

For immediate release

13 April 2023



CHURCHILL CHINA plc
("Churchill" or the "Company" or the "Group")

FINAL RESULTS
For the year ended 31 December 2022

Strong revenue and profit performance

Churchill China plc (AIM: CHH), the manufacturer of innovative performance ceramic products serving hospitality markets worldwide, is pleased to announce its Final Results for the year ended 31 December 2022.

Key Highlights:

Financial

- Operating profit before exceptional items up 49% to £9.2m (2021: £6.1m)
- Profit before exceptional items and tax up 52% to £9.1m (2021: £6.0m)
- Reported profit after exceptional items before tax up 61% to £9.6m (2021: £6.0m)
- Adjusted* basic earnings per share up 77% to 66.9p (2021: 37.8p)
- Basic earnings per share 71.7p (2021: 37.8p)
- Final dividend of 21.0p per share, up 21% (2021: 17.3p). Total dividend for the year 31.5p, up 76% (2021: 24.0p)
- Cash generated from operations £4.9m (2021: £10.6m) - substantial investment into inventory to optimise service levels and efficiency
- Net cash and deposits of £14.7m (2021: £19.0m)

Business

- Total revenues of £82.5m up 36% (2021: £60.8m)
- Strong revenue performance
 - Hospitality: +40%
 - Materials: +37%
- Successful execution of strategy with further revenue growth across key markets
- Good demand from distributors and end users
- Percentage margins affected by labour efficiency as anticipated, absolute margins on target
- Manufacturing efficiency improving
- Continued investment targeting added value product capacity, process automation and energy efficiency
- Significant development of Board succession plan

Outlook

- 2023 has started well, Q1 targets met
- Investment programme maintained
- We look forward to delivering an improved performance in 2023.

Alan McWalter, Chairman of Churchill China, commented:

"Churchill is a resilient, adaptable business that benefits from a clear focus on delivering outstanding performance

products, value and service to its customers and prospers as a result. We have a clear strategy and a long term approach to business which underpins our confidence in our future prospects."

Analyst meeting

An in-person meeting for analysts will be held at 10.00am today, 13 April 2023 at the offices of Buchanan, 107 Cheapside, London EC2V 6DN. An online option will also be provided for analysts who cannot attend in person. To register for the meeting, analysts should contact Buchanan by email at churchillchina@buchanan.uk.com or telephone 020 7466 5000.

For further information, please contact:

Churchill China plc

David O'Connor / James Roper

Tel: 01782 577566

Buchanan

Mark Court / Abigail Gilchrist
ChurchillChina@buchanan.uk.com

Tel: 020 7466 5000

Investec

David Flin / Alex Wright / William Brinkley

[Tel: 020 7597 5970](tel:02075975970)

*Adjusted basic earnings per share is calculated after adjusting for the post tax effect of exceptional items.

CHAIRMAN'S STATEMENT

Introduction

We are pleased to report a strong performance in the year and have more than achieved our initial targets despite considerable external impact on both our markets and input costs. This performance, with a 36% increase in revenue and an increase in profit before exceptional items and tax of over 50%, reflects the strength of our market position and product offering, our geographic reach and diversity and the resilience of our business model. Alongside these achievements we have continued to develop and implement our longer term strategy, building our presence in Hospitality export markets and investing in the future of our business.

We continue to make good progress in growing our revenue and, as previously reported, are addressing some of the production issues that have adversely impacted margins as we increased manufacturing output during the year. Demand levels remain satisfactory overall and we have substantially improved our customer service performance as inventory has increased, reducing the outstanding order book towards more normal levels.

Financial Review

Total revenues rose by 36% to £82.5m (2021: £60.8m). Revenues increased both as a result of market share gain, resulting in increased volumes, and higher price levels implemented to help mitigate the effect of input cost inflation during the period.

Revenue (£m)	2022	2021	Change
Ceramics	75.3	55.6	35.5%
Materials	7.2	5.2	37.4%
Total	82.5	60.8	35.6%
UK	33.2	24.4	36.1%
Export	49.3	36.4	35.3%
Total	82.5	60.8	35.6%

As expected, overall gross margins remained lower than their long term average with output and efficiency levels during the year affected by labour availability issues, lower than optimal levels of experience within our workforce and higher input prices for materials and energy. Margin levels showed their normal increase in the second half of the year and we have seen some improvement in efficiency in the first months of 2023 as we have both reduced the amount of short term contract labour and improved overall manufacturing yields. We expect to make further progress in the resolution of these issues over the medium term.

Operating profit before exceptional items rose by £3.1m to £9.2m (2021: £6.1m). Overhead cost levels increased principally as a result of further long term investment in sales and marketing, supporting forward business development. Operating profit margins before exceptional items rose by 1.0% to 11.1% (2021: 10.1%).

Profit before exceptional items and income tax was £9.1m (2021: £6.0m) with the increase reflecting improved operating profit.

Net exceptional income: We have received two amounts of exceptional income during the year, firstly in relation to a receipt in relation to the voluntary winding up of a ceramic industry trade body of which the Company was a member* and a further amount as a reduction to our rates charge covering the initial impact of COVID in 2020. The latter sum was used to fund a one off payment made to all our employees as cost of living support. These amounts have been treated as exceptional given their size and nature.

Adjusted basic earnings per share before exceptional income was 66.9p (2021: 37.8p).

Reported profit after exceptional items but before income tax was £9.6m (2021: £6.0m).

Basic earnings per share, after exceptional items, was 71.7p (2021: 37.8p).

Cash flows from operating activities of £4.9m (2021: £10.6m) were lower than normally delivered, reflecting a substantial

increase in overall inventory levels of £5.4m to £15.9m. Stock levels within the Ceramic business had been well below desirable levels for most of 2022, adversely affecting customer service. These have been partially rebuilt during the final quarter of the year giving increased security to customers through improved delivery and better production efficiencies. Inventory levels within our Materials business also increased substantially as we established higher safety stocks of raw materials. Levels of receivables also increased as revenue grew, although the cash effect of this rise was offset by higher levels of creditors. Capital expenditure increased to £4.7m (2021: £3.7m) further details of which are set out below. After total dividend payments of £3.1m (2021: £0.7m), cash and deposits at 31 December 2022 were £14.7m (2021: £19.0m).

The funding position of our defined benefit pension scheme has improved substantially over the year as a result of an increase in discount rates applied to scheme liabilities following higher general interest rates. The scheme's investment strategy has been adjusted to reflect revised market conditions. The overall surplus at the year end was £6.9m (2021: deficit £7.2m). The Company is reviewing its forward position in relation to future scheme funding.

Dividend

We are pleased to propose a final dividend of 21.0p per share, giving a total dividend of 31.5p per share for the year, a 31% increase on the 24.0p paid in relation to 2021. This dividend will be payable on 23 June 2023 to shareholders on the register on 19 May 2023. The dividend is in line with our policy of growing returns to shareholders and reflects our ongoing confidence in the progress of the business.

Business

The business has performed well against its objectives for 2022. This has been possible through a continued focus on our core business principles of providing excellent value, outstanding products and a high level of service to our customers.

Ceramics

Hospitality sales in the year to 31 December 2022 increased by 40% against 2021. This increase reflected higher price levels, but importantly also higher sales volumes which rose by 23% against the prior year.

Export development continues to be our main long term focus for revenue growth and we have made good progress in all of our overseas regions. The best performance was again from Europe, where revenues rose by £7.7m to £31.5m. Progress continued to be made in the USA (+49%) and Rest of the World markets (+64%). UK sales, which had recovered more slowly from COVID, grew more strongly as larger hospitality customers recovered. Sales in the UK were more than 40% ahead of 2021.

The early part of the year saw significant energy and material price rises alongside the existing issue of reduced labour availability. More recently we have seen some impact from uncertainty arising from the impact of higher costs of living in certain markets. We were able to partially mitigate the impact of higher costs with fair and balanced price rises reflecting the continued value of our product and service offering to our customer base. Whilst we increased prices twice last year we believe that more stability in input pricing will allow a more measured approach in 2023. The business is currently benefitting from the geographic diversity of our market spread with continued strong growth in export markets offsetting the effect of consumer uncertainty in the UK. We believe that we have now begun to resolve a number of the efficiency issues that have constrained our performance in recent periods.

Added Value sales increased by over £10m during the year and were 34% ahead of 2021, despite a lower level of new product introductions. Good progress was made in all our major market sectors and Europe continues to be the market reporting the highest level of added value product sales, supporting our continued focus on that region. We expect to increase the level of new product launches in 2023.

In line with our strategy to prioritise the manufacture of Hospitality products, Retail sales were lower, down 33%. Retail sales now represent less than 5% of our Ceramics revenues.

Materials

Furlong Mills has performed extremely well during the year despite a number of challenges. Material and energy cost rises were particularly evident in this business, but again these have been largely reflected in higher price levels. The business' performance improved following a substantial increase in demand from Churchill and a general increase in business from the UK ceramic tableware industry. Overall revenues rose by 54%, with the increase from external customers being almost £2m (37%). The operational team worked exceptionally hard to meet increased output requirements and to continue to offer a leading service to their customers. As previously noted, we have taken the decision to substantially increase holdings of raw materials to improve supply chain security to both Churchill and our external customer base and inventory levels are £2.1m higher than the end of 2021. While this has required substantial investment by the business, we believe it is the right decision to support both Churchill and Furlong's external customers.

Furlong Mills is also contributing significantly to the Group's long term plan to reduce energy usage. We believe that substantial gains are available from improved materials and processes and the capability and knowledge within the Furlong business will support the realisation of these benefits.

Operations

As previously noted, 2022 has been a testing year for our manufacturing operations and we are pleased that they have responded well to the challenges presented to them. The success of our plan to secure additional sales volumes was initially supported by higher inventory levels but as this was depleted the requirement to expand production levels increased. Output levels rose by over 30% in the year, a substantial achievement, central to our objective of providing the best possible service to our customers. Labour availability and experience remained an issue through the year leading to a number of inefficiencies and higher than desirable unit costs.

Production levels have now stabilised and we have begun to see some of the benefits of a number of projects and actions aimed at improving productivity and efficiency. The numbers of temporary staff within the business is reducing steadily and the skills and capability of our core workforce is improving progressively as experience levels increase and our training programme delivers returns. As inventory levels have grown we have been able to plan longer production runs while also improving customer service. Finally a number of the capital projects targeting improved productivity that were initiated last year are now beginning to become operational. The effect of these will not be significant in the short term, but will provide a longer term route to increased efficiency.

Capital expenditure rose to £4.7m (2021: £3.7m) overall as we continued to invest in equipment to support the development of Added Value revenues and in projects improving our productivity and energy efficiency.

Our energy hedging position continues to reduce volatility within energy pricing. Whilst we will see some benefit from currently lower prices earlier in 2023, the principal benefit from this will be secured in the second half of the year. We also have a smaller hedged position into the first months of 2024. We are mindful of the extended impact of volatile energy pricing and will continue to monitor market movements carefully.

Environmental, Social and Governance ('ESG')

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

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

We have also implemented a number of initiatives in relation to our workforce and our engagement with our local community. We have always prioritised training and development of our workforce and we have continued to invest in this area. Future plans emphasise the improvement of our 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. A substantial amount of work has been carried out in relation to the development and implementation of a succession plan for the Board and senior management, a summary of this is set out below.

People

Before addressing changes to our Board, I would first like to thank our workforce as a whole for their contribution to this year's performance and the long term health and vitality of our business. As has been referred to above, we have successfully addressed a number of difficult challenges during 2022 and continue to deal with changing economic, trading and operational conditions. We have faced these issues not just with a well positioned and well invested business, but most importantly with a talented and committed workforce who deliver a consistent and high level of performance. The Board once again offers its thanks to all our employees and we are extremely proud of their achievements.

In relation to the composition of our Board, we have made significant progress over the course of the year in planning its future development. The longer term evolution of our Board had been given less priority in recent years as the business faced a number of challenges from external events and it was felt that the maintenance of an experienced senior team was in the best interests of shareholders. However, we have implemented a number of changes in both executive and non executive roles aimed at refreshing our Board and increasing the level of independent oversight. As we have previously announced David Taylor, who has been our Chief Financial Officer for over 31 years, will leave the Board this month. As we announced on 20 December 2022 he will be succeeded by Michael Cunningham, who will join from Surface Transforms plc on 1 June this year. We have appointed two new independent non executive Directors, Robin Williams in October 2022 and Caroline Stephens in February this year, who together with Mark Moore, bring our complement of independent Directors to three. I also wish to announce that I, Alan McWalter, will retire as Chairman and a director with effect from the conclusion of the 2023 Annual General Meeting. Robin Williams will assume the role of Chair from that date. The Board will remain focused on the implementation of these transitional changes.

Outlook

We delivered a strong performance in 2022, growing both revenue and profitability despite a number of challenges. This performance reflects not just the attractiveness of our markets but the strength of our established position and the long term approach that we will continue to follow. Churchill is a resilient, adaptable business that benefits from a clear focus on delivering outstanding performance products, value and service to its customers and prospers as a result. We have a clear strategy and a long term approach to business which underpins our confidence in our future prospects.

We believe that, despite some uncertainty in selected markets, that we are well positioned to continue to grow our revenues in line with our established strategy. We have invested in our European operations and continue to see good opportunities for progress in that region alongside other export markets. The output and efficiency issues affecting our manufacturing operations in 2022 are being addressed and we expect to demonstrate an improved performance in this area as we move through the year. 2023 has started well with a satisfactory level of activity across our markets and we have met our targets in the first three months of the year. We expect to continue to maintain our investment programme in support of our longer term aspirations.

We look forward to delivering an improved performance in 2023.

Alan McWalter
Chairman
13 April 2023

Churchill China plc
Consolidated Income Statement
for the year ended 31 December 2022

	Note	Audited Year to 31 December 2022 £000	Audited Year to 31 December 2021 £000
Revenue	1	82,528	60,839
Operating profit before exceptional items		9,142	6,122
Exceptional items	2	547	-
Operating profit		9,689	6,122
Finance income	3	60	5
Finance costs	3	(148)	(164)
Profit before exceptional item and income tax		9,054	5,963
Exceptional item	2	547	-
Profit before income tax		9,601	5,963
Income tax expense	4	(1,706)	(1,797)
Profit for the year		7,895	4,166
Profit for the year is attributable to:			
Owners of the Company		7,895	4,166

Churchill China plc
Consolidated Statement of Comprehensive Income
for the year ended 31 December 2022

	Audited Year to 31 December 2022 £000	Audited Year to 31 December 2021 £000
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Re-measurements of post-employment benefit obligations net of tax	9,332	1,499
Items that may be reclassified subsequently to profit or loss:		
Impact of change in UK tax rate		
on deferred tax		
Currency translation differences	58	557
Other comprehensive income for the year	9,390	2,066
Profit for the year	7,895	4,166
Total comprehensive income for the year	17,285	6,232
Attributable to:		
Owners of the Company	17,285	6,232

All the above figures relate to continuing operations

Churchill China plc
Consolidated Balance Sheet
as at 31 December 2022

Audited 31 December -----	Audited 31 December -----
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	2022 £000	2021 £000
Assets		
Non Current assets		
Property, plant and equipment	23,039	21,021
Intangible assets	849	1,022
Deferred income tax assets	132	1,842
Retirement benefit asset	6,924	-
	<u>30,944</u>	<u>23,885</u>
Current assets		
Inventories	15,889	10,486
Trade and other receivables	14,380	10,877
Other financial assets	5,057	4,005
Cash and cash equivalents	9,604	15,046
	<u>44,930</u>	<u>40,414</u>
Total assets	<u>75,874</u>	<u>64,299</u>
Liabilities		
Current liabilities		
Trade and other payables	(14,291)	(12,268)
Total current liabilities	<u>(14,291)</u>	<u>(12,268)</u>
Non-current liabilities		
Lease liabilities	(477)	(217)
Deferred income tax liabilities	(4,458)	(1,975)
Retirement benefit obligations	-	(7,156)
Total non-current liabilities	<u>(4,935)</u>	<u>(9,348)</u>
Total liabilities	<u>(19,226)</u>	<u>(21,616)</u>
Net assets	<u>56,648</u>	<u>42,683</u>
Equity attributable to owners of the Company		
Issued share capital	1,103	1,103
Share premium account	2,348	2,348
Treasury shares	(431)	(80)
Other reserves	1,344	1,195
Retained earnings	52,284	38,117
	<u>56,648</u>	<u>42,683</u>

Churchill China plc

Consolidated Statement of Changes in Equity

as at 31 December 2022

	Issued					
	Retained earnings £000	share capital £000	Share premium £000	Treasury shares £000	Other Reserves £000	Total equity £000
Balance at 1 January 2021	32,555	1,103	2,348	(80)	1,215	37,141
Comprehensive income						
Profit for the period	4,166	-	-	-	-	4,166
Other comprehensive income						
Depreciation transfer - gross	12	-	-	-	(12)	-
Depreciation transfer - tax	(3)	-	-	-	3	-
Deferred tax - change in rate	623	-	-	-	(66)	557
Remeasurement of post-employment benefit obligations - net of tax	1,499	-	-	-	-	1,499
Currency translation	-	-	-	-	10	10
Total comprehensive income	6,297	-	-	-	(65)	6,232
Transactions with owners						
Dividends relating to 2021	(739)	-	-	-	-	(739)
Share based payment	-	-	-	-	45	45

Deferred tax - share based payment	4	-	-	-	-	4
Total transactions with owners	(735)	-	-	-	45	(690)
Balance at 31 December 2021	38,117	1,103	2,348	(80)	1,195	42,683

Churchill China plc

Consolidated Statement of Changes in Equity

as at 31 December 2022

	Issued					
	Retained	share	Share	Treasury	Other	Total
	earnings	capital	premium	shares	Reserves	equity
	£000	£000	£000	£000	£000	£000
Balance at 1 January 2022	38,117	1,103	2,348	(80)	1,195	42,683
Comprehensive income						
Profit for the period	7,895	-	-	-	-	7,895
Other comprehensive income						
Depreciation transfer - gross	12	-	-	-	(12)	-
Depreciation transfer - tax	(3)	-	-	-	3	-
Remeasurement of post-employment benefit obligations - net of tax	9,332	-	-	-	-	9,332
Currency translation	-	-	-	-	58	58
Total comprehensive income	17,236	-	-	-	49	17,285
Transactions with owners						
Dividends relating to 2022	(3,062)	-	-	-	-	(3,062)
Treasury shares	-	-	-	(351)	-	(351)
Share based payment	-	-	-	-	100	100
Deferred tax - share based payment	(7)	-	-	-	-	(7)
Total transactions with owners	(3,069)	-	-	(351)	100	(3,320)
Balance at 31 December 2022	52,284	1,103	2,348	(431)	1,344	56,648

Churchill China plc
Consolidated Cash Flow Statement
for the year ended 31 December 2022

	Audited Year to 31 December 2022 £000	Audited Year to 31 December 2021 £000
Cash flows from operating activities		
Cash generated from operations (note 6)	4,939	10,627
Interest received	60	5
Interest paid	(35)	(28)
Income tax paid	(991)	(854)
Net cash generated from operating activities	3,973	9,750
Cash flows from investing activities		
Purchases of property, plant and equipment	(4,618)	(2,740)

Purchases of property, plant and equipment	(4,018)	(3,440)
Proceeds on disposal of property, plant and equipment	15	43
Purchases of intangible assets	(86)	(12)
Net purchase of other financial assets*	(1,052)	(747)
Net cash used in investing activities	(5,741)	(4,456)
Cash flows from financing activities		
Dividends paid	(3,062)	(739)
Principal elements of leases	(263)	(247)
Purchase of treasury shares	(351)	-
Net cash used in financing activities*	(3,676)	(986)
Net (decrease) / increase in cash and cash equivalents	(5,444)	4,308
Cash and cash equivalents at the beginning of the year	15,046	10,738
Exchange gain on cash and cash equivalents	2	-
Cash and cash equivalents at the end of the year	9,604	15,046

*During the year the net purchase of other financial assets has been reclassified to be presented as a cash flow from investing rather than financing activity.

1. Segmental analysis for the year ended 31 December 2022

	Audited Year to 31 December 2022 £000	Audited Year to 31 December 2021 £000
Revenue - segment		
Ceramics	75,335	55,605
Materials	<u>13,500</u>	<u>8,773</u>
	88,835	64,378
Less: Inter segment revenue	<u>(6,307)</u>	<u>(3,539)</u>
	82,528	60,839
Revenue - geographic		
United Kingdom	33,244	24,424
Rest of Europe	31,888	24,241
USA	8,715	6,388
Rest of the World	8,681	5,786
	<u>82,528</u>	<u>60,839</u>
Operating profit before exceptional items		
Ceramics	7,932	5,628
Materials	<u>1,210</u>	<u>494</u>
	<u>9,142</u>	<u>6,122</u>
Exceptional items		
Ceramics	484	-
Materials	63	-
	<u>547</u>	<u>-</u>
Operating profit after exceptional items		
Ceramics	8,416	5,628
Materials	1,273	494
	<u>9,689</u>	<u>6,122</u>
Unallocated items		
Finance income	60	5
Finance costs	(148)	(164)
Profit before income tax	<u>9,601</u>	<u>5,963</u>

2. Net exceptional income

In the year ending 31 December 2022 Company treated the following items as exceptional.

Audited **Audited**

	Year to 31 December 2022	Year to 31 December 2021
	£000	£000
Income		
Disposal of assets	471	-
COVID Rate Relief Credit	550	-
Expenditure		
Employee Cost of Living Support	(415)	-
Restructuring	(59)	-
Net exceptional income	547	-

There were no exceptional items in the year ending 31 December 2021.

3. Finance income and costs

	Audited Year to 31 December 2022 £000	Audited Year to 31 December 2021 £000
Finance income		
Interest income on cash and cash equivalents	60	5
Finance income	60	5
Finance cost		
Interest on pension scheme	(113)	(136)
Interest on lease liabilities	(35)	(23)
Other interest	-	(5)
Finance costs	(148)	(164)

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

4. Income tax expense

	Audited Year to 31 December 2022 £000	Audited Year to 31 December 2021 £000
Current taxation	617	671
Current taxation - exceptional	14	-
Deferred taxation	1,075	1,126
Income tax expense	1,706	1,797

5. Earnings per ordinary share

Basic earnings per ordinary share is based on the profit after income tax and on 11,009,068 (2021: 11,022,835) ordinary shares, being the weighted average number of ordinary shares in issue during the year. Adjusted basic earnings per share is calculated after adjusting for the post tax effect of exceptional items (see Note 2).

	Audited Year to 31 December 2022	Audited Year to 31 December 2021
Pence per share		
Basic earnings per share	71.7	37.8
Less Exceptional items	(4.8)	-
Adjusted basic earnings per share	66.9	37.8

6. Reconciliation of Operating profit to cash generated from operations

	Audited Year to 31 December 2022 £000	Audited Year to 31 December 2021 £000
Cash flows from operating activities		
Operating profit	9,689	6,122
Adjustments for:		
Depreciation and amortisation	2,983	2,838
Gain on disposal of property, plant and equipment	(4)	(5)
Charge for share based payment	100	45
Defined benefit pension cash contribution	(1,750)	(1,362)
Changes in working capital		

Changes in working capital		
Inventory	(5,403)	2,337
Trade and other receivables	(3,067)	(6,396)
Trade and other payables	2,391	7,048
Cash generated from operations	4,939	10,627

7. Dividend

The dividends paid in the year were as follows:

	2022	2021
Ordinary	£'000	£'000
Final dividend 2021 17.3p (2020: nil) per 10p ordinary share	1,907	-
Interim 2022 10.5p (2021: 6.7p) per 10p ordinary share paid	1,155	739
	3,062	739

The Directors now recommend payment of the following dividend:

Ordinary dividend:

Final dividend 2022 21.0p (2021: 17.3p) per 10p ordinary share	2,315	1,907
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Dividends on treasury shares held by the Company are waived.

8. Retirement benefit obligations

The position of the Company's Defined Benefit Pension Scheme has improved substantially in the year, moving from a deficit of £7,156,000 at 31 December 2021 to a surplus of £6,924,000 at 31 December 2022. The Company has recognised this surplus in accordance with international accounting standards under IAS 19 and IFRIC 14. The principal reason for the change from deficit to surplus was the effect of the increase in the discount rate applied to scheme liabilities (2022: 4.9% (2021: 1.8%)) following the general increase in interest rates, gilt and corporate bond yields during the latter part of 2022. Since this change in interest rates the Scheme Trustees have amended the asset holdings within the Scheme increasing holdings of gilt investments to secure a closer interest rate match between liabilities and assets.

	Audited Year to 31 December 2022 £'000	Audited Year to 31 December 2021 £'000
Liability at 1 January	(7,156)	(10,382)
Interest cost	(113)	(136)
Experience (losses) / gains	(3,652)	45
Re-measurement from change in assumptions	24,714	(211)
Re-measurement of return on plan assets	(8,619)	2,166
Employer contributions	1,750	1,362
	<hr/>	<hr/>
Asset/ (liability) at 31 December	6,924	(7,156)

9. Share buybacks

During the year the Group re-purchased 25,000 (2021: nil) 10p ordinary shares and re-issued nil (2021: nil) under employee share option schemes. The Group currently holds 32,337 shares (2021: 7,337) shares in Treasury. The Company may consider making further ad hoc share buybacks going forward at the discretion of the Board and subject to the shareholder authorities approved at the 2022 Annual General Meeting.

10. Basis of preparation and accounting policies

The financial information included in the preliminary announcement for year to 31 December 2022 has been approved by the Board on 12 April 2023.

The final financial statements do not constitute the statutory accounts of the Company within the meaning of section 434 of the Companies Act 2006, but are derived from those accounts, which have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006

This information has been prepared under the historical cost and financial assets and liabilities (including derivative instruments) at fair value through the profit and loss account. The same accounting policies, presentation and methods of computation are followed in the final financial statements as were applied in the Group's financial statements for the year ended 31 December 2021.

Statutory accounts for the year ended 31 December 2021 have been delivered to the Registrar of Companies. The auditors have reported on those accounts. Their report was not qualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

Statutory accounts for the year ended 31 December 2022 will be delivered to the Registrar of Companies after the Company's Annual General Meeting and will also be available on the Company's website (www.churchill1795.com) in May 2023.

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