



Stelrad Group plc - preliminary announcement of final results for the year ended 31 December 2022

Record results underpinned by resilient business model

Stelrad Group plc ("Stelrad" or "the Group" or "the Company", LSE: SRAD), a leading specialist manufacturer and distributor of steel panel and other designer radiators in the UK, Europe and Turkey, today announces its audited financial results for the year ended 31 December 2022.

Results summary*	2022	2021	Increase/ (decrease) %
Revenue (pre-IAS 29), £m**	312.1	272.3	14.6
Adjusted operating profit, £m**	34.0	33.2	2.4
Adjusted profit for the year, £m**	24.3	21.6	12.9
Adjusted Earnings per share, pence**	19.11	16.92	12.9
Statutory revenue, £m	316.3	272.3	16.2
Statutory operating profit, £m	22.6	26.6	(14.8)
Statutory profit for the year, £m	4.3	14.7	(70.6)
Statutory earnings per share, pence	3.38	11.51	(70.6)
Adjusted free cash flow, £m**	17.2	21.2	(18.9)
Net debt (excluding lease liabilities), £m	68.4	40.9	67.2
Total dividend per share, pence	7.64	0.96	695.8

*As a result of inflation in Turkey exceeding 100% over a three-year period, the Group was required to adopt IAS 29 in respect of its Turkish subsidiary for the first time in the financial statements for the year ended 31 December 2022. The impact of the adoption of IAS 29 is a non-cash item but has a £16.3m negative impact on statutory profit for the year. See Finance and business review for further details. Due to a change in functional currency, IAS 29 will no longer apply after 1 January 2023.

**Adjusted figures are stated before the impact of IAS 29, exceptional items, foreign exchange differences, amortisation of customer relationships and tax thereon where applicable. See note 8 for a reconciliation of adjusted profit after tax. See note 3 for a reconciliation of adjusted operating profit. See the finance and business review for a reconciliation of adjusted free cash flow.

Financial and operational highlights

- Record Group financial performance as a result of Stelrad's resilient business model:
 - UK & Ireland: 6.5% revenue growth (pre-IAS 29), 5.2% growth in adjusted operating profit.
 - Europe: 25.3% (-0.8% organic) revenue growth (pre-IAS 29), 7.3% growth in adjusted operating profit.
 - Turkey & International: 6.4% (+3.1% organic) revenue growth (pre-IAS 29), 29.1% reduction in adjusted operating profit.
- Contribution per radiator (pre-IAS 29) increased by 16.5% (18.6% like-for-like increase), more than offsetting a 9.2% year on year sales volume decline (15.3% like-for-like decline) versus exceptionally strong comparatives in 2021.
- Improved performance underpinned by proactive margin management and operational improvements across the business.
- Completion of two further production line transfers from Western European plants to lower cost Turkish facility in the period.
- Acquisition of Italian manufacturer of heat emitters, DL Radiators for €28.3 million in July 2022.
- Continued to strengthen our market position, thanks to strong, long-lasting customer relationships, market-leading product availability and customer service and product innovation.
- Recommended final dividend of 4.72 pence per share, to be paid on 26 May 2023.

Commenting on the Group's performance, Trevor Harvey, Chief Executive Officer, said:

"We delivered a record performance in 2022 thanks to the resilience of our business model combined with the hard work of our employees, the strength of our product offering, the quality of our customer relationships and our relentless approach to operational improvements across the firm. While the market backdrop is not easy, as a business with a near 100-year track record, we have successfully navigated previous market downturns and our current management team has the experience and ability to deliver ongoing outperformance despite the challenging macroeconomic environment. Longer-term, the twin drivers of decarbonisation and energy efficient heating remain firmly in place and we remain well-placed to deliver value for stakeholders."

Current trading and outlook

The Group's outlook for FY23 remains in line with current market expectations. Whilst it is early in the year and we are mindful of the exceptionally strong comparatives in H1 2022, trading since the period end has been encouraging. We remain confident in our strategic objectives of growing market share, improving product mix, optimising routes to market, and positioning the business for decarbonisation.

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Notes to Editors

Stelrad Group plc is a leading specialist radiator manufacturer, selling an extensive range of hydronic, hybrid, dual fuel and electrical heat emitters to more than 500 customers in over 40 countries. These include standard, premium and low surface temperature (LST) steel panel radiators, towel warmers, decorative steel tubular, steel multicolumn and aluminium radiators.

Following the acquisition of DL Radiators in July 2022, the Group has five core brands: Stelrad, Henrad, Termo Teknik, DL Radiators and Hudevad. In 2021, the latest year for which data is available, Stelrad held 18.4% share by volume of the combined UK, European and Turkish steel panel radiator market, being the clear market leader in five countries - the UK, Ireland, the Netherlands, Belgium and Denmark - and having a top 3 position in a further seven markets.

Stelrad is headquartered in Newcastle upon Tyne in the UK and in 2022 employed 1,500+ people, with manufacturing and distribution facilities in Çorlu (Turkey), Mexborough (UK), Moimacco (Italy) and Nuth (Netherlands), with further commercial and distribution operations in Kolding (Denmark) and Krakow (Poland).

The Group's origins date back to the 1930s and Stelrad enjoys long established commercial relationships with many of its customers, having served each of its top five current customers for over twenty years.

Further information can be found at: <https://stelradplc.com/>

Chair's statement

Overview

In 2022, our first full year as a plc, I am pleased to report that Stelrad has continued to make strong progress. Although macroeconomic conditions have been challenging, with an unpredictable trading environment and significant inflationary pressures, the Group's record financial performance was ahead of last year's results which were also a record. This underlines the resilience of our business model and management's ability to execute our long-term strategy.

I would like to take this opportunity to welcome DL Radiators' employees to the Stelrad Group. The acquisition of DL Radiators was completed in July 2022 and is highly complementary, bringing the group an expanded product portfolio and additional routes to market.

Performance and results

Despite a reduction in volume of 9.2% in 2022, Stelrad's revenue (pre-IAS 29) increased by 14.6% to £312.1 million, whilst adjusted operating profit rose from £33.2 million in 2021 to £34.0 million, up 2.4%. As these results show, Stelrad's business model and strategy, built on our market leadership in five countries and top three position in seven more, continue to demonstrate high levels of resilience despite the difficult trading environment, supply chain challenges and significant inflationary pressures.

Dividends

The Board is recommending a final dividend of 4.72 pence per share. Subject to approval by shareholders at the Annual General Meeting on 22 May 2023, the final dividend will be paid on 26 May 2023 to shareholders on the register on 28 April 2023. In addition to the interim dividend of 2.92 pence per share, this brings total dividends for the year to 7.64 pence per share and reflects our commitment to delivering returns for our shareholders.

Purpose

Stelrad continues to make meaningful progress towards achieving our purpose: **helping to heat homes sustainably**. The Group has an important role to play in facilitating the transition to low and zero carbon heating systems, both through influencing specification and by supplying products able to contribute effectively to environmental and social improvement.

Strategy

Stelrad's clear commercial and operational strategies delivered strong results in 2022, as the Group continued to pursue its four key strategic objectives: growing market share, improving product mix, optimising routes to market and positioning effectively for decarbonisation.

The acquisition of DL Radiators will enable further progress against these objectives in 2023 and beyond. The resulting market share growth in steel panel radiators in Germany will move Stelrad into a Top 3 position in this key European heating market.

Furthermore, the Group's Standardised product design across all manufacturing facilities alongside our extensive product range, multi-brand strategy, strong customer relationships and increased penetration of the specialist distributor channel, mean that the Group is well-placed to continue to deliver market outperformance in the year ahead, despite well-publicised macro-economic headwinds.

Environmental, social and governance ("ESG") objectives

High standards of corporate responsibility, sustainability and employee engagement are central to Stelrad Group's values and we take them into account as we consider the long-term impact of all our business operations.

During 2022, we set up a task force, led by the Chief Executive Officer, to conduct a detailed review of the Group's activities and to develop our ESG strategy further, consistent with our purpose of helping to heat homes sustainably.

This has resulted in the creation of our ESG framework **Fit for the Future**, which supports our belief that our long-term success depends on the responsible treatment of all our stakeholders and the natural environment, building on our well-established ways of working and focusing on the most material issues for Stelrad and our stakeholders.

Summary

Although 2022's turbulent macroeconomic conditions are expected to continue into 2023, the proven strength of Stelrad's management team, business model and strategic approach positions the Group effectively to benefit from market recovery over the medium-term.

The strategic acquisition of DL Radiators will enable Stelrad to leverage a complementary product range, increased access to additional territories and channels to market and the transition to the low and zero carbon heating systems of the future. This provides a significant opportunity to maximise the clear synergies that exist across our portfolio of leading brands.

Although 2022 was Stelrad's first full year as a plc, the Group's proven track record for progress in challenging times continued, with strong financial performance, a successful acquisition and the development of our sustainability framework **Fit for the Future**.

Bob Ellis

Chair

13 March 2023

Chief Executive Officer's review

Overview

Stelrad continued to make significant progress in 2022, delivering a record year despite testing trading conditions. Across the heating industry, this has been a period of supply chain disruption coupled with significant material and labour cost inflation. In order to mitigate the effects for our stakeholders, the Group has effectively managed these input cost risks and acted quickly and proactively to optimise prices, whilst continuing to pursue our strategic objectives in the face of the current macroeconomic headwinds.

In July 2022, Stelrad acquired leading Italian heat emitter manufacturer DL Radiators, a well-established business which complements Stelrad's existing commercial and operational strategy. The acquisition case was compelling, providing Stelrad with market share growth, increased access to key territories and channels to market and a product range orientated towards higher added-value designs, including those suitable for use in decarbonised heating systems. As a result, the Group is more effectively positioned than ever for future success. Integration of DL Radiators is progressing to plan.

In addition, over the course of the year, we have developed our **Fit for the Future** sustainability framework, seeking to build upon our robust existing practices and to formalise a more structured approach to ESG, consistent with Stelrad's plc status.

Strong financial performance

During the course of 2022, Stelrad continued to outperform the market across the key geographies where it operates.

Including DL Radiators' sales from August 2022, Stelrad delivered revenue growth (pre-IAS 29) of 14.6% relative to 2021, increasing from £272.3 million to £312.1 million. Adjusted operating profit rose by 2.4% to £34.0 million (2021: £33.2 million). Our flexible manufacturing footprint continues to provide us with an important cost advantage. We moved further manufacturing lines to Turkey during the period which, along with careful management of pricing, enabled us to increase contribution per radiator by 16.5%.

In the UK & Ireland, revenue (pre-IAS 29) grew by 6.5%, adjusted operating profit by 5.2%, whilst in Europe, revenue (pre-IAS 29) and adjusted operating profit increased by 25.3% and 7.3% respectively. In Turkey and International markets, revenue (pre-IAS 29) increased by 6.4% whilst adjusted operating profit fell by 29.1% due to a 55% sales volume decrease in China.

In 2022, general inflationary pressures, rising interest rates and the effects of the war in Ukraine, notably on energy costs, combined to halt and reverse the post-pandemic recovery and were coupled with compensating distributor inventory reductions to reflect lower underlying levels of demand.

The impact of this challenging macroeconomic environment was clearly felt in terms of sales volume, which reduced by 9.2% versus the prior year. 2021 was an extremely strong comparator year, when volume was enhanced by post-Covid spending and stock levels throughout the distribution channel increased in anticipation of a sustained period of recovery.

Compared to 2021, the volume mix for higher added-value premium steel panel radiators remained around 6% overall. Between 2015 and 2022, Stelrad achieved 48.5% volume growth in premium steel panel radiators and is positioned effectively for the future, as economic conditions improve and markets recover. Penetration increased slightly in European markets, reflecting effective upselling in the distribution channels. The European market for premium steel panel products is more mature than UK and, as a result, we remain excited by the opportunity to substantially increase UK premium panel volumes in the future.

Continued investment for the future

During the course of 2022, Stelrad continued to invest in our state-of-the-art operational facilities whilst simultaneously managing the supply chain to minimise any impact on our customers and to scale production output appropriately for reduced levels of market demand. To enhance manufacturing flexibility, a production line was transferred from the UK to our low-cost Turkish facility, an operational investment further supported by additional local warehousing capacity, which will enable ongoing improvements in customer service across the Group.

Investment in our facilities continues to drive improvements in the health, safety and wellbeing of our employees. Across the Group during 2022, we recorded a 26% reduction in lost time incidents (LTIs) relative to the prior year and, at the end of February 2023, our UK site had gone 942 days without an LTI, beating the previous record of 929 days.

Outlook

Despite well-documented market headwinds, Stelrad's scale, strong brands and resilient business model, combined with the highly complementary strategic acquisition of DL Radiators, mean that the Group is well positioned as we enter 2023.

In the short term, while trading since the period end has been encouraging and slightly ahead of expectations, the Group still anticipates the lower volumes experienced in the second half of 2022 to continue into the first half of 2023. The Group is expecting 2023 to return to historical seasonal patterns with the second half of the year being stronger than the first half.

In the longer term, energy security concerns in the wake of the Russian invasion of Ukraine continue to stimulate increased discussion around the provision of sustainable future heating solutions and Stelrad clearly has an important role to play in driving better environmental performance through enabling lower temperature heating solutions as we aim to fulfil our purpose: helping to heat homes sustainably.

Furthermore, an underlying requirement for new homes, increasing demand for premium design radiators and, as part of the transition to net zero carbon, greater consumer focus on low temperature heating systems needing higher output heat emitters remain supportive macro trends that underpin the broader outlook for the business.

Trevor Harvey
Chief Executive Officer
13 March 2023

Finance and business review

Group overview

The following table summarises the Group's results for the years ended 31 December 2022 and 31 December 2021.

	2022 £m	2021 £m	Increase / (decrease) £m	Increase / (decrease) %
Revenue (post-IAS 29)	316.3	272.3	44.0	16.2
Revenue (pre-IAS 29)	312.1	272.3	39.8	14.6
Adjusted operating profit	34.0	33.2	0.8	2.4
Exceptional items	(1.8)	(9.6)	7.8	81.1
Amortisation of customer relationships	(0.1)	-	(0.1)	n/a
Foreign exchange differences	(3.5)	3.0	(6.5)	(215.7)
Impact of IAS 29	(6.0)	-	(6.0)	n/a
Operating profit	22.6	26.6	(4.0)	(14.8)

Net finance costs	(4.5)	(10.2)	5.7	55.8
Monetary losses - net (IAS 29)	(7.9)	-	(7.9)	n/a
Profit before tax	10.2	16.4	(6.2)	(37.2)
Income tax expense	(5.9)	(1.7)	(4.2)	(257.4)
Profit for the year	4.3	14.7	(10.4)	(70.6)
Earnings per share (p)	3.38	11.51	(8.13)	(70.6)
Adjusted profit for the year	24.3	21.6	2.7	12.9
Adjusted earnings per share (p)⁽¹⁾	19.11	16.92	2.19	12.9
Total dividend per share (p)	7.64	0.96	6.68	695.8

(1) Adjusted earnings per share is calculated on adjusted profit after tax, being earnings before exceptional items, amortisation of customer relationships, foreign exchange differences and the impact of IAS 29 and tax thereon.

Financial overview

The business was negatively impacted by a decline in demand during 2022. Renovation activity across the majority of European countries was weaker throughout the year. The reduced demand for radiators in Europe was mainly driven by a challenging macroeconomic environment due to high inflation and increasing interest rates. The market price for steel spiked upwards in the second quarter of 2022 and gradually decreased during the second half of the year but energy costs increased significantly in the same period.

Revenue (pre-IAS 29) for the year was £312.1 million, an increase of £39.8 million, or 14.6%, on last year (2021: £272.3 million), supported by the acquisition of DL Radiators in July 2022 and the impact of selling price increases, partially offset by a decrease in sales volumes. Steel price volatility continued in 2022 and selling price increases were applied in the year to recover steel and other inflationary cost increases. Revenue growth (pre-IAS 29) was 3.0% on a like-for-like basis.

Adjusted operating profit for the year was £34.0 million, an increase of £0.8 million, or 2.4%, compared to last year (2021: £33.2 million), with the benefits of a successful focus on margin management and operational improvements leading to increased margins per radiator, which have more than offset a decrease in sales volumes of 9.2%. Adjusted operating profit increased by 1.6% on a like-for-like basis.

Statutory operating profit for the year was £22.6 million (2021: £26.6 million), after deducting the non-cash impact of IAS 29 of £6.0 million (2021: £nil), exceptional costs of £1.8 million (2021: £9.6 million), the amortisation of customer relationships of £0.1m (2021: £nil) and the impact of foreign exchange losses of £3.5 million (2021: gains of £3.0 million). The exceptional costs incurred in 2022 related to restructuring costs to reconfigure and optimise production, acquisition costs and the reversal of the IFRS 3 uplift on finished goods and work in progress required as part of business combination accounting.

Adjusted profit for the year increased by £2.7 million, or 12.9%, to £24.3 million. Statutory profit for the year, after deducting the £6.0 million impact of IAS 29 within operating profit and £7.9 million of net monetary losses, decreased by £10.4 million, or 70.6%, to £4.3 million (2021: £14.7 million). Adjusted earnings per share was 19.11 pence (2021: 16.92 pence), whilst the statutory earnings per share after the impact of IAS 29 was 3.38 pence (2021: 11.51 pence).

On 13 July 2022, the Group purchased DL Radiators s.r.l. for €28,346,000. As part of this process, the £80 million revolving credit facility jointly financed by National Westminster Bank plc and Barclays PLC was increased by £20 million by means of an accordion option on 8 July 2022. The amended and restated facility agreement is made up of a £76.0 million revolving credit facility and a £28.3 million term loan facility expiring in November 2024 with a two-year extension option.

There was a further devaluation of the Turkish Lira against all hard currencies during 2022. Historically devaluation of Turkish Lira has led to foreign exchange gains (non-cash in nature) being recorded in the income statement. The USD strengthened more significantly against Turkish Lira than both GBP and Euro in 2022, resulting in non-cash foreign exchange losses of £3.5 million (2021: gains of £3.0 million). The currency differences arise from the retranslation of our hard currency assets and liabilities in our Turkish subsidiary and these non-cash currency gains and losses have been excluded from adjusted operating profit.

At 31 December 2022 the Group had cash of £22.6 million (2021: £15.6 million) and undrawn available facilities of £10.1 million (2021: £23.5 million), with net debt before finance leases of £68.4 million (2021: £40.9 million).

IAS 29

As a result of inflation in Turkey exceeding 100% over a three-year period, the Group was required to adopt IAS 29 in respect of its Turkish subsidiary for the first time in its financial statements during the year ended 31 December 2022. The impact of the adoption of IAS 29 is explained in more detail in note 21 of the statement, with the accounting policy outlined in note 1 of the statement.

The impact of IAS 29 at 31 December 2021 is accounted for as a positive restatement to opening reserves. Management believes that the pre-IAS 29 results give a more meaningful representation of the Group's underlying performance in the year due to more than 80% of assets, liabilities, revenues and costs in the Turkish subsidiary being denominated in hard currencies. A negative adjustment to operating profit in the year ended 31 December 2022 of £6.0 million has therefore been removed in arriving at adjusted operating profit. Similarly, adjusted profit after tax is stated before the full impact of the IAS 29 loss for the year of £16.3 million.

The impact of IAS 29 on the results for the year ended 31 December 2022 is outlined below.

	Statutory position £m	IAS 29 £m	Pre-IAS 29 position £m
Revenue	316.3	4.2	312.1
Adjusted operating profit	34.0	-	34.0
Exceptional items	(1.8)	-	(1.8)
Amortisation of customer relationships	(0.1)	-	(0.1)
Foreign exchange differences	(3.5)	(0.5)	(3.0)
Impact of IAS29	(6.0)	(6.0)	-
Operating profit/(loss)	22.6	(6.5)	29.1
Net finance costs	(4.5)	-	(4.5)
Monetary losses - net (IAS 29)	(7.9)	(7.9)	-
Profit/(loss) before tax	10.2	(14.4)	24.6
Income tax expense	(5.9)	(1.9)	(4.0)
Profit/(loss) for the year	4.3	(16.3)	20.6

Functional currency

The Group determined that the functional currency of its Turkish business has changed following the increased production capabilities at the Turkish factory arising from the installation of two new manufacturing lines in the second half of 2022. The

new lines are intended to predominantly serve the European and UK export markets which has given rise to a change in currency profile and therefore functional currency of the business. The change in functional currency of the Turkish business from Turkish Lira to Euros will be accounted for prospectively from 1 January 2023, after which date IAS 29 will no longer be adopted.

DL Radiators acquisition

During the year, the Group completed the acquisition of DL Radiators for €28,346,000. DL Radiators is a leading Italian heat emitter manufacturer which produces and sells both hydronic and electric radiators into the European domestic heating market.

Further analysis of DL Radiators, and its strategic fit within the Group, will be included in the Group's 2022 Annual Report and Accounts. The business combination accounting for the acquisition is outlined in note 12 of this statement.

Revenue (pre-IAS 29) by geographical market

The table below sets out the Group's revenue (pre-IAS 29) by geographical market.

Revenue (pre-IAS 29) by geographical market	2022 £m	2021 £m	Increase / (decrease) £m	Increase / (decrease) %
UK & Ireland	138.9	130.4	8.5	6.5
Europe	147.9	118.1	29.8	25.3
Turkey & International	25.3	23.8	1.5	6.4
Total	312.1	272.3	39.8	14.6

UK & Ireland

The Group's revenue (pre-IAS 29) in UK & Ireland for the year was £138.9 million (2021: £130.4 million), an increase of £8.5 million, or 6.5%. This was principally a result of the impact of selling price increases implemented to mitigate the impact of inflationary costs, partially offset by a decrease in sales volumes.

Europe

The Group's revenue (pre-IAS 29) in Europe for the year was £147.9 million (2021: £118.1 million), an increase of £29.8 million, or 25.3%, supported by the acquisition of DL Radiators and the impact of selling price increases implemented to mitigate the impact of inflationary costs, offset by a decrease in sales volumes. Excluding the acquisition of DL Radiators, the Group's revenue (pre-IAS 29) in Europe for the year was £117.1 million.

Turkey & International

The Group's revenue (pre-IAS 29) in Turkey & International for the year was £25.3 million (2021: £23.8 million), an increase of £1.5 million, or 6.4%. This was principally a result of the impact of selling price increases implemented to mitigate the impact of inflationary costs, partially offset by a decrease in sales volumes.

Adjusted operating profit by geographical market

The table below sets out the Group's adjusted operating profit by geographical market.

Adjusted operating profit by geographical market	2022 £m	2021 £m	Increase / (decrease) £m	Increase / (decrease) %
UK & Ireland	22.7	21.6	1.1	5.2
Europe	13.9	12.9	1.0	7.3
Turkey & International	2.1	2.9	(0.8)	(29.1)
Central costs	(4.7)	(4.2)	(0.5)	(9.9)
Total	34.0	33.2	0.8	2.4

UK & Ireland

The Group's adjusted operating profit in UK & Ireland for the year was £22.7 million (2021: £21.6 million), an increase of £1.1 million, or 5.2%. This was principally as a result of successful margin management leading to increased margins per radiator, partially offset by lower sales volumes.

Europe

The Group's adjusted operating profit in Europe for the year was £13.9 million (2021: £12.9 million), an increase of £1.0 million, or 7.3%. This was principally as a result of successful margin management leading to increased contributions per radiator, combined with the acquisition of DL Radiators, partially offset by lower sales volumes.

Turkey & International

The Group's adjusted operating profit in Turkey & International for the year was £2.1 million (2021: £2.9 million), a reduction of £0.8 million, or 29.1%. Despite proactive margin management, a decline of 55% in sales volumes in China reduced operating profit in this territory.

Central costs

Central costs for the year were £4.7 million (2021: £4.2 million), an increase of £0.5 million, or 9.9%. Costs increased principally as a result of additional expenditure arising due to the Group being listed, following the completion of the IPO in November 2021.

Exceptional costs

During the year exceptional costs of £1.8 million were incurred (2021: £9.6 million).

The exceptional costs incurred in 2022 related to restructuring costs to reconfigure and optimise production, acquisition costs and the reversal of the IFRS 3 uplift on finished goods and work in progress required as part of business combination accounting.

The exceptional costs incurred in 2021 related to the cost of professional advisers employed to consider the potential recapitalisation of the Group and the costs associated with the IPO undertaken by the Group.

These costs are one-off in nature and disclosing these costs as exceptional allows the true underlying performance of the Group to be more easily reviewed.

Finance costs

The Group's net finance costs for the year were £4.5 million (2021: £10.2 million). The 55.8% decrease of £5.7 million is primarily due to the repayment of the historical shareholder loans in November 2021, replaced by the Group's current debt structure with lower interest rates. The interest rate of the Group's debt is based on a margin of 2% plus SONIA/Euribor dependent on the currency of the drawing.

Income tax expense

The Group's income tax expense for the year was £5.9 million (2021: £1.7 million), an increase of £4.2 million, or 257.4%. On an adjusted basis the Group's income tax expense was £5.1 million which is an increase of £3.7 million from 2021. The 2022 statutory tax charge includes a £1.9 million charge due to IAS 29, with a deferred liability recognised to reflect the higher asset values arising under IAS 29. The increase in the underlying tax charge is due to a number of factors but significantly the 2021 charge benefiting from the recognition of previously unrecognised deferred tax assets.

Earnings per share and adjusted earnings per share

Profit for the year decreased by £10.4 million, or 70.6%, to £4.3 million (2021: £14.7 million) and earnings per share was 3.38 pence (2021: 11.51 pence). The weighted average number of shares was 127.4 million (2021: 127.4 million). Adjusted profit for the year increased by £2.7 million, or 12.9%, to £24.3 million (2021: £21.6 million) and consequently, adjusted earnings per share was 19.11 pence (2021: 16.92 pence).

Dividends and reserves

The Group is committed to delivering returns for its shareholders. It has initially adopted a dividend policy targeting an annualised pay-out of approximately 40% of adjusted earnings, with capital allocation focused on reinvestment for growth. The Group intends to split dividend payments approximately 33% and 67% between the Group's interim and final dividend payments respectively, across the fiscal year.

The Group paid an interim dividend in respect of the year ended 31 December 2022 of 2.92 pence per share. The Board has recommended a final dividend of 4.72 pence per share at a cost of £6.0 million to the Group. The total dividend in respect of the year ended 31 December 2022 will be 7.64 pence per share (2021: 0.96 pence per share on a pro rata basis from 10 November 2021 to 31 December 2021).

Cash flow

The following table summarises the Group's cash flow for the years ended 31 December 2022 and 31 December 2021.

	2022 £m	2021 £m	Increase / (decrease) £m
EBITDA	42.2	40.6	1.6
Gain on disposal of property, plant and equipment	(0.2)	(0.2)	-
Share based payments	0.3	-	0.3
Working capital adjustments (adjusted for foreign exchange)	(9.8)	(5.7)	(4.1)
Net capital expenditure	(11.6)	(9.9)	(1.7)
Adjusted cash flow from operations	20.9	24.8	(3.9)
Income tax paid	(3.8)	(3.7)	(0.1)
Interest received	0.1	0.1	-
Adjusted free cash flow	17.2	21.2	(4.0)

	2022 £m	2021 £m	Increase / (decrease) £m
Adjusted cash flow from operations (£m)	20.9	24.8	(3.9)
Adjusted operating profit (£m)	34.0	33.2	0.8
Adjusted cash flow from operations conversion (%)	61.5	74.8	(13.3)

The Group's adjusted free cash flow for the year was £17.2 million (2021: £21.2 million), a decrease of £4.0 million. This reflects a reduction in the Group's adjusted cash flow from operations.

The Group's adjusted cash flow from operations for the year was £20.9 million (2021: £24.8 million), a decrease of £3.9 million. This was principally as a result of increased working capital outflows arising from reduced production output in Turkey and capital expenditure relating to a new production line in Italy, partially offset by an increase in EBITDA. Adjusted operating profit for the period was £34.0 million (2021: £33.2 million), an increase of £0.8 million, following an increase in the profitability of the Group. Adjusted cash flow from operations conversion for the period was 61.5% (2021: 74.8%), a reduction of 13.3pp, reflecting the movements in adjusted cash flow from operations described above.

Capital expenditures

The Group's capital expenditures mainly relate to investment in buildings and operating plant and equipment. The following table sets out the Group's capital expenditure, including right-of-use assets, net of transfers from assets under construction.

	2022 £m	2021 £m
Freehold land and buildings	2.0	0.7
Leasehold buildings	0.4	0.5
Assets under construction ⁽¹⁾	1.6	2.0
Plant and equipment	5.6	5.2
Fixtures and fittings	1.6	1.2
Intangible assets	0.2	-
Total	11.4	9.6

⁽¹⁾ The significant parts of the assets under construction relate to plant and equipment.

Key capital expenditure in the year ended 31 December 2022 related to investment in warehousing and additional production lines at the Group's facilities in Turkey and the installation of a new steel panel radiator production line in Italy. The Group's capital expenditure will reduce in future years.

Net debt

During the year ended 31 December 2021, the Group refinanced and repaid all legacy financing arrangements and shareholder loans, replacing them with a new three-year revolving credit facility of £80.0 million. During the year ended 31 December 2022, the Group increased the availability on existing facilities to £100.0 million (before foreign exchange movements) by exercising an accordion option. The amended and restated facility agreement is made up of a £76.0 million revolving credit facility and a €28.3 million term loan facility.

At 31 December 2022, statutory net debt (including finance leases) of £78.4 million (2021: £50.2 million), comprises £91.0 million (2021: £56.5 million) drawn down against the multicurrency facility and £10.0 million (2021: £9.3 million) finance leases net of £22.6 million (2021: £15.6 million) cash.

	2022 £m	2021 £m
Revolving credit facility - GBP	55.3	56.5
Revolving credit facility - Euro	10.6	-
Term loan	25.1	-
Cash	(22.6)	(15.6)
Net debt before finance leases	68.4	40.9
Finance leases	10.0	9.3
Net debt	78.4	50.2

George Letham
Chief Financial Officer
13 March 2023

Consolidated income statement for the year ended 31 December 2022

		2022	2021
	Note	£'000	£'000
Continuing operations			
Revenue	3	316,315	272,285
Cost of sales (excluding exceptional items)		(235,194)	(192,279)
Exceptional items	3	(1,054)	-
Cost of sales		(236,248)	(192,279)
Gross profit		80,067	80,006
Selling and distribution expenses		(40,800)	(35,478)
Administrative expenses (excluding exceptional items)		(12,811)	(11,584)
Exceptional items	3	(755)	(9,589)
Administrative expenses		(13,566)	(21,173)
Other operating income	4	373	3,204
Other operating expenses	5	(3,446)	-
Operating profit		22,628	26,559
Finance income		50	141
Finance costs	6	(4,573)	(10,379)
Monetary losses - net	21	(7,860)	-
Profit before tax		10,245	16,321
Income tax expense	7	(5,936)	(1,661)
Profit for the year		4,309	14,660
	Note	2022	2021
Earnings per share			
Basic	8	3.38p	11.51p
Diluted	8	3.38p	11.51p
Adjusted earnings per share			
Basic	8	19.11p	16.92p
Diluted	8	19.11p	16.92p

Consolidated statement of comprehensive income for the year ended 31 December 2022

	2022	2021
Note	£'000	£'000
Profit for the year	4,309	14,660
Other comprehensive income/(expense)		

Other comprehensive income/(expense) that may be reclassified to profit or loss in subsequent periods:

Net gain on monetary items forming part of net investment in foreign operations and qualifying hedges of net investments in foreign operations		1,691	5,192
Income tax effect	7	(631)	(1,235)
Exchange differences on translation of foreign operations		<u>(5,941)</u>	<u>(26,072)</u>

Net other comprehensive expense that may be reclassified to profit or loss in subsequent periods (4,881) (22,115)

Other comprehensive expense not to be reclassified to profit or loss in subsequent periods:

Remeasurement losses on defined benefit plans		(1,932)	(141)
Income tax effect	7	<u>423</u>	<u>35</u>

Net other comprehensive expense not to be reclassified to profit or loss in subsequent periods (1,509) (106)

Other comprehensive expense for the year, net of tax (6,390) (22,221)

Total comprehensive expense for the year, net of tax attributable to owners of the parent (2,081) (7,561)

Consolidated balance sheet

as at 31 December 2022

		2022	2021
	Note	£'000	£'000
Assets			
Non-current assets			
Property, plant and equipment	10	91,604	53,694
Intangible assets	11	3,855	-
Trade and other receivables	15	317	10
Deferred tax assets	7	<u>5,397</u>	<u>6,284</u>
		<u>101,173</u>	<u>59,988</u>
Current assets			
Inventories	14	77,851	56,781
Trade and other receivables	15	60,497	46,731
Income tax receivable		235	104
Cash and cash equivalents		<u>22,641</u>	<u>15,563</u>
		<u>161,224</u>	<u>119,179</u>
Total assets		<u>262,397</u>	<u>179,167</u>
Equity and liabilities			
Equity			
Share capital	18	127	127,353
Share premium	18	-	13,391
Merger reserve		(114,469)	(114,469)
Retained earnings		227,849	57,814
Foreign currency reserve		<u>(62,058)</u>	<u>(57,177)</u>
Total equity		<u>51,449</u>	<u>26,912</u>
Non-current liabilities			
Interest-bearing loans and borrowings	13	98,513	62,865
Deferred tax liabilities	7	2,611	126
Provisions	17	1,799	158
Net employee defined benefit liabilities		<u>4,542</u>	<u>1,728</u>
		<u>107,465</u>	<u>64,877</u>
Current liabilities			
Trade and other payables	16	99,214	83,883
Interest-bearing loans and borrowings	13	1,520	1,794
Income tax payable		1,829	1,522
Provisions	17	<u>920</u>	<u>179</u>
		<u>103,483</u>	<u>87,378</u>
Total liabilities		<u>210,948</u>	<u>152,255</u>
Total equity and liabilities		<u>262,397</u>	<u>179,167</u>

Consolidated statement of changes in equity

for the year ended 31 December 2022

	Attributable to the owners of the parent					
	Issued share capital £'000	Share premium £'000	Merger reserve £'000	Retained earnings £'000	Foreign currency £'000	Total £'000
At 1 January 2021	65	198	940	43,260	(35,062)	9,401
Profit for the year	-	-	-	14,660	-	14,660
Other comprehensive expense for the year	-	-	-	(106)	(22,115)	(22,221)
Total comprehensive income/(expense)	-	-	-	14,554	(22,115)	(7,561)
Shares issued on incorporation	50	-	-	-	-	50
"C" share redemption	(13)	-	-	-	-	(13)
Noosa share reorganisation	(50)	50	-	-	-	-
Share for share exchange - old	(2)	(248)	250	-	-	-
Share for share exchange - new	115,659	-	(115,659)	-	-	-
Shares issued	11,644	13,391	-	-	-	25,035
At 31 December 2021	127,353	13,391	(114,469)	57,814	(57,177)	26,912
IAS 29 adjustment (note 21)	-	-	-	8,327	-	8,327
At 31 December 2021 (restated)	127,353	13,391	(114,469)	66,141	(57,177)	35,239
Profit for the year	-	-	-	4,309	-	4,309
Other comprehensive expense for the year	-	-	-	(1,509)	(4,881)	(6,390)
Total comprehensive income/(expense)	-	-	-	2,800	(4,881)	(2,081)
Capital reduction	(127,226)	(13,391)	-	140,617	-	-
IAS 29 adjustment to retained earnings in the year (note 21)	-	-	-	22,982	-	22,982
Share-based payment charge	-	-	-	250	-	250
Dividends paid (note 9)	-	-	-	(4,941)	-	(4,941)
At 31 December 2022	127	-	(114,469)	227,849	(62,058)	51,449

Consolidated statement of cash flows

for the year ended 31 December 2022

		2022 £'000	2021 £'000
Operating activities	Note		
Profit before tax		10,245	16,321
Adjustments to reconcile profit before tax to net cash flows:			
- Depreciation of property, plant and equipment	10	9,700	7,409
- Amortisation of intangible assets	11	163	-
- Gain on disposal of property, plant and equipment		(220)	(213)
- Monetary loss IAS 29	21	7,860	-
- Monetary loss IAS 29 income statement element		3,530	-
- Share-based payments		250	-
- Finance income		(50)	(141)
- Finance costs	6	4,573	10,379
Working capital adjustments:			
- Decrease/(increase) in trade and other receivables		1,632	(17,380)
- Decrease/(increase) in inventories		5,831	(31,695)
- (Decrease)/increase in trade and other payables		(11,528)	40,291
- (Decrease)/increase in provisions		(1,297)	158
- Decrease in other pension provisions		(23)	(59)
- Difference between pension charge and cash contributions		(319)	(22)
		30,347	25,048

Income tax paid	(3,801)	(3,734)
Interest received	50	141
Net cash flows generated from operating activities	26,596	21,455
Investing activities		
Proceeds from sale of property, plant and equipment and intangibles	316	487
Purchase of property, plant and equipment	10 (9,671)	(8,646)
Purchase of intangible assets	11 (164)	-
Business combination of subsidiaries, net of cash acquired	12 (20,484)	-
Net cash flows used in investing activities	(30,003)	(8,159)
Financing activities		
Transaction costs related to refinancing	(429)	(1,171)
Proceeds from external borrowings	34,122	56,500
Repayment of external borrowings	(1,250)	(11,001)
Repayment of borrowings acquired with subsidiary	(10,746)	-
Repayment of shareholder loans	-	(76,528)
Settlement of deferred consideration	-	(202)
Payment of lease liabilities	(2,049)	(1,666)
Share capital issued	-	25,085
Share capital repaid - "C" shares	-	(13)
Interest paid	(3,269)	(779)
Dividends paid	9 (4,941)	-
Net cash flows generated from/(used in) financing activities	11,438	(9,775)
Net increase in cash and cash equivalents	8,031	3,521
Net foreign exchange difference	(953)	(8,041)
Cash and cash equivalents at 1 January	15,563	20,083
Cash and cash equivalents at 31 December	22,641	15,563

Notes to the consolidated financial statements

for the year ended 31 December 2022

1 Basis of preparation

The results for the year ended 31 December 2022, including comparative financial information, have been prepared in accordance with UK adopted international accounting standards ("IFRS") in conformity with the requirements of the Companies Act 2006 and the disclosure guidance and transparency rules sourcebook of the United Kingdom's Financial Conduct Authority.

Stelrad Group plc ("the Company") has adopted all IFRS in issue and effective for the year.

While the financial information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of IFRS, this announcement does not itself contain sufficient information to comply with IFRS. The Company expects to publish full financial statements that comply with IFRS in March 2023.

The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 2022 but is derived from those accounts. Statutory accounts for 2022 will be delivered in due course. The auditors have reported on those accounts: their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain statements under s498 (2) or (3) of the Companies Act 2006.

Going concern

Having considered the Group's current trading, cash flow generation and debt maturity and applying severe but plausible stress testing scenarios, the Directors have concluded that it is appropriate to prepare the consolidated financial statements on a going concern basis. Under a severe but plausible downside scenario, the Group remains within its debt facilities and its financial covenants until 31 December 2025. Based on this going concern review, the Directors have concluded that, at the time of approving the financial statements, the Group will be able to continue to operate within its existing facilities and is well placed to manage its business risks successfully.

The financial information presented in respect of the year ended 31 December 2022 has been prepared on a basis consistent with the financial information presented for the year ended 31 December 2021 except for the application of three new accounting policies which are:

Business combinations and goodwill (IFRS 3)

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the consideration transferred measured at acquisition date. When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred over the fair

values of net identifiable assets acquired, liabilities assumed and contingent liabilities.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Financial reporting in hyperinflationary economies (IAS 29)

The financial statements of any subsidiary entity whose functional currency is the currency of a hyperinflationary economy have been restated for changes in the general purchasing power of that currency. The financial statements of entities whose functional currency is the Turkish Lira have been restated from 1 January 2022 by applying a general price index. As a result, the financial statements are stated in terms of the measuring unit current at the balance sheet date. In summary:

- non-monetary assets and liabilities (other than those that are carried at current amounts at the end of the reporting period, such as net realisable value and fair value) have been restated for the change in purchasing power caused by inflation from the date of initial recognition to the balance sheet date;
- monetary assets and liabilities have not been restated;
- all items in the statement of comprehensive income have been expressed in terms of the measuring unit current at the end of the reporting period and have therefore been restated for inflation from the dates when the items of income and expenses were initially recorded in the financial statements; and
- a gain or loss on the net monetary position has been included in profit or loss for the period from 1 January 2022 to the end of the reporting period to reflect the impact of inflation on holding monetary assets and liabilities in local currency.

The general price index used at the balance sheet date is the TUIK Index provided by the Turkish Statistical Institute. The movement in the index during the current reporting period was 64%.

One of the indicators of a hyperinflationary currency is cumulative inflation over a three-year period in excess of 100%. This became the case for the Turkish Lira at 31 March 2022 and, as such, the use of inflation accounting is required in respect of Turkish Lira functional operations for periods ending on or after 30 June 2022 using the published consumer price index.

In the process of applying IAS 29, management does not consider that it has made any judgements which would have a significant effect on the amounts recognised in the consolidated financial statements.

The financial statements of a subsidiary entity that has the functional currency of a hyperinflationary economy are restated in accordance with IAS 29, as outlined above, before being included in the consolidated financial statements. All amounts in the subsidiary's financial statements, including all items in the statement of comprehensive income (which would usually be translated at average exchange rate), have then been translated at the closing exchange rate.

Comparative amounts presented previously in a stable currency have not been restated.

The difference between the closing equity of the previous year and the opening equity of the current year has been recognised as an IAS 29 adjustment in the consolidated statement of changes in equity.

The combined effect of restating in accordance with IAS 29 and translation in accordance with IAS 21 have been presented as a net change in other comprehensive income.

Further details on the application of IAS 29 are presented in note 21.

Share-based payments (IFRS 2)

The fair value of equity-settled share options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured as at the date the options are granted and the charge is only amended if vesting does not take place due to non-market conditions not being met. Various option pricing models are used according to the terms of the option scheme under which the options were granted. The fair value is spread over the period during which the employees become unconditionally entitled to the options. At the balance sheet date, if it is expected that non-market conditions will not be satisfied, the cumulative expense recognised in relation to the relevant options is reversed.

With respect to share-based payments, a deferred tax asset is recognised on the relevant tax base. The tax base is then compared to the cumulative share-based payment expense recognised in the income statement. Deferred tax arising on the excess of the tax base over the cumulative share-based payment expense recognised in the income statement has been recognised directly in equity outside the SOCI as share-based payments are considered to be transactions with shareholders.

Where the company grants options over its own shares to employees of its subsidiaries, it recognises, in its individual financial statements, an increase in the cost of investment in its subsidiaries equivalent to the equity-settled share-based payment charge recognised in its consolidated financial statements, with the corresponding credit being recognised in equity.

2 Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgements

In the process of applying the Group's accounting policies, management has made judgements which would have a significant effect on the amounts recognised in the consolidated financial statements.

Business combinations

In July 2022, the Group acquired DL Radiators SpA, an Italian manufacturer of heat emitters, for €28.3m.

As a result, an exercise was undertaken to measure the fair value of assets and liabilities acquired as part of the business combination. This included ascertaining a fair value for all inventory acquired as part of the business combination. Management exercised judgement in determining whether any additional intangible assets, such as customer relationships, should be identified and the valuation assigned to these. Management engaged with experts in order to assist with the valuation of certain tangible and intangible assets, including customer relationships.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Rebates

A proportion of rebates is paid to the end consumers of goods sold. Uncertainties exist over provisions made as, until claims are made by end consumers, the Group cannot be certain which consumers have purchased which products. Due to this uncertainty it is therefore judgemental what contractual rates, if any, will apply to goods sold.

Significant management judgement is required in order to assess the provision required at the balance sheet date. Management is able to utilise market information and historical/current data and trends in order to make an appropriate provision.

A reasonably possible change in the estimates surrounding rebates would not result in a material impact to the financial statements.

3 Segmental information

IFRS 8 Operating Segments requires operating segments to be determined by the Group's internal reporting to the Chief Operating Decision Maker ("CODM"). The CODM has been determined to be the Chief Executive Officer and Chief Financial Officer, who receive information on the Group's revenue channels in key geographical regions based on the Group's management and internal reporting structure. The CODM assesses the performance of geographical segments based on a measure of revenue and adjusted operating profit.

Adjusted operating profit is earnings before interest, tax, amortisation of customer relationships, exceptional items, the impact of IAS 29 and foreign exchange differences. IAS 29 was applied for the first time in the year ended 31 December 2022. The impact of IAS 29 has been removed in arriving at revenue (pre-IAS 29) and adjusted operating profit, as management believe that the pre-IAS 29 results give a more meaningful presentation of the Group's underlying performance.

Revenue (pre-IAS 29) by geographical market	2022 £'000	2021 £'000
UK & Ireland	138,874	130,405
Europe	147,909	118,063
Turkey & International	25,335	23,817
Revenue (pre-IAS 29)	312,118	272,285
Impact of IAS 29	4,197	-
Total revenue	316,315	272,285

Adjusted operating profit by geographical market	2022 £'000	2021 £'000
UK & Ireland	22,716	21,589
Europe	13,877	12,929
Turkey & International	2,055	2,898
Central costs	(4,668)	(4,247)
Adjusted operating profit	33,980	33,169
Exceptional items	(1,809)	(9,589)
Amortisation of customer relationships	(57)	-
Foreign exchange differences	(3,446)	2,979
Impact of IAS 29	(6,040)	-
Operating profit	22,628	26,559

In the year ended 31 December 2022 the exceptional items within administrative expenses relate to redundancy costs and acquisition costs, and the exceptional item within cost of sales relates to the reversal of the IFRS 3 fair value uplift on finished goods and work in progress.

The exceptional items in the year ended 31 December 2021 are costs relating to professional advisers employed by the Group to explore the potential sale of the Group and to subsequently execute the IPO. These costs are one-off in nature and disclosing these costs as exceptional allows the true underlying performance of the Group to be more easily reviewed.

The revenue information above is based on the locations of the customers. All revenue arises from the sale of goods.

No customer has revenues in excess of 10% of revenue (2021: one).

Non-current operating assets	2022 £'000	2021 £'000
UK	18,823	20,237
The Netherlands	22,757	23,606
Turkey	26,854	8,362
Italy	22,686	-
Other	1,239	1,489
Total	92,359	53,694

4 Other operating income

	2022 £'000	2021 £'000
Net gain on disposal of property, plant and equipment	220	213
Foreign currency gains	-	2,575
Net gains on forward derivative contracts	-	404
Sundry other income	153	12
	373	3,204

5 Other operating expenses

	2022 £'000	2021 £'000
Foreign currency losses	3,446	-

6 Finance costs

	2022 £'000	2021 £'000
Interest on bank loans	2,564	370
Interest on ultimate shareholder loans	-	9,117
Amortisation of loan issue costs	492	178
Interest expense on defined benefit liabilities	481	260
Finance charges payable on lease liabilities	124	127
Other finance charges	912	327
	4,573	10,379

7 Income tax expense

The major components of income tax expense are as follows:

	2022 £'000	2021 £'000
Consolidated income statement		
Current income tax		
Current income tax charge	4,090	4,179
Adjustments in respect of current income tax charge of previous year	(290)	(68)
Deferred tax		
Relating to origination and reversal of temporary differences	2,802	(2,095)
Relating to change in tax rates	(666)	(355)
Income tax expense reported in the income statement	5,936	1,661
	2022 £'000	2021 £'000
Consolidated statement of comprehensive income		
Tax related to items recognised in other comprehensive income/(expense) during the year:		
Deferred tax on actuarial loss	(423)	(35)
Current tax on monetary items forming part of net investment and on hedges of net investment	631	1,235
Income tax expensed to other comprehensive income	208	1,200
Reconciliation of tax expense and the accounting profit at the tax rate in the United Kingdom of 19% (2021: 19%):		
	2022 £'000	2021 £'000
Profit before tax	10,245	16,321
Profit before tax multiplied by standard rate of corporation tax in the UK of 19% (2021: 19%):	1,947	3,101
Adjustments in respect of current income tax charge of previous year	(290)	(68)
Non-deductible expenses	147	2,715
Adjustments due to IAS 29 - non-tax deductible expenses	4,779	-
Differences arising due to tax losses	(321)	(3,052)
Other timing differences	(161)	(271)
Benefit of overseas investment incentives	(1,042)	(1,723)
Withholding tax on dividend income	527	-
Effect of changes in overseas tax rates	(127)	(102)
Effect of different overseas tax rates	1,016	1,314
Effect of changes in UK deferred tax rate	(539)	(253)
Total tax expense reported in the income statement	5,936	1,661

Deferred tax

Deferred tax relates to the following:

	Consolidated balance sheet		Consolidated income statement	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Capital allowances	204	579	(730)	(42)
Pension	806	414	10	134
Fixed asset fair value adjustments	(1,711)	(491)	116	(41)
Losses available for offsetting against future income	5,471	4,440	572	1,659
Other temporary differences (including IAS 29)	(1,984)	1,216	(2,104)	740
Deferred tax (charge) / credit			(2,136)	2,450
Net deferred tax assets	2,786	6,158		

Reflected in the balance sheet as:

Deferred tax assets	5,397	6,284
Deferred tax liabilities	(2,611)	(126)
Deferred tax assets, net	2,786	6,158

Reconciliation of deferred tax assets, net

	2022 £'000	2021 £'000
Opening balance as at 1 January	6,158	4,342
On business combination	315	-
IAS 29 opening balance sheet adjustment	(2,284)	-
Tax (charge)/income recognised in income statement	(2,136)	2,450
Tax income recognised in other comprehensive income/(expense)	423	35
Exchange adjustment	310	(669)
Closing balance as at 31 December	<u>2,786</u>	<u>6,158</u>

The Group offsets tax assets and liabilities if it has a legally enforceable right to set them off and they are levied by the same tax authority. Deferred tax assets in respect of losses of £1,821,000 (2021: £581,000) have been recognised in respect of two (2021: one) loss making subsidiary companies; these are recognised on the grounds of future projected performance.

Deferred tax asset recognition

During the year ended 31 December 2021, the Group chose to recognise previously unrecognised deferred tax assets in relation to tax losses. The newly recognised losses are all post-April 2017 UK losses and the decision has been taken to recognise the losses in the year because the new capital structure of the Group post-IPO means that tax deductible interest will be lower which, along with higher UK profitability, will lead to these losses being utilised over a much shorter time frame.

During the year ended 31 December 2022, the Group chose to derecognise certain tax losses, in particular those arising from Corporate Interest Restriction ("CIR") rules. An increase in debt to finance the acquisition of DL Radiators SpA and an increase in interest rates means that these tax losses will take longer to utilise and therefore an element has been derecognised.

The deferred tax assets have been analysed in detail at the year end and the recognition of assets, in particular those in respect of tax losses, has been scrutinised in detail with modelling undertaken to ensure that they are likely to be utilised over a period of time where profitability can be estimated with reasonable certainty.

Unrecognised deferred tax balances

	2022 £'000	2021 £'000
Capital allowances	17	29
Losses available for offsetting against future income	2,810	1,904
	<u>2,827</u>	<u>1,933</u>

The Group has tax losses which arose in the United Kingdom of £11,240,000 (2021: £8,653,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they either relate to CIR losses which cannot be reliably utilised in the short-term or they arose prior to April 2017 in subsidiaries that are not profit making and where there is no evidence of recoverability in the near future.

Changes in the corporate income tax rate

The UK corporation tax rate will rise to 25% from 1 April 2023.

8 Earnings per share

	2022 £'000	2021 £'000
Net profit for the year attributable to owners of the parent	4,309	14,660
Exceptional items	1,809	9,589
Amortisation of customer relationships	57	-
Foreign exchange differences	3,446	(2,979)
Impact of IAS 29	13,906	-
Tax on exceptional items, foreign exchange differences, amortisation and IAS 29	806	282
Adjusted net profit for the year attributable to owners of the parent	<u>24,333</u>	<u>21,552</u>

	2022 Number	2021 Number
Basic weighted average number of shares in issue	127,352,555	127,352,555
Diluted weighted average number of shares in issue	127,352,555	127,352,555
Earnings per share		
Basic earnings per share (pence per share)	3.38	11.51
Diluted earnings per share (pence per share)	<u>3.38</u>	<u>11.51</u>
Adjusted earnings per share		
Basic earnings per share (pence per share)	19.11	16.92
Diluted earnings per share (pence per share)	<u>19.11</u>	<u>16.92</u>

The Board is recommending a final dividend of 4.72 pence per share (2021: 0.96 pence per share), which, if approved, will mean a final dividend payment of £6,011,000 (2021: £1,223,000).

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these consolidated financial statements.

	2022 £'000	2021 £'000
Declared and paid during the period		
Equity dividend on ordinary shares:		
Final dividend for 2021: 0.96p per share (2020: nil p per share)	1,223	-
Interim dividend for 2022: 2.92p per share (2021: nil p per share)	3,718	-
	<u>4,941</u>	<u>-</u>
	2022 £'000	2021 £'000
Dividend proposed (not recognised as a liability)		
Equity dividend on ordinary shares:		
Final dividend for 2022: 4.72p per share (2021: 0.96p per share)	<u>6,011</u>	<u>1,223</u>

10 Property, plant and equipment

	Freehold land and buildings £'000	Leasehold buildings £'000	Assets under construction £'000	Plant and equipment £'000	Fixtures and fittings £'000	Total £'000
Cost						
At 1 January 2021	23,729	11,179	3,412	52,961	7,014	98,295
Additions	138	546	6,379	1,724	863	9,650
Transfers	550	-	(4,400)	3,521	329	-
Disposals	-	-	(32)	(163)	(593)	(788)
Exchange adjustment	(2,589)	(706)	(591)	(10,137)	(694)	(14,717)
At 31 December 2021	<u>21,828</u>	<u>11,019</u>	<u>4,768</u>	<u>47,906</u>	<u>6,919</u>	<u>92,440</u>
IAS 29 opening adjustment	7,282	-	31	14,517	1,005	22,835
At 1 January 2022	29,110	11,019	4,799	62,423	7,924	115,275
On business combination	10,608	127	974	4,321	1,498	17,528
Additions	228	427	7,773	1,577	1,276	11,281
Transfers	1,820	-	(6,183)	4,068	295	-
Disposals	-	-	-	(94)	(488)	(582)
IAS 29 adjustment	5,528	-	-	13,853	922	20,303
Exchange adjustment	(821)	649	(94)	(2,760)	(193)	(3,219)
At 31 December 2022	<u>46,473</u>	<u>12,222</u>	<u>7,269</u>	<u>83,388</u>	<u>11,234</u>	<u>160,586</u>
Accumulated depreciation and impairment						
At 1 January 2021	9,008	2,132	-	21,058	5,073	37,271
Depreciation charge	850	1,151	-	4,688	720	7,409
Disposals	-	-	-	(90)	(424)	(514)
Exchange adjustment	(556)	(160)	-	(4,340)	(364)	(5,420)
At 31 December 2021	<u>9,302</u>	<u>3,123</u>	<u>-</u>	<u>21,316</u>	<u>5,005</u>	<u>38,746</u>
IAS 29 opening adjustment	1,845	-	-	10,748	847	13,440
At 1 January 2022	11,147	3,123	-	32,064	5,852	52,186
Depreciation charge	1,289	1,330	-	5,785	1,296	9,700
Transfers	-	-	-	(101)	101	-
Disposals	-	-	-	(87)	(457)	(544)
IAS 29 adjustment	1,180	-	-	7,502	575	9,257
Exchange adjustment	(241)	230	-	(1,399)	(207)	(1,617)
At 31 December 2022	<u>13,375</u>	<u>4,683</u>	<u>-</u>	<u>43,764</u>	<u>7,160</u>	<u>68,982</u>
Net book value						
At 31 December 2022	<u>33,098</u>	<u>7,539</u>	<u>7,269</u>	<u>39,624</u>	<u>4,074</u>	<u>91,604</u>
At 31 December 2021	<u>12,526</u>	<u>7,896</u>	<u>4,768</u>	<u>26,590</u>	<u>1,914</u>	<u>53,694</u>
At 1 January 2021	<u>14,721</u>	<u>9,047</u>	<u>3,412</u>	<u>31,903</u>	<u>1,941</u>	<u>61,024</u>

The carrying value of right-of-use assets within property, plant and equipment, by line item, at the year end is:

	2022 £'000	2021 £'000
Leasehold buildings	7,466	7,814
Plant and equipment	896	911
Fixtures and fittings	1,672	638
	<u>10,034</u>	<u>9,363</u>

Right-of-use asset additions within property, plant and equipment, by line item, during the year are:

	2022 £'000	2021 £'000
Leasehold buildings	418	543
Plant and equipment	153	79
Fixtures and fittings	1,039	382
	<u>1,610</u>	<u>1,004</u>

Depreciation of right-of-use assets within property, plant and equipment, by line item, during the year is:

	2022 £'000	2021 £'000
Leasehold buildings	1,307	1,127
Plant and equipment	282	348
Fixtures and fittings	439	204
	<u>2,028</u>	<u>1,679</u>

Land and buildings with a carrying amount of £21,547,000 (2021: £10,890,000) are subject to a first charge to secure the Group's bank loan.

No borrowing costs have been capitalised since the assets have not met the criteria for qualifying assets.

11 Intangible assets

	Goodwill £'000	Customer relationships £'000	Technology and software costs £'000	Total £'000
Cost				
At 1 January 2022	-	-	-	-
On business combination	1,222	1,761	713	3,696
Additions	-	-	164	164
Disposals	-	-	(58)	(58)
Exchange adjustment	72	104	46	222
At 31 December 2022	<u>1,294</u>	<u>1,865</u>	<u>865</u>	<u>4,024</u>
Accumulated amortisation and impairment				
At 1 January 2022	-	-	-	-
Depreciation charge	-	57	106	163
Exchange adjustment	-	2	4	6
At 31 December 2022	<u>-</u>	<u>59</u>	<u>110</u>	<u>169</u>
Net book value				
At 31 December 2022	<u>1,294</u>	<u>1,806</u>	<u>755</u>	<u>3,855</u>
At 31 December 2021	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Included in technology and software costs are assets under construction of £345,000 (2021: £nil), which are not amortised.

The remaining amortisation period of the customer relationships, being those acquired upon the acquisition of DL Radiators SpA, is twelve years and seven months.

Impairment assessment of goodwill

All of the goodwill recognised is allocated to a single cash-generating unit, being the DL Radiators SpA division.

Given the proximity of the year end to the acquisition date of DL Radiators SpA on 13 July 2022, the impairment assessment of goodwill has been calculated using fair value at acquisition less costs of disposal. Using this approach confirms that no impairment charge is required.

12 Business combinations

On 13 July 2022, Stelrad Radiator Holdings Limited, a wholly owned subsidiary of the Group, acquired 100% of DL Radiators SpA, a radiator manufacturer incorporated in Italy. The total consideration paid was €28,346,000.

The fair value of the net assets acquired were as follows:

	Book value	Fair value adjustments	Fair value
	£'000	£'000	£'000
Intangible assets	713	1,761	2,474
Property, plant and equipment	11,054	6,474	17,528
Inventory	24,499	1,034	25,533
Trade and other receivables	17,837	-	17,837
Trade and other payables	(28,403)	-	(28,403)
Deferred taxation	1,853	(1,538)	315
Current taxation	(49)	-	(49)
Cash and cash equivalents	3,490	-	3,490
Provisions	(3,580)	-	(3,580)
Pension liabilities	(1,033)	-	(1,033)
Loans and other borrowings	(11,360)	-	(11,360)
Total identifiable net assets	15,021	7,731	22,752
Goodwill on the business combination			1,222
Discharged by:			
Cash consideration			23,974

Goodwill of £1,222,000 reflects certain intangibles that cannot be individually separated and reliably measured due to their nature. These items include the value of expected synergies arising from the business combination and the experience and skill of the acquired workforce. The fair value of the customer relationships was identified and included in intangible assets.

The gross amount of trade and other receivables is £18,681,000. All of the trade and other receivables are expected to be collected in full, other than those that have been provided for.

Transaction costs relating to professional fees associated with the business combination in the year ended 31 December 2022 were £251,000 and have been expensed.

DL Radiators generated revenue of £31,541,000 and loss for the year of £405,000 (adjusted profit for the year of £485,000) in the period from acquisition to 31 December 2022 which are included in the consolidated statement of comprehensive income for this reporting period. If the combination had taken place at 1 January 2022, the Group's revenue would have been £40,588,000 higher and the profit for the year from continuing operations would have been £1,296,000 lower than reported.

13 Interest-bearing loans and borrowings

	Effective interest rate	Maturity	2022	2021
	%		£'000	£'000
Current interest-bearing loans and borrowings				
Lease liabilities			1,520	1,794
			<u>1,520</u>	<u>1,794</u>
Non-current interest-bearing loans and borrowings				
Lease liabilities			8,516	7,524
Revolving credit facility - GBP	SONIA + 2%	9 Nov 2024	55,250	56,500
Revolving credit facility - Euro	Euribor + 2%	9 Nov 2024	10,647	-
Term loan	Euribor + 2%	9 Nov 2024	25,150	-
Unamortised loan costs			(1,050)	(1,159)
			<u>98,513</u>	<u>62,865</u>
Total interest-bearing loans and borrowings			<u>100,033</u>	<u>64,659</u>

On 10 November 2021, the Group refinanced its external debt as part of the IPO and entered into an £80 million revolving credit facility ("RCF") jointly financed by National Westminster Bank plc and Barclays PLC, which was first drawn on 10 November 2021.

On 8 July 2022, the £80 million revolving credit facility was increased by £20 million by means of an accordion option. The facility consists of a £76.027 million revolving credit facility and a €28.346 million term loan facility.

The RCF and term loan facilities are secured on the assets of certain subsidiaries within the Group.

14 Inventories

	2022 £'000	2021 £'000
Raw materials - cost	32,111	18,647
Work in progress - cost	3,530	1,293
Finished goods - lower of cost and net realisable value	38,974	34,181
Other consumables	3,236	2,660
	<u>77,851</u>	<u>56,781</u>

The cost of inventories recognised as an expense in the year was £236,248,000 (2021: £192,279,000). The provision for the impairment of stocks increased in the year, giving rise to a cost of £138,000 (2021: credit of £127,000). At 31 December 2022, the provision for the impairment of stocks was £2,640,000 (2021: £1,534,000).

15 Trade and other receivables

	2022 £'000	2021 £'000
Current		
Trade receivables	55,739	42,749
Other receivables	4,197	3,314
Prepayments	561	668
	<u>60,497</u>	<u>46,731</u>
Non-current		
Trade receivables	-	10
Other receivables	317	-
	<u>317</u>	<u>10</u>

The table below sets out the movements in the allowance for expected credit losses of trade receivables:

	2022 £'000	2021 £'000
At 1 January	204	130
On business combination	844	-
Charge for the year	-	108
Utilised	(223)	(23)
Unused amounts reversed	(122)	-
Exchange adjustment	60	(11)
At 31 December	<u>763</u>	<u>204</u>

As at 31 December, the details of the provision matrix used to calculate provisions for trade receivables (with the ageing gross of impairment) are as follows:

	Total £'000	Current £'000	<30 days £'000	30-90 days £'000	>90 days £'000
2022					
Gross carrying amount	56,502	49,403	3,217	3,056	826
Expected credit loss rate (%)	1	-	1	3	77
Expected credit loss	763	-	32	92	639
2021					
Gross carrying amount	42,963	38,014	1,464	2,645	840
Expected credit loss rate (%)	-	-	1	4	10
Expected credit loss	204	-	15	106	83

16 Trade and other payables

	2022 £'000	2021 £'000
Current		
Trade payables	73,903	57,751
Other payables and accruals	18,860	22,198
Other taxes and social security	6,045	3,858

Interest payable	406	76
	<u>99,214</u>	<u>83,883</u>

17 Provisions

	Warranty £'000	Compensation fund £'000	Restructuring £'000	Unused vacation £'000	Total £'000
At 1 January 2021	50	-	-	345	395
Arising during the year	30	-	-	397	427
Utilised	(28)	-	-	(223)	(251)
Unused amounts reversed	-	-	-	(19)	(19)
Exchange adjustment	(17)	-	-	(198)	(215)
At 31 December 2021	<u>35</u>	<u>-</u>	<u>-</u>	<u>302</u>	<u>337</u>
On business combination	587	1,125	1,868	-	3,580
Arising during the year	218	12	-	537	767
Utilised	(274)	(5)	(1,184)	(557)	(2,020)
Unused amounts reversed	-	-	(27)	(16)	(43)
Exchange adjustment	27	67	62	(58)	98
At 31 December 2022	<u>593</u>	<u>1,199</u>	<u>719</u>	<u>208</u>	<u>2,719</u>
Current	162	-	719	39	920
Non-current	431	1,199	-	169	1,799

Compensation fund

The supplementary customer compensation fund is made in accordance with European legislation to provide for potential severance payments to agents.

Restructuring

Restructuring provisions relate to the remaining costs still to be settled in respect of the closure of a manufacturing site in Italy. The site was closed prior to the acquisition of DL Radiators and the costs were provided for at the point of acquisition.

Unused vacation

A provision is recognised in respect of an unused vacation pay liability due to certain employees in Turkey. The timing of the provision is dependent on the rate at which employees take additional vacation.

18 Share capital and reserves

	2022 Number	2022 £	2021 Number	2021 £
Authorised, called up and fully paid				
Ordinary shares of £0.001 each	127,352,555	127,353	-	-
Ordinary shares of £1 each	-	-	127,352,555	127,352,555
		<u>127,353</u>		<u>127,352,555</u>

On 25 January 2022, a capital reduction application was approved by the courts, reducing the value of ordinary shares in issue from £1 to £0.001. Under the same application the courts approved the reduction of the Company's share premium account in full. The reduction of capital and share premium will be transferred to accumulated losses.

During the year ended 31 December 2021, the Company carried out a reorganisation of its share capital to facilitate a listing to the premium segment of the Official List of the Financial Conduct Authority and to trade on the London Stock Exchange Main Market for listed securities. This is described below in the detail on transactions in the year.

The movements in the ordinary share capital during the year ended 31 December 2021 and 31 December 2022 were as follows:

	Shares Number	Share capital £
At 1 January 2021	263,000	65,000
Issued on incorporation of Stelrad Group plc	50,000	50,000
Redemption of ordinary "C" shares	(13,000)	(13,000)
Noosa Holdings Jersey Limited share reorganisation	-	(49,500)
Share for share exchange:		
- Noosa Holdings Jersey Limited	(250,000)	(2,500)

- Stelrad Group plc	115,658,370	115,658,370
Shares issued	11,644,185	11,644,185
At 31 December 2021	127,352,555	127,352,555
Capital reduction	-	(127,225,202)
At 31 December 2022	127,352,555	127,353

Transactions in the year ended 31 December 2022

On 25 January 2022, a capital reduction application was approved by the courts, reducing the value of ordinary shares in issue from £1 to £0.001. Under the same application the courts approved the reduction of the Company's share premium account in full. The reduction of share capital and share premium will be transferred to retained earnings.

Transactions in the year ended 31 December 2021

On incorporation on 8 October 2021, Stelrad Group plc (the "Company") issued 50,000 ordinary shares with a nominal value of £1 each for a total cash consideration of £50,000. This was paid up in full on 10 November 2021.

On 15 October 2021, Noosa Holdings Jersey Limited redeemed its 13,000 ordinary "C" shares at par value.

On 10 November 2021, the following transactions arose:

- Noosa Holdings Jersey Limited redesignated its 200,000 ordinary "A" shares as 200,000 ordinary shares of £0.01 each.
- Noosa Holdings Jersey Limited split its 50,000 ordinary "B" shares as 50,000 ordinary shares of £0.01 each and 50,000 deferred redeemable shares of £0.99 each. The 50,000 deferred redeemable shares of £0.99 each were immediately redeemed with the credit applied to share premium.
- The Company acquired 100% of the ordinary shares of Noosa Holdings Jersey Limited by way of a share for share exchange by issuing 115,658,370 ordinary shares of £1 each to the shareholders of Noosa Holdings Jersey Limited.
- The Company issued an additional 11,644,185 ordinary shares of £1 each at a value of £2.15, giving rise to a share premium of £13,391,000.

19 Commitments and contingencies

Commitments

Amounts contracted for but not provided in the financial statements amounted to £433,000 (2021: £1,389,000) for the Group. All amounts relate to property, plant and equipment.

Contingent liabilities

Termo Teknik Ticaret ve Sanayi A.S. has issued letters of guarantee and letters of credit to its steel suppliers amounting to \$22,685,000 (2021: \$30,089,000) and \$11,175,000 (2021: \$40,518,000) respectively. Termo Teknik Ticaret ve Sanayi A.S. has also issued letters of guarantee denominated in Turkish Lira totalling TL13,220,000 (2021: TL9,497,000).

The Group enters into various forward currency contracts to manage the risk of foreign currency exposures on certain purchases and sales. The total amount of unsettled forward contracts as at 31 December 2022 is £nil (2021: £nil).

The fair value of the unsettled forward contracts held at the balance sheet date, determined by reference to their market values, is a liability of £nil (2021: £nil).

As part of the £100 million loan facility, entered into in November 2021, and amended and restated on 8 July 2022, the Group is party to a cross-collateral agreement secured on specific assets of certain Group companies. No liability is expected to arise from the agreement.

Under an unlimited multilateral guarantee, the Company, in common with certain fellow subsidiary undertakings in the UK, has jointly and severally guaranteed the obligations falling due under the Company's net overdraft facilities. No liability is expected to arise from this arrangement.

20 Related party disclosures

Prior to admission to the London Stock Exchange on 10 November 2021, the ultimate controlling party was The Bregal Fund III LP.

The ultimate shareholder loans bore interest at 15% and consisted of two amounts: i) an amount funded by the ultimate controlling party of the Group, The Bregal Fund III LP; and ii) an amount funded by certain managers of the Company.

The value of the loans at 31 December 2021 was £nil, due to repayment of the shareholder loans and all accrued interest of £nil.

interest totalling £7,028,000 (The Bregal Fund III LLP: £64,632,000; managers: £11,896,000) as part of the Group reorganisation on 10 November 2021.

At 31 December 2021, the Group owed deferred consideration to shareholders related to the sale of a business of £nil as the deferred consideration to shareholders was repaid on 15 October 2021.

During 2021, interest was accrued totalling £9,117,000 (The Bregal Fund III LP: £7,700,000; managers: £1,417,000).

During 2021, under the ownership agreement, before the Group reorganisation, the Group was charged a monitoring fee of £200,000 per annum by Bregal Capital LLP, which was the management company of the ultimate controlling party of the Group, The Bregal Fund III LP.

During the year, the Group spent £6,000 (2021: £9,000) on purchases from Polypal Netherlands BV (whose ultimate controlling party is also The Bregal Fund III LP); the balance outstanding at the year end was £nil (2021: £nil).

The key management personnel are considered to be the Executive Directors of the Group. The following table highlights the remuneration that is recorded in the income statement in respect of these personnel, including Company social security costs:

	2022 £'000	2021 £'000
Short-term employment benefits	1,466	2,175

21 IAS 29 Financial Reporting in Hyperinflationary Economies

The Turkish economy was designated as hyperinflationary from 19 April 2022. As a result, application of IAS 29 Financial Reporting in Hyperinflationary Economies has been applied to all Stelrad Group plc entities whose functional currency is the Turkish Lira. IAS 29 requires that adjustments are applicable from the start of the relevant entity's reporting period. For Stelrad Group plc that is from 1 January 2022. The application of IAS 29 includes:

- adjustment of historical cost non-monetary assets and liabilities for the change in purchasing power caused by inflation from the date of initial recognition to the balance sheet date;
- adjustment of the income statement for inflation during the reporting period;
- the income statement is translated at the period-end foreign exchange rate instead of an average rate; and
- adjustment of the income statement to reflect the impact of inflation and exchange rate movement on holding monetary assets and liabilities in local currency.

Reconciliation of opening equity at 1 January 2022

The differences between the closing equity of the prior year at 31 December 2021 and the opening equity of the current year at 1 January 2022 have been recognised as an IAS 29 adjustment in the consolidated statement of changes in equity.

	£'000
Retained earnings at 31 December 2021	57,814
IAS 29 adjustment	8,327
Retained earnings at 31 December 2021 (restated)	66,141

The IAS 29 adjustment at 1 January 2022 is made up as follows:

	At 1 January 2022 £'000
Property, plant and equipment	9,395
Inventories	1,183
Prepayments	33
Deferred tax liability	(2,284)
IAS 29 adjustment	8,327

Statement of changes in equity for the year ended 31 December 2022

The impact of the restatement of the opening reserves of entities whose functional currency is the Turkish Lira was £22,982,000; this is credited to the statement of changes in equity in the period and subsequently reversed through the "monetary losses - net" line in the income statement.

	Year ended 31 December 2022 £'000
Retained earnings credit	22,982

Monetary losses - net for the year ended 31 December 2022

The monetary loss for the year ended 31 December 2022 is made up as follows:

	Year ended 31 December 2022 £'000
Retained earnings	(22,982)
Property, plant and equipment	11,046

Property, plant and equipment	11,070
Inventories	234
Prepayments	(16)
Income statement	3,858
Monetary losses - net	(7,860)

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