

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 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 2024 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 Statements of Financial Position as at 31 December 2024; the Consolidated Income Statement and Consolidated Statement of Comprehensive Income, the Consolidated Statement of Cash Flows 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, comprising material accounting policy information and other explanatory information.

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 other listed entities of public interest, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

We have provided no non-audit services to the company or its controlled undertakings in the period under audit.

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 a specific balance in Furlong Mills Limited
- The consolidation adjustments included within the consolidated results of the group have been audited to overall group performance materiality.

Key audit matters

- Inventory provision for slow moving or obsolete items (group)
- Valuation of defined benefit pension liability (group)
- Valuation of the investments in subsidiaries (parent)

Materiality

- Overall group materiality: £427,000 (2023: £539,000) based on 5% of profit before tax.
- Overall company materiality: £89,000 (2023: £102,000) based on 1% of total assets.
- Performance materiality: £320,000 (2023: £404,000) (group) and £67,000 (2023: £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 key audit matters below are consistent with last year.

Independent auditors' report to the members of Churchill China plc

Key audit matter	How our audit addressed the key audit matter
Inventory provision for slow moving or obsolete items (group) Refer to the summary of significant accounting policies in note 1 to the financial statements, 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.	We assessed management's policy for providing for obsolete and slow moving stock. For a sample of inventory lines in the year end inventory listing, we tested a sample of quantities on hand to the provision calculation. We recomputed the excess quantities above the agreed stock level and for this excess stock we validated the provision rate applied with reference to historical actual sales below cost and other supporting evidence. For inventory categorised as clearance stock, we analysed the ageing of this stock and the provision rate applied. 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. We found the inventory valuation provisions to be materially appropriate and consistent with the audit evidence obtained. We also tested the sensitivity disclosures provided in note 1 to the financial statements and found them to be consistent with the conclusions reached.
Valuation of defined benefit pension liability (group) Refer to the summary of significant accounting policies in note 1 to the financial statements and note 19 (Retirement benefit asset). The valuation of the defined benefit obligation 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 disclosures in note 19, and 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 financial statements, and note 13 (Investments in subsidiaries). Investments in 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. The cash balance in Furlong Mills Limited is in excess of group performance materiality and was also 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.

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	£427,000 (2023: £539,000).	£89,000 (2023: £102,000).
How we determined it	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 £89,000 and £383,000.

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% (2023: 75%) of overall materiality, amounting to £320,000 (2023 : £404,000) for the group financial statements and £67,000 (2023: £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 £21,300 (group audit) (2023: £26,000) and £4,000 (company audit) (2023: £4,000) 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 stress test scenario;
- 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 2024 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.

Independent auditors' report to the members of Churchill China plc

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 health and safety and employments laws, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as Companies Act 2006 and taxation legistlation. 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

8 April 2025

Consolidated Income Statement

for the year ended 31 December 2024

	Note	**2024 £'000**	2023 £'000
Revenue	2	**78,279**	82,339
Operating profit	3	**7,995**	10,252
Finance income	6	**631**	611
Finance costs	6	**(90)**	(75)
Profit before income tax		**8,536**	10,788
Income tax expense	8	**(2,171)**	(3,071)
Profit for the year		**6,365**	7,717
Basic earnings per ordinary share	9	**57.9p**	70.2p

All of the above figures relate to continuing operations.

The notes on pages 51 to 71 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2024

	Note	**2024 £'000**	2023 £'000
Profit for the year		**6,365**	7,717
Other comprehensive (expense)/income			
Items that will not be reclassified to profit and loss:			
Remeasurements of post-employment benefit obligations net of tax	19	**(835)**	(900)
Items that may be reclassified subsequently to profit and loss:			
Currency translation differences		**4**	(25)
Other comprehensive (expense) for the year		**(831)**	(925)
Total comprehensive income for the year		**5,534**	6,792

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 Statement of Financial Position

as at 31 December 2024

	Note	2024 £'000	2023 £'000
Assets			
Non-current assets			
Property, plant and equipment	11	**24,578**	25,085
Intangible assets	12	**616**	663
Deferred income tax assets	18	**131**	82
Retirement benefit assets	19	**8,179**	7,855
		33,504	33,685
Current assets			
Inventories	14	**23,318**	21,896
Trade and other receivables	15	**12,191**	11,036
Cash and cash equivalents		**10,100**	13,933
		45,609	46,865
Total assets		**79,113**	80,550
Liabilities			
Current liabilities			
Trade and other payables	16	**(11,508)**	(14,355)
		(11,508)	(14,355)
Non-current liabilities			
Lease liabilities	17	**(550)**	(677)
Deferred income tax liabilities	18	**(5,792)**	(5,577)
Non-current liabilities		**(6,342)**	(6,254)
Total liabilities		**(17,850)**	(20,609)
Net assets		**61,263**	59,941
Equity attributable to owners of the Company			
Issued share capital	20	**1,103**	1,103
Share premium account	20	**2,348**	2,348
Treasury shares	21	**(431)**	(431)
Other reserves		**1,160**	1,363
Retained earnings		**57,083**	55,558
Total equity		**61,263**	59,941

The notes on pages 51 to 71 are an integral part of these consolidated financial statements. The financial statements on pages 43 to 71 were approved by the Board of Directors on 8th April 2025 and were signed on its behalf by:

D M O'Connor
Director

M Cunningham
Director

Company number 02709505

Company Statement of Financial Position

as at 31 December 2024

	Note	**2024 £'000**	2023 £'000
Fixed assets			
Intangible assets	12	**399**	531
Investments	13	**7,032**	7,008
		7,431	7,539
Current assets			
Debtors: non-current	15	**487**	1,951
Debtors: current	15	**860**	307
Cash at bank and in hand		**79**	362
		1,426	2,620
Total assets		**8,857**	10,159
Creditors: amounts falling due within one year			
Creditors	16	**(32)**	(71)
Net assets		**8,825**	10,088
Equity attributable to owners of the Company			
Called up share capital	20	**1,103**	1,103
Share premium account	20	**2,348**	2,348
Treasury shares	21	**(431)**	(431)
Other reserves		**–**	198
Retained earnings		**5,805**	6,870
Total equity		**8,825**	10,088

The notes on pages 51 to 71 are an integral part of these financial statements.

The financial statements on pages 43 to 71 were approved by the Board of Directors on 8th April 2025 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 £2,949,197 (2023: £3,311,000).

Consolidated Statement of Changes in Equity

for the year ended 31 December 2024

	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 2023		**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	–
Re-measurement 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	10	(3,519)	–	–	–	–	(3,519)
Share based payment	20	–	–	–	–	53	53
Deferred tax – share based payments	18	(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**
Comprehensive Income/(expense):							
Profit for the year		6,365	–	–	–	–	6,365
Other comprehensive income/(expense):							
Depreciation transfer – gross		12	–	–	–	(12)	–
Depreciation transfer – tax		(3)	–	–	–	3	–
Re-measurement of post-employment benefit obligations – net of tax		(835)	–	–	–	–	(835)
Currency translation		–	–	–	–	4	4
Total comprehensive income		**5,539**	**–**	**–**	**–**	**(5)**	**5,534**
Transactions with owners							
Dividends	10	(4,014)	–	–	–	–	(4,014)
Share based payment	20	–	–	–	–	(198)	(198)
Total transactions with owners		**(4,014)**	**–**	**–**	**–**	**(198)**	**(4,212)**
Balance at 31 December 2024		**57,083**	**1,103**	**2,348**	**(431)**	**1,160**	**61,263**

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 2024

	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 2023		**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	20	–	–	–	–	53	53
Deferred tax – share based payments	18	(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**
Comprehensive income:							
Profit for the year		2,949	–	–	–	–	2,949
Total comprehensive income		**2,949**	**–**	**–**	**–**	**–**	**2,949**
Transactions with owners							
Dividends relating to 2024	10	(4,014)	–	–	–	–	(4,014)
Share based payment	20	–	–	–	–	(198)	(198)
Total transactions with owners		**(4,014)**				**(198)**	**(4,212)**
Balance at 31 December 2024		**5,805**	**1,103**	**2,348**	**(431)**	**–**	**8,825**

Other Reserves

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

Consolidated Statement of Cash Flows

for the year ended 31 December 2024

	2024 £'000	2023 £'000
Cash flows from operating activities		
Cash generated from operations	**5,085**	8,321
Interest received	**227**	229
Interest paid	**(90)**	(75)
Income taxes paid	**(1,574)**	–
Net cash generated from operating activities	**3,648**	8,475
Cash flows from investing activities		
Purchases of property, plant and equipment	**(3,003)**	(5,334)
Proceeds on disposal of property, plant and equipment	**39**	54
Purchases of intangible assets	**(135)**	(73)
Repayment of other financial assets	**–**	5,057
Net cash used in investing activities	**(3,099)**	(296)
Cash flows from financing activities		
Dividends paid	**(4,014)**	(3,519)
Principal elements of leases	**(368)**	(330)
Net cash generated used in financing activities	**(4,382)**	(3,849)
Net (decrease)/increase in cash and cash equivalents	**(3,833)**	4,330
Cash and cash equivalents at the beginning of the year	**13,933**	9,604
Effects of exchange rate changes on cash and cash equivalents	**–**	(1)
Cash and cash equivalents at the end of the year	**10,100**	13,933

Reconciliation of Operating Profit to Net Cash Inflow from Operating Activities

for the year ended 31 December 2024

	2024 £'000	2023 £'000
Continuing operating activities		
Operating profit	**7,995**	10,252
Adjustments for:		
Depreciation and amortisation	**3,666**	3,510
Gain on disposal of property, plant and equipment	**(13)**	(16)
(Reversal) / charge for share-based payments	**(198)**	53
Defined benefit pension cash contribution (see note 19)	**(1,167)**	(1,750)
Pension administrative costs	**94**	–
Changes in working capital:		
Inventory	**(1,422)**	(6,007)
Trade and other receivables	**(1,150)**	2,346
Trade and other payables	**(2,720)**	(67)
Net cash inflow from operations	**5,085**	8,321

Notes to the Financial Statements

for the year ended 31 December 2024

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 consolidated 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. 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 arm's 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 sometimes 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.

Notes to the Financial Statements
continued

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 statement of financial position 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 statement of cash flows 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 statement of financial position 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 statement of financial position 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 statement of financial position.

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 functional currency of the Group and is the presentation currency for the consolidated financial statements.

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

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

1. Summary of significant accounting policies continued

Derivative financial instruments

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

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

Taxation

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

Current tax is based on the taxable profit for the year. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

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

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

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

Property, plant and equipment

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

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

	%
Freehold buildings	2 on cost
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.

Notes to the Financial Statements

continued

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 sell. 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.

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 2024, 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 £234,000 (2023: £303,000) 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 £26,000 (2023: £25,000) 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 £812,000 (2023: £937,000) 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 2024, had the interest rates achieved been 5% higher with all other variables held constant then post tax profit for the year would have been £11,000 (2023: £9,000 higher). Other components of equity would have been unchanged.

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:

	2024 £'000	2023 £'000
A1/A+ institutions	**10,100**	13,933

Other financial assets are as follows:

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 22.

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 external 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 to sell. 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 £371,000 (2023: £358,000). 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 £371,000 (2023: £379,000).

(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 19.

Notes to the Financial Statements
continued

1. **Summary of significant accounting policies** continued

(c) Pension surplus (judgement):

The retirement benefit asset / obligations recognised on the statement of financial position represents the surplus or deficit in the Group's defined benefit pension scheme calculated on an IAS 19 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 investment in subsidiaries 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 investment's 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.

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.

	2024 £'000	2023 £'000
Market segment – Revenue		
Ceramics	**71,097**	74,159
Materials	**13,059**	14,687
	84,156	88,846
Intra group revenue	**(5,877)**	(6,507)
	78,279	82,339

	2024 £'000	2023 £'000
Geographical segment – Revenue		
United Kingdom	**32,790**	34,004
Rest of Europe	**30,790**	32,949
USA	**7,232**	8,399
Rest of the World	**7,467**	6,987
	78,279	82,339

The profits of the business are allocated as follows:

Operating profit	2024 £'000	2023 £'000
Ceramics	**6,999**	9,106
Materials	**996**	1,146
	7,995	10,252

Unallocated items	2024 £'000	2023 £'000
Finance Income	**631**	611
Finance costs	**(90)**	(75)
Profit before income tax	**8,536**	10,788

Segmental Assets	2024 £'000	2023 £'000
Ceramics	**69,791**	71,491
Materials	**9,322**	9,059
	79,113	80,550

Segmental Liabilities	2024 £'000	2023 £'000
Ceramics	**15,601**	18,305
Materials	**2,249**	2,304
	17,850	20,609

Capital expenditure on tangible and intangibles assets was made as follows:
Ceramics £ 2,788,000 (2023: £5,013,000), Materials £ 350,000 (2023: £394,000).

Notes to the Financial Statements

continued

3. Operating profit

	2024 £'000	2023 £'000
(Income)/Expenses by nature		
Changes in inventories of finished goods and work in progress	**(1,857)**	(6,464)
Raw materials used	**8,371**	9,580
Purchase of goods for resale	**4,383**	4,375
Employee benefit expense (note 5)	**30,066**	31,155
Other external charges	**26,123**	30,001
Depreciation and amortisation charges	**3,666**	3,510
Profit on disposal of property, plant and equipment	**(13)**	(16)
Foreign exchange gain	**(455)**	(54)
Total cost of sales, distribution costs and administrative expenses	**70,284**	72,087

4. Average number of people employed

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

	2024 Number	2023 Number
By activity		
Production and warehousing	**515**	619
Sales and administration	**208**	217
	723	836

The Company had no employees other than Directors (2023: none).

5. Employee benefit expense

	2024 £'000	2023 £'000
Staff costs (for the employees shown in note 4)		
Wages and salaries	**26,296**	27,332
Social security costs	**2,939**	2,865
Defined contribution pension cost (see note 19)	**972**	876
Other pension costs (see note 19)	**57**	29
Share options granted to directors and employees (see note 20)	**(198)**	53
	30,066	31,155

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 30). 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 (2023: nil). Directors' emoluments disclosed within the Remuneration Report include fees for services provided for the Company.

6. Finance income and costs

	2024 £'000	2023 £'000
Interest income on cash and cash equivalents	**227**	229
Interest on defined benefit schemes (note 19)	**404**	382
Finance income	**631**	611
Interest on lease liabilities	**(74)**	(64)
Other interest	**(16)**	(11)
Finance costs	**(90)**	(75)
Net finance income/(costs)	**541**	536

7. Auditors' remuneration

	2024 £'000	2023 £'000
During the year the Group obtained the following services from the Company's auditors:		
Fees payable to the Company's auditors for the audit of the Company and consolidated financial statements (Company £6,000, 2023: £6,000)	**318**	290
Total fees payable to the Group's auditors	**318**	290

8. Income tax expense

Group	2024 £'000	2023 £'000
Current tax – current year	**1,679**	1,507
Current tax – adjustment in respect of prior periods	**9**	128
Current tax	**1,688**	1,635
Deferred tax (note 18)		
Current year	**489**	1,144
Current year – adjustment in respect of prior periods	**(6)**	292
Deferred tax	**483**	1,436
Income tax expense	**2,171**	3,071

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

	2024 £'000	2023 £'000
Profit before income tax	**8,536**	10,788
Tax calculated at domestic tax rates applicable to profits in the respective countries	**2,134**	2,535
Expenses not deductible for tax purposes	**84**	89
Income not subject to tax	**(58)**	–
Adjustment in respect of prior periods	**3**	420
Other	**8**	27
Tax charge	**2,171**	3,071

The weighted average tax rate for the year was 25% (2023: 23.5%).

9. Earnings per ordinary share

Basic earnings per ordinary share is based on the profit after income tax and on 10,997,835 (2023: 10,997,835) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

	2024 Pence per share	2023 Pence per share
Basic earnings per share		
(Based on earnings £6,365,000 (2023: £7,717,000))	**57.9**	70.2

10. Dividends

The dividends paid in the year were as follows:

Group and Company

Ordinary	2024 £'000	2023 £'000
Final dividend 2023 25.0p (2022: 21.0p) per 10p ordinary share	**2,749**	2,309
Interim 2024 11.5p (2023: 11.0p) per 10p ordinary share paid	**1,265**	1,210
	4,014	3,519

The Directors now recommend payment of the following dividend:		
Ordinary dividend:		
Final dividend 2024 26.5p (2023: 25.0p) per 10p ordinary share	**2,914**	2,749

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 (2023: 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 2023					
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**
Year ended 31 December 2024					
Opening net book amount	12,070	12,400	401	214	25,085
Additions	198	2,211	298	296	3,003
Disposals	–	–	(26)	–	(26)
Depreciation charge	(428)	(2,694)	(226)	(136)	(3,484)
Closing net book amount	**11,840**	**11,917**	**447**	**374**	**24,578**
At 31 December 2024					
Cost	19,261	47,338	955	3,082	70,636
Accumulated depreciation	(7,421)	(35,421)	(508)	(2,708)	(46,058)
Net book amount	**11,840**	**11,917**	**447**	**374**	**24,578**

Net book value of right-of-use assets included within property, plant and equipment:

	Note					
At 31 December 2024	**22**	**348**	**56**	**428**	**36**	**868**
At 31 December 2023	22	487	100	341	46	974

Included within Property, Plant and Equipment is £ 2,151,000 classified as Plant and Machinery and £139,000 classified as Fixtures and Fittings (2023: £1,242,000 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 (2023: £1,500,000) and a net book value of £399,000 (2023: £531,000) in 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 4.2 years (2023: 4.8 years).

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

Group	**Computer software £'000**	**Trademarks £'000**	**Total £'000**
At 1 January 2023			
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**
Year ended 31 December 2024			
Opening net book amount	132	531	663
Additions	135	–	135
Amortisation charge	(50)	(132)	(182)
Closing net book amount	**217**	**399**	**616**
At 31 December 2024			
Cost	1,559	1,500	3,059
Accumulated amortisation	(1,342)	(1,101)	(2,443)
Net book amount	**217**	**399**	**616**

13. Investments in subsidiaries

Company

	2024 £'000	2023 £'000
Cost		
At 1 January	**7,440**	7,440
Addition – Incorporation of subsidiary	**24**	–
At 31 December	**7,464**	7,440
Impairment		
At 1 January and 31 December	**(432)**	(432)
Net book value		
At 1 January	**7,008**	7,008
Addition – Incorporation of subsidiary	**24**	–
At 31 December	**7,032**	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 China (Deutschland) GmbH *****	Germany	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
Crown Clearance 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 2024 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
***** Registered address: Rankestraße 8, 10789 Berlin

14. Inventories

The Company has no inventory (2023: none).

Details of inventory relating to the Group are as follows:

	2024 £'000	2023 £'000
Raw materials	**2,741**	3,176
Work in progress	**3,533**	3,183
Finished goods	**17,044**	15,537
	23,318	21,896

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 £ 49,479,000 (2023: £50,094,000). The movement in impairment provisions against the value of inventory in relation to slow moving and obsolete items during the year was an increase for the Group of £ 54,000 (2023: decrease of £156,000).

15. Trade and other receivables

	Group		Company	
	2024 £'000	2023 £'000	**2024 £'000**	2023 £'000
Trade receivables	**11,343**	10,712	**–**	–
Less: provision for impairment of trade receivables	**(54)**	(219)	**–**	–
Trade receivables – net	**11,289**	10,493	**–**	–
Prepayments and other debtors	**902**	543	**–**	–
Corporation tax	**–**	–	**–**	–
Receivables from group undertakings	**–**	–	**1,347**	2,258
	12,191	11,036	**1,347**	2,258
Less non-current portion: loans to group undertakings	**–**	–	**(487)**	(1,951)
Current portion	**12,191**	11,036	**860**	307

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

As of 31 December 2024, trade receivables of £9,692,000 (2023: £7,223,000) were fully performing.

As of 31 December 2024, trade receivables with a gross value of £358,000 (2023: £1,926,000) were impaired and provided for. The amount of provision for 31 December 2024 was £54,000 (2023: £219,000). 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:

	2024 £'000	2023 £'000
Up to 3 months	**350**	1,894
3 to 6 months	**8**	25
Over 6 months	**–**	7
	358	1,926

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:

	2024 £'000	2023 £'000
At 1 January	**219**	326
(Decrease) in provision for receivables impairment	**(150)**	(107)
Written back during the year	**(15)**	–
At 31 December	**54**	219

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:

	2024 £'000	2023 £'000
Pounds	**7,065**	6,897
Euros	**3,545**	3,113
US dollars	**1,581**	1,026
	12,191	11,036

During the year the Group realised gains of £ 290,000 (2023: £56,000) on settled forward option contracts that have been recognised in the Income Statement and as at 31 December 2024 held foreign currency exchange contracts for the sale of Euros of £ 13,140,000 (2023: £9,786,000) and the sale of US dollars of £ 4,736,000 (2023: £3,068,000). These contracts are held at their fair value with a loss of £ 277,000 (2023: £63,000) 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 2024, 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:

	2024 £'000	2023 £'000
Pounds	**1,191**	2,112
US dollars	**156**	146
	1,347	2,258

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. Trade and other payables

		Group		**Company**	
	Note	**2024 £'000**	2023 £'000	**2024 £'000**	2023 £'000
Trade payables		**2,605**	2,658	**–**	–
Social security and other taxes		**760**	1,120	**–**	–
Accrued expenses		**6,993**	9,572	**19**	58
Lease liabilities	17	**368**	336	**–**	–
Corporation tax		**782**	669	**–**	–
Payable to group companies		**–**	–	**13**	13
		11,508	14,355	**32**	71

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

17. Lease liabilities

	Group	
	2024 £'000	2023 £'000
Lease liabilities – current	**368**	336
Lease liabilities – non-current	**550**	677
	918	1,013

Further analysis relating to the lease liabilities acquired is included in Note 22.

18. 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	**2024 £'000**	2023 £'000
Deferred tax assets:		
– Deferred tax asset to be recovered after more than 12 months	**–**	4
– Deferred tax asset to be recovered within 12 months	**131**	78
	131	82
Deferred tax liabilities:		
– Deferred tax liabilities to be recovered after more than 12 months	**(3,701)**	(4,019)
– Deferred tax liabilities to be recovered within 12 months	**(2,091)**	(1,558)
	(5,792)	(5,577)
Deferred tax liability	**(5,661)**	(5,495)

18. **Deferred income tax** continued

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

	2024 £'000	2023 £'000
At 1 January	**(5,495)**	(4,326)
Income statement charge (note 8)	**(483)**	(1,151)
Tax debits / (credits) relating to components of comprehensive income	**314**	(50)
Tax (charged) / credited directly to equity	**3**	32
At 31 December	**(5,661)**	(5,495)

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 2023	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**
Charged / (credited) to the income statement	160	3	369	–	532
Tax debits relating to components of equity	–	–	–	(3)	(3)
Tax credits relating to components of comprehensive income	–	–	(314)	–	(314)
At 31 December 2024	**3,476**	**271**	**2,019**	**26**	**5,792**

Deferred tax assets	**Total £'000**
At 1 January 2023	**132**
Charged to the income statement	(18)
Tax charges relating to components of comprehensive income	(32)
At 31 December 2023	**82**
Charged to the income statement	49
At 31 December 2024	**131**

The deferred tax asset relates entirely to unrealised profit on stock from inter group sales.

Deferred income tax of £3,000 (2023: £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 £1,226,000 (2023: £1,147,000) in respect of capital losses amounting to £ 4,906,000 (2023: £4,587,000) that can be carried forward against future capital gains.

19. **Retirement benefit asset**

	2024 £'000	2023 £'000
Statement of financial position asset / (obligations)		
Pension benefits	**8,179**	7,855
Income statement charge		
Pension benefits	**1,029**	902
Administrative costs	**94**	–
Finance costs	**(404)**	(382)

Notes to the Financial Statements

continued

19. **Retirement benefit asset** continued

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

Scheme	**2024**	2023	**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	**£933,000**	£836,000	Defined contribution (Master Trust)
Furlong Mills Ltd. Pension Plan	**£7,000**	£7,000	Defined contribution plan
Furlong Mills Ltd. section of the Now Pension scheme	**£32,000**	£30,000	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 £1,029,000 (2023: £902,000). 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 £110,000 (2023: £13,000).

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 £ 1,167,000 (2023: £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 2023 triennial actuarial valuation in August 2024. The Group has agreed to make the following payments in respect of the amortisation of past service deficits:

- £ nil per annum for the period from 1 September 2024 to 31 August 2026
- £1.75m per annum from 1 September 2026 to 30 June 2029.

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.

The amounts recognised in the statement of financial position are determined as follows:

	2024 **£'000**	2023* £'000
Present value of funded obligations	**(37,144)**	(40,741)
Fair value of plan assets	**45,323**	48,596
Asset in statement of financial position	**8,179**	7,855

* The figures for 2023 in the table have been represented with no change to the net asset position. The present value of funded obligation and fair value of plan assets have both been increased by £701,000 to correct an error.

The funding level of the RBS has improved substantially during the last two years 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 movement in the present value of defined benefit obligation over the year is as follows:

	2024 **£'000**	2023 £'000
At 1 January	**40,741**	39,700
Interest cost	**1,911**	1,891
Administrative costs	**94**	–
Experience gains on liabilities	**(19)**	(533)
Re-measurements from change in demographic assumptions	**(67)**	441
Re-measurements from change in financial assumptions	**(3,535)**	1,467
Benefits paid	**(1,981)**	(2,225)
At 31 December	**37,144**	40,741

Included within net scheme liabilities is a liability of £682,000 (2023: £701,000) offset by a matching insurance policy asset of £682,000 (2023: £701,000) in respect of annuitised member benefits.

19. **Retirement benefit asset** continued

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

	2024 £'000	2023 £'000
At 1 January	**48,596**	46,624
Expected return on plan assets	**2,315**	2,273
Re-measurement of return on plan assets excluding amounts included in interest expense	**(4,774)**	174
Employer contributions	**1,167**	1,750
Benefits paid	**(1,981)**	(2,225)
At 31 December	**45,323**	48,596

Plan assets are comprised as follows:

	2024 £'000		2023 £'000	
Other investment funds	**21,924**	**48%**	12,746	26%
Debt investments	**20,136**	**44%**	34,295	71%
Cash and cash equivalents	**2,581**	**6%**	854	2%
Insurance policy asset	**682**	**2%**	701	1%
	45,323		48,596	

The expected return on plan assets under IAS 19 (revised) is calculated at the same rate used to discount scheme liabilities. Nil (2023: Nil) of plan assets are quoted.

The amounts recognised in the income statement are as follows:

	2024 £'000	2023 £'000
Interest cost on defined benefit plans	**(404)**	(382)
Administrative costs	**94**	–

The actual return on plan assets was a loss of £ 2,459,000 (2023: £1,746,000).

Re-measurement loss of £ 1,153,000 (2023: gain of £701,000) gross of tax was 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 £11,091,000 (2023: £9,938,000).

The principal actuarial assumptions used were as follows:

Pension benefits

	2024 % per annum	2023 % per annum
Discount rate	**5.6%**	4.8%
Inflation rate – RPI	**3.3%**	3.1%
– CPI	**2.9%**	2.7%
Duration used to set discount rates	**12 years**	14 years
Rate of increase of pensions in payment	**2.8%**	2.6%
Rate of increase of deferred pensions	**2.9%**	2.7%
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_2023 converging to 1.25% p.a.**	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.

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

	2024 Years	2023 Years
Male	**20.6**	20.7
Female	**22.8**	22.8

Notes to the Financial Statements

continued

19. Retirement benefit asset continued

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

	2024 Years	2023 Years
Male	**21.8**	21.9
Female	**24.3**	24.3

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 an allocation of investments which are not solely corporate bonds and so volatility on the statement of financial position is expected 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, the current investment strategy is appropriate for the group's long term strategy to manage the plans efficiently and to mitigate the impact of interest rate movements. 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 plan's bond holdings are index linked and provides some protection against this.

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.

Other

The Virgin Media Limited v NTL Pension Trustees II Limited decision, handed down by the High Court on 16 June 2023 considered the implications of Section 37 of the Pension Schemes Act 1993. Section 37 of the Pension Schemes Act 1993 only allowed the rules of contracted-out schemes in respect to benefits, to be altered where certain requirements were met. Following an appeal on 25 July 2024, the Court of Appeal upheld the High Court's decision, that the statutory actuarial confirmation was required, and without this, alterations to schemes were void. There is also potential for legislative intervention following industry lobbying efforts that may retrospectively validate certain rule amendments.

The Company and Trustees have carried out an initial review of the Scheme's deeds. They are currently liaising with their advisers to consider next steps in light of the appeal. It is not possible at present for the Company or Trustees to estimate the potential impact, if any, on the Scheme.

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 0.5% increase in the discount rate to 6.1% would be to decrease scheme liabilities by £2,047,000 (5.5%).

The effect of a 0.25% increase in RPI inflation to 3.55% would increase scheme liabilities by £787,000 (2.1%).

The effect of a 1-year increase to life expectancy would increase scheme liabilities by £1,062,000 (2.9%).

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

20. Called up share capital and share premium account

Group and Company	**Number of shares '000s**	**Ordinary shares £'000**	**Share premium £'000**
At 1 January 2024 and 31 December 2024	11,030	1,103	2,348

The total authorised number of ordinary shares is 14,300,000 (2023: 14,300,000) with a par value of 10p (2023: 10p) per share. All issued shares are fully paid.

Share option schemes

The Long-Term Incentive Plan (LTIP) 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 is 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.

20. Called up share capital and share premium account continued

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

Long term incentive plan

Grant date	24 May 2024	21 June 2023
Share price at grant date	**1,085p**	1,375p
Exercise price	**10p**	10p
Number of employees	**13**	11
Shares under option	**133,645**	94,011
Vesting period (years)	**3**	3
Expected volatility	**38.0%**	39.3%
Option life (years)	**10**	10
Expected life (years)	**3**	3
Risk free rate	**4.3%**	4.4%
Expected dividends expressed as a dividend yield	**3.1%**	2.2%
Fair value per option	**861p**	1,245p

The following options exercisable over ordinary shares were outstanding at 31 December 2024 under the Long Term Incentive Plan:

Number of shares	2024	2023	Exercise price	Date from which exercisable	Expiry date
June 2022 Grant	**–**	84,056	10p	June 2025	June 2032
June 2023 Grant	**–**	94,011	10p	June 2026	June 2033
May 2024 Grant	**–**	–	10p	May 2027	May 2034
	–	178,067			

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 2024 is set out below.

	2024 Number '000	2024 Weighted average exercise price	2023 Number '000	2023 Weighted average exercise price
Outstanding at 1 January	**178,067**	**10.0p**	128,821	10.0p
Granted	**133,645**	**10.0p**	94,011	10.0p
Lapsed	**(311,712)**	**10.0p**	(44,765)	10.0p
Outstanding at 31 December	**–**	**10.0p**	178,067	10.0p
Exercisable at 31 December	**–**	**–**	–	–

There were 133,645 share options granted during the year (2023: 94,011).

	2024 Weighted average exercise price	2024 Number '000	2024 Weighted average remaining life (expected)	2024 Weighted average remaining life (contractual)	2023 Weighted average exercise price	2023 Number '000	2023 Weighted average remaining life (expected)	2023 Weighted average remaining life (contractual)
0 – 50p	**–**	**–**	**–**	**–**	10p	178,067	2.0	9.0

The weighted average price for options exercised in the year was nil (2023: nil). The total credit during the year for employee share-based payment plans was £ 232,000 (2023: charge of £53,000) before tax, which related to equity settled share based payment transactions.

During the year, the Group reassessed the likelihood of meeting the performance conditions associated with the LTIP. Based on the latest performance assessment, it was determined that the performance condition will not be met and therefore none of the options granted to date will vest. Accordingly, the charge previously recognised has been reversed.

21. Treasury shares

Group and Company	2024 £'000	2023 £'000
As at 1 January and 31 December	**431**	431

The Group currently holds 32,337 (2023: 32,337) shares in Treasury.

Notes to the Financial Statements

continued

22. 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:

	2024 £'000	2023 £'000
Right of Use Assets – Net Book Value		
Land and Buildings	**348**	487
Plant & Equipment	**92**	146
Motor Vehicles	**428**	341
	868	974

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

	2024 £'000	2023 £'000
Depreciation charge on Right of Use Assets		
Land and Buildings	**140**	139
Plant & Equipment	**53**	81
Motor Vehicles	**185**	114
	378	334

Lease Liability	**Land and Buildings £'000**	**Plant & Equipment £'000**	**Motor Vehicles £'000**	**Total £'000**
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**
Additions	–	–	272	272
Payments	(172)	(67)	(203)	(442)
Interest	42	7	25	74
At 31 December 2024	**379**	**98**	**441**	**918**

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

	2024 £'000	2023 £'000
Within 1 year	**413**	387
Between 1 and 5 years	**606**	762
	1,019	1,149

The total cash outflow for leases in the year was £442,000 (2023: £395,000).

23. Capital commitments

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

	Group		Company	
	2024 £'000	2023 £'000	**2024 £'000**	2023 £'000
Property, plant and equipment	**348**	1,179	**–**	–
	348	1,179	**–**	–

24. 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.

25. 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 2024 and 2023, 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 instruments 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 16 and 17 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)

	2020 £'000	2021 £'000	2022 £'000	2023 £'000	**2024** **£'000**
Revenue	36,362	60,839	82,528	82,339	**78,279**
Operating profit before exceptional item	922	6,122	9,142	10,252	**7,995**
Exceptional items	(757)	–	547	–	**–**
Operating profit	165	6,122	9,689	10,252	**7,995**
Net Finance (costs)/income	(74)	(159)	(88)	536	**541**
Profit before exceptional item and income tax	848	5,963	9,054	10,788	**8,536**
Exceptional items	(757)	–	547	–	**–**
Profit before income tax	91	5,963	9,601	10,788	**8,536**
Income tax (expense) / credit	22	(1,797)	(1,706)	(3,071)	**(2,171)**
Profit for the year	113	4,166	7,895	7,717	**6,365**
Dividends paid	–	739	3,062	3,519	**4,014**
Net assets employed	37,141	42,683	56,648	60,316	**61,263**
Ratios					
Operating margin before exceptional items	2.5%	10.1%	11.1%	12.4%	**10.2%**
Earnings before exceptional items, interest, tax, depreciation and amortisation (£'000)	3,508	8,960	12,125	13,762	**11,661**
Basic earnings per share (p)	1.0	37.8	71.7	70.2	**57.9**
Adjusted basic earnings per share (p)	6.5	37.8	66.9	70.2	**57.9**

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