



Stelrad Group plc - interim results for the six months ended 30 June 2023

Strategy continuing to deliver with outlook for the full year unchanged

Stelrad Group plc ("Stelrad" or "the Group" or "the Company", LSE: SRAD), a leading specialist manufacturer and distributor of steel panel radiators in the UK, Europe and Turkey, today announces its unaudited interim results for the six months ended 30 June 2023.

Results summary*

	Six months ended 30 June 2023	Six months ended 30 June 2022	Increase/ (decrease) %
Adjusted results			
Revenue (pre-IAS 29), £m **	157.0	147.8	6.2
Adjusted operating profit, £m **	14.0	19.0	(26.3)
Adjusted operating profit margin, % **	8.9	12.9	(31.0)
Adjusted profit after tax, £m **	8.1	13.9	(41.9)
Adjusted earnings per share, pence **	6.36	10.95	(41.9)
Statutory results			
Statutory revenue, £m	157.0	150.1	4.6
Statutory operating profit, £m	13.8	11.9	16.0
Statutory profit after tax, £m	8.0	0.7	1,105.8
Statutory earnings per share, pence	6.27	0.52	1,105.8
Free cash flow, £m	3.4	(3.6)	194.4
Net debt (excluding lease liabilities), £m	70.4	47.5	48.2
Dividend per share, pence	2.92	2.92	-

*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 in the financial statements for the six months ended 30 June 2022. On 1 January 2023, the functional currency of the Turkish business was changed from Turkish Lira to Euros and, as a result, IAS 29 is no longer being applied after this date.

**Adjusted figures are stated before exceptional items, the impact of IAS 29 (until 31 December 2022), amortisation of customer relationships, foreign exchange differences (until 31 December 2022) and tax thereon where applicable. See note 9 for a reconciliation of adjusted profit after tax. See note 5 for a reconciliation of adjusted operating profit. See the finance and business review for a reconciliation of free cash flow.

Financial and operational highlights

- Record first half revenue of £157.0 million. The integration of DL Radiators' activities enabled the Group to deliver 6.2% revenue growth, although like-for-like revenues were 12.7% lower than prior year, against very strong first half comparatives in 2022, combined with the impact of high inflation and rising interest rates, suppressing both new construction and renovation activities:
 - UK & Ireland: revenue (pre-IAS 29) -0.7% (-1.0% organic), adjusted operating profit -6.5%.
 - Europe: revenue (pre-IAS 29) +20.3% (-22.1% organic), adjusted operating profit -34.7%.
 - Turkey & International: revenue (pre-IAS 29) -23.5% (-29.8% organic), adjusted operating profit -65.0%.
- Group contribution per radiator (pre-IAS 29) increased by 10.0%, driven by dynamic pricing and cost management.
- Volume mix of higher margin, premium steel panel radiators up slightly during the period.
- Adjusted operating profit performance adversely impacted by the anticipated volume decline versus strong H1 22 comparative and increased depreciation charges, partially offset by pro-active margin management and cost reduction initiatives.
- Strong cash flow performance driven by proactive working capital management, despite seasonal high point.
- Leverage at 30 June 2023 was 1.76x (December 2022: 1.62x), based on net debt before lease liabilities. Cash balances of £20.6 million (December 2022: £22.6 million) and undrawn available facilities of £9.3 million (December 2022: £10.1 million) provides the Group with financial flexibility.
- Longer-term tailwinds of decarbonised, energy efficient heating systems continue to underpin Stelrad's confidence in the future. Launch of new electric range in the UK in second half 2023.
- Recommended interim dividend of 2.92 pence per share (2022 interim dividend: 2.92p), to be paid on 27 October 2023, reflecting the Board's confidence in the Group's prospects and balance sheet.
- Outlook for FY23 adjusted operating profit unchanged. ^[1]

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

"Despite challenging macroeconomic conditions across a number of countries, Stelrad's leading positions mean that the Group remains well placed to outperform the market and deliver on its full year expectations.

"Our focus remains on our key objectives of growing market share, improving product mix, optimising routes to market and positioning effectively for decarbonisation. Following a pivotal first year as a PLC in 2022, I am pleased that, despite the notable headwinds facing the wider industry, we have been able to deliver on our plans for the first half of 2023 and remain on course to achieve our expectations for the full year.

"The resilience of our business model, alongside our experience of navigating previous market downturns, means that the Group is well positioned to capitalise once markets improve. Regardless of the near term headwinds facing the wider sector, the increasing need for decarbonised, energy efficient heating systems remains unchanged and underpins our confidence in our ability to drive long-term shareholder value."

Analyst Conference Call

Trevor Harvey (CEO) and George Letham (CFO) will host an analyst presentation at 9am GMT today, 14 August 2023, to talk through the Group's operational and financial performance.

Please advise whether you and / or a colleague would like to attend to Powerscourt, either by phone on +44 (0) 20 7250 1446 or by email to stelrad@powerscourt-group.com for dial in details.

For further information:

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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 the countries reported by BRG Building Solutions in 2023 to date, Stelrad moved into a market leadership position, with 18.5% share by volume of the combined UK, European and Turkish steel panel radiator market. The Group is now market leader in six countries - the UK, Ireland, France, the Netherlands, Belgium and Denmark, with a top 3 position in a further five territories.

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/>.

CHIEF EXECUTIVE OFFICER'S REVIEW

Overview

Despite challenging macroeconomic conditions across a number of markets, Stelrad remains well-positioned to deliver on expectations for the full year.

The integration of DL Radiators' activities enabled the Group to deliver 6.2% revenue growth in the first half of the year, rising from £147.8 million in 2022 to £157.0 million in 2023.

Like-for-like revenues were 12.7% lower than prior year, against strong first half comparatives in 2022 combined with the impact of high inflation and rising interest rates, suppressing both new construction and renovation activities.

Group contribution per radiator, a key performance indicator for the business, increased by 10.0%, offsetting a 3.2% year-on-year sales volume decline (15.7% like-for-like decline) versus very strong first half comparatives in 2022.

Overall, volumes have declined in all territories, resulting in a 2023 first half adjusted operating profit of £14.0 million, a £5.0 million reduction relative to the same period in 2022.

Nevertheless, Stelrad's market positioning, focused strategy and management experience mean that the Group remains confident in its ability to take further market share in the near term, despite market headwinds, while the integration of DL Radiators remains on track. Stelrad is now European market leader in steel panel radiators, with number one positions in six markets.

The Group remains confident that it is well positioned to capitalise once markets improve while, longer term, the increasing need for decarbonised, energy efficient heating systems remains a key driver in Stelrad's long-term growth plans.

Results and performance for the period

In the first half of 2023, relative to its competitors, Stelrad's strong UK share position has been advantageous, with volume, revenue and adjusted operating profit impacted less in this territory than in mainland European and other international markets.

Revenue in the UK & Ireland decreased by 0.7% to £70.1 million, whilst adjusted operating profit reduced by 6.5% to £11.5 million. In Europe, revenue increased by 20.3% to £76.5 million, benefitting from the acquisition of DL Radiators. Adjusted operating profit decreased by 34.7% to £4.9 million, driven by a reduction in like-for-like sales volumes across Stelrad's principal European markets. In Stelrad's Turkey & International markets, revenue reduced by 23.5% to £10.4 million, mainly due to significantly lower sales volumes to China, also resulting in a 65.0% fall in adjusted operating profit, to £0.7 million.

Strategic priorities

To fulfil our purpose of helping to heat homes sustainably, we continue to pursue the commercial and operational strategies developed to achieve our four key strategic objectives: growing market share, improving product mix, optimising routes to market and positioning effectively for decarbonisation.

The acquisition and integration of DL Radiators is well aligned with all four of these objectives, in particular extending our electric technologies. Following the acquisition, Stelrad has moved into the number three position in the German steel panel radiator market and has increased share in higher added-value multicolumn steel, aluminium and towel warmer radiator markets, driving product mix improvement.

With access to the well-established and complementary De'Longhi brand, a wider range of both retail and trade channels to market are now available to Stelrad. Through providing our customers with a wider range of heat emitter solutions in both hydronic and electric technologies, the acquisition has also positioned the Group more effectively for decarbonisation, with the launch of a range of electric products into the UK market anticipated during the second half of 2023.

Sustainability

Stelrad Group remains fully committed to high standards of corporate responsibility, sustainability and employee engagement. We believe that our long-term success depends on proactively addressing the sustainability challenges that we face. In 2022, we developed our Fit for the Future sustainability framework, focused on the material issues for Stelrad Group and its stakeholders.

Centred around our core purpose, helping to heat homes sustainably, it reflects the significant role we can play in the transition to a zero carbon heating industry, through driving better environmental performance, enabling our exceptional workforce and by conducting business responsibly, underpinned by strong governance, exceptional safety standards and effective oversight of supply chain management.

Interim dividend

Based on the Group's financial results in the first half of 2023, the Board recommends an interim dividend of 2.92 pence per share. The interim dividend will be paid on 27 October 2023 to shareholders on the register on 13 October 2023.

Outlook

The Group's outlook for the full year remains unchanged with the Group remaining confident in its long-term growth plans.

For the second year in succession, economic conditions in our end markets remain extremely challenging, with the combined impact of high levels of inflation and rising interest rates constraining consumer confidence and disposable income.

However, Stelrad's strong, long-lasting customer relationships, combined with the Group's flexible, low-cost manufacturing capabilities, market-leading product availability and customer service, mean that the Group is better placed than its competitors to trade through periods of wider market uncertainty.

The Group has also adapted effectively to the current financial climate through proactive margin management and cost reduction activities, and has also benefitted from a favourable geographic mix, with a particularly strong UK position. Encouragingly, volume mix of premium steel panel radiators, a Group key performance indicator, has shown growth in the first half of 2023.

Integration of DL Radiators is proceeding to plan and is fully aligned with our key strategic objectives, with the introduction of Stelrad's first UK range of electrical heat emitters later in the year.

The continued resilience of our business model, alongside our experience of navigating previous market downturns, means that the Group will be well positioned to capitalise once markets improve. Regardless of the near term headwinds facing the wider sector, the increasing need for decarbonised, energy efficient heating systems remains unchanged and underpins our confidence in our ability to drive long-term shareholder value.

Trevor Harvey
Chief Executive Officer
14 August 2023

FINANCE AND BUSINESS REVIEW

Group overview

The following table summarises the Group's results from operations for the six months ended 30 June 2023 and 30 June 2022.

	Six months ended 30 June 2023	Six months ended 30 June 2022	Increase/ (decrease)	Increase/ (decrease)
	£m	£m	£m	%
Revenue	157.0	150.1	6.9	4.6
Revenue (pre-IAS 29)	157.0	147.8	9.2	6.2
Adjusted operating profit⁽¹⁾	14.0	19.0	(5.0)	(26.3)
Exceptional items	(0.1)	-	(0.1)	n/a
Amortisation of customer relationships	(0.1)	-	(0.1)	n/a
Foreign exchange differences	-	(3.0)	3.0	n/a
Impact of IAS 29	-	(4.1)	4.1	n/a
Operating profit	13.8	11.9	1.9	16.0
Net finance costs	(3.5)	(1.8)	(1.7)	(94.4)
Monetary losses - net (IAS 29)	-	(5.4)	5.4	n/a
Profit before tax	10.3	4.7	5.6	119.1
Income tax expense	(2.3)	(4.0)	1.7	42.5
Profit for the period	8.0	0.7	7.3	1,105.8
Earnings per share (p)	6.27	0.52	5.75	1,105.8
Adjusted profit for the period⁽¹⁾	8.1	13.9	(5.8)	(41.9)
Adjusted earnings per share (p)⁽¹⁾	6.36	10.95	(4.59)	(41.9)
Dividend per share (p)	2.92	2.92		

⁽¹⁾ Adjusted figures are stated before exceptional items, the impact of IAS 29 (until 31 December 2022), amortisation of customer relationships, foreign exchange differences (until 31 December 2022) and tax thereon where applicable.

Financial overview

Business performance was negatively impacted by a reduction in demand during the first half of 2023 compared to the same period in 2022. Renovation activity across the majority of European countries remained weak throughout the period, driven by a challenging macroeconomic environment related to high inflation and interest rates. The impact of volume decline varied by operating segment with the UK & Ireland being more robust than Europe and Turkey & International. Steel and energy costs remain high relative to historical benchmarks but have been decreasing in recent months.

Revenue for the six months ended 30 June 2023 was £157.0 million, an increase of £9.2 million, or 6.2%, on the six months ended 30 June 2022 (2022: £147.8 million (pre-IAS29)), with the inclusion of DL Radiators since August 2022. Higher selling prices partially offset a decline in like-for-like sales volumes. Higher selling prices primarily represent the full year impact of 2022 price increases which were applied to recover steel and other inflationary cost increases. Revenue (pre-IAS 29) fell by 12.7% on a like-for-like basis.

Adjusted operating profit for the period was £14.0 million, a decrease of £5.0 million, or 26.3%, compared to the same period last year (2022: £19.0 million). The reduction in operating profit was mainly the result of a reduction in sales volumes year on year leading to a reduction in EBITDA of £2.8 million. Additionally, depreciation increased by £2.2 million in the period - mainly a legacy of the IAS 29 revaluation of Turkish fixed assets which crystallised in the opening balance sheet and a depreciation charge for DL Radiators (2022: £nil). The impact of lower volumes has been partially offset by operational improvements mainly relating to increased efficiencies at plants, fully utilising the flexibility of our manufacturing footprint.

Statutory operating profit for the period was £13.8 million (2022: £11.9 million), after deducting exceptional items of £0.1m (2022: £nil) and the amortisation of customer relationships £0.1m (2022: £nil). Statutory operating profit in the first half of 2022 also included the non-cash impact of IAS 29 of £4.1 million and the impact of foreign exchange losses of £3.0 million.

Adjusted profit after tax for the period decreased by £5.8 million to £8.1 million (2022: £13.9 million). Statutory profit for the period increased by £7.3 million to £8.0 million (2022: £0.7 million) due to the impact of IAS 29 in the prior year. Adjusted earnings per share was 6.36 pence (2022: 10.95 pence). The statutory earnings per share was 6.27 pence (2022: 0.52 pence), with the 2022 statutory earnings per share being impacted by IAS 29.

At 30 June 2023 the Group had cash of £20.6 million (December 2022: £22.6 million) and undrawn available facilities of £9.3 million (December 2022: £10.1 million), with net debt before lease liabilities of £70.4 million (December 2022: £68.4 million). Working capital at 30 June reflects a seasonal high point prior to the heating season with the lowest level of working capital historically experienced in December. The Group therefore expects a reduction in net debt by the end of the financial year.

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 the financial statements for the six months ended 30 June 2022. The impact of the adoption of IAS 29 in the six months ended 30 June 2022 is explained in more detail in note 16 of the consolidated interim financial statements.

On 1 January 2023, the functional currency of the Turkish business was changed from Turkish Lira to Euros and, as a result, IAS 29 is no longer being applied after this date.

Revenue by geographical market

The table below sets out the Group's revenue by geographical market.

Revenue* by geographical market	Six months ended 30 June 2023	Six months ended 30 June 2022	Increase / (decrease)	Increase / (decrease)
	£m	£m	£m	%
UK & Ireland	70.1	70.6	(0.5)	(0.7)
Europe	76.5	63.6	12.9	20.3
Turkey & International	10.4	13.6	(3.2)	(23.5)
Total	157.0	147.8	9.2	6.2

* 2022 figures are stated pre-IAS 29

UK & Ireland

The Group's revenue in the UK & Ireland for the period was £70.1 million (2022: £70.6 million (pre-IAS 29)), a decrease of £0.5 million, or 0.7%. This was principally a result of a decrease in sales volumes partially offset by the impact of selling price increases implemented to mitigate the impact of inflationary costs.

Europe

The Group's revenue in Europe for the period was £76.5 million (2022: £63.6 million (pre-IAS 29)), an increase of £12.9 million, or 20.3%, 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 like-for-like sales volumes. Excluding the acquisition of DL Radiators, the Group's revenue in Europe for the period was £49.6 million. Our European markets have been most affected by the weak demand experienced in the period, giving rise to a significant reduction in like-for-like sales.

Turkey & International

The Group's revenue in Turkey & International for the period was £10.4 million (2022: £13.6 million (pre-IAS 29)), a decrease of £3.2 million, or 23.5%. This was principally a result of significantly lower sales volumes to China.

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	Six months ended 30 June 2023	Six months ended 30 June 2022	Increase/ (decrease)	Increase/ (decrease)
	£m	£m	£m	%
UK & Ireland	11.5	12.3	(0.8)	(6.5)
Europe	4.9	7.5	(2.6)	(34.7)
Turkey & International	0.7	2.0	(1.3)	(65.0)
Central costs	(3.1)	(2.8)	(0.3)	(10.7)
Total	14.0	19.0	(5.0)	(26.3)

UK & Ireland

The Group's adjusted operating profit in the UK & Ireland for the period was £11.5 million (2022: £12.3 million), a decrease of £0.8 million, or 6.5%. This was principally as a result of lower sales volumes, partially offset by proactive margin management

leading to increased contribution per radiator.

Europe

The Group's adjusted operating profit in Europe for the period was £4.9 million (2022: £7.5 million), a decrease of £2.6 million, or 34.7%. Sales volumes have increased in Europe due to the acquisition of DL Radiators, though the incremental volumes are at lower margin. Like-for-like sales volumes have fallen significantly due to a weak macroeconomic environment which has reduced operating profit, partially compensated for by proactive margin management leading to increased like-for-like contribution per radiator.

Turkey & International

The Group's adjusted operating profit in Turkey & International for the period was £0.7 million (2022: £2.0 million), a decrease of £1.3 million, or 65.0%. This was principally as a result of lower sales volumes and higher post-IAS 29 depreciation.

Central costs

Central costs for the period were £3.1 million (2022: £2.8 million), an increase of £0.3 million, or 10.7% partially as a result of inflationary pressures.

Exceptional items

During the period exceptional costs of £0.1 million were incurred (2022: £nil). The exceptional items in the six months ended 30 June 2023 are the final costs associated with the 2022 acquisition of DL Radiators.

Finance costs

The Group's finance costs for the period were £3.5 million (2022: £1.8 million). The increase of £1.7 million is due to an increase in interest rates (blended 6%) during the first half of 2023 in addition to a higher quantum of debt drawn following the acquisition of DL Radiators.

Income tax expense

The Group's income tax expense for the period was £2.3 million (2022: £4.0 million), a decrease of £1.7 million. The 2022 charge was increased by £1.3m due to the impact of IAS 29. The 2023 tax charge has benefitted from a deferred tax credit associated with higher tax asset values allowed by the Turkish government due to hyperinflation, partially offset by withholding tax charges associated with the repatriation of cash from Turkey.

Earnings per share and adjusted earnings per share

Profit attributable to shareholders increased by £7.3 million to £8.0 million (2022: £0.7m) and earnings per share was 6.27 pence (2022: 0.52 pence). The weighted average number of shares was 127.4 million (2022: 127.4 million). Profit attributable to shareholders before exceptional items, amortisation of customer relationships, foreign exchange differences (until 31 December 2022), the impact of IAS 29 (until 31 December 2022) and tax thereon decreased by £5.8 million to £8.1 million (2022: £13.9 million) and consequently adjusted earnings per share was 6.36 pence (2022: 10.95 pence).

Dividends

The Group is committed to delivering returns for its shareholders. It adopted a progressive dividend policy at IPO targeting an initial 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 its final dividend of 4.72 pence per share in May 2023, resulting in a total dividend for 2022 of 7.64 pence per share.

The Group intends to pay an interim dividend of 2.92 pence per share on 27 October 2023, maintaining the 2022 dividend payment despite lower earnings due to short term trading headwinds. This reflects the board's prudent view on the current commercial and strategic position of the business, confidence in the Group's financial position and cash generation, and the intention to support shareholder returns through the cycle.

Cash flows

The following table summarises the Group's cash flow for the six months ended 30 June 2023 and 30 June 2022.

	Six months ended 30 June 2023	Six months ended 30 June 2022	Increase/ (decrease)
	£m	£m	£m
EBITDA ⁽¹⁾	19.7	22.5	(2.8)
Exceptional items	(0.1)	-	(0.1)
Gain on disposal of property, plant and equipment	-	(0.2)	0.2
Share-based payment charge	0.3	0.1	0.2
Working capital (adjusted for foreign exchange 2022)	(4.9)	(18.1)	13.2
Net capital expenditure	(4.5)	(4.3)	(0.2)
Cash flow from operations	10.5	-	10.5
Income tax paid	(4.1)	(2.2)	(1.9)
Net interest paid	(3.0)	(1.4)	(1.6)
Free cash flow	3.4	(3.6)	7.0

(1) EBITDA is profit before interest, taxation, depreciation, amortisation and exceptional items. In 2022, EBITDA was also stated before foreign exchange differences and the impact of IAS 29.

	Six months ended 30 June 2023	Six months ended 30 June 2022	Increase/ (decrease)
	£m	£m	£m
Cash flow from operations (£m)	10.5	-	10.5
Adjusted operating profit (£m)	14.0	19.0	(5.0)
Cash flow from operations conversion (%) *	75.2	(0.1)	

*Cash flow from operations conversion is the ratio of cash flow from operations to adjusted operating profit

The Group's free cash inflow for the period was £3.4 million (2022: outflow £3.6 million), an increase of £7.0 million. This reflects an improvement in cash flow from operations offset by higher income tax and interest payments.

an improvement in cash flow from operations offset by higher income tax and interest payments.

The Group's cash inflow from operations for the period was £10.5 million (2022: £nil), an increase of £10.5 million. This was principally as a result of working capital management to mitigate the historical seasonal pattern. Adjusted operating profit for the period was £14.0 million (2022: £19.0 million), a decrease of £5.0 million. Cash flow from operations conversion for the period was 75.2% (2022: -0.1%), mainly due to the proactive working capital management in the period.

Capital expenditures

The Group's capital expenditures mainly relate to investment in operating plant and equipment. Key capital expenditure in the period ended 30 June 2023 related to the final installation of a new steel panel radiator line at the Group's facilities in Italy. Capital expenditure for the remainder of 2023 will be in line with expectations.

Net debt

At 30 June 2023, statutory net debt (including lease liabilities) of £80.9 million (December 2022: £78.4 million) comprises £91.0 million (December 2022: £91.0 million) drawn down against the multicurrency facility and £10.5 million (December 2022: £10.0 million) lease liabilities net of £20.6 million (December 2022: £22.6 million) cash.

	30 June 2023	31 December 2022
	£m	£m
Revolving credit facility - GBP	56.4	55.3
Revolving credit facility - EUR	10.3	10.6
Term loan	24.3	25.1
Cash	(20.6)	(22.6)
Net debt before lease liabilities	70.4	68.4
Lease liabilities	10.5	10.0
Net debt	80.9	78.4

Going concern

After reviewing the Group's current liquidity, net debt, financial forecasts and stress testing of potential risks, the Board confirms there are no material uncertainties which impact the Group's ability to continue as a going concern for the period to 31 December 2024 and therefore these condensed consolidated interim financial statements have been prepared on a going concern basis.

George Letham
Chief Financial Officer
14 August 2023

FORWARD-LOOKING STATEMENTS

This document may contain forward-looking statements which are made in good faith and are based on current expectations or beliefs, as well as assumptions about future events. You can sometimes, but not always, identify these statements by the use of a date in the future or such words as "will", "anticipate", "estimate", "expect", "project", "intend", "plan", "should", "may", "assume" and other similar words. By their nature, forward-looking statements are inherently predictive and speculative and involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. You should not place undue reliance on these forward-looking statements, which are not a guarantee of future performance and are subject to factors that could cause our actual results to differ materially from those expressed or implied by these statements. The Company undertakes no obligation to update any forward-looking statements contained in this document, whether as a result of new information, future events or otherwise.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors confirm that these condensed consolidated interim financial statements have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related party transactions in the first six months and any material changes in the related party transactions described in the last annual report.

The directors of Stelrad Group plc are listed in the Annual Report and Accounts for the year ended 31 December 2022.

For and on behalf of the Board

Trevor Harvey
Chief Executive Officer
14 August 2023

George Letham
Chief Financial Officer
14 August 2023

Stelrad Group plc. Registered number 13670010

INDEPENDENT REVIEW REPORT TO STELRAD GROUP PLC

Report on the condensed consolidated interim financial statements

Our conclusion

We have reviewed Stelrad Group plc's condensed consolidated interim financial statements (the "interim financial statements") in the interim results of Stelrad Group plc for the 6 month period ended 30 June 2023 (the "period").

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

The interim financial statements comprise:

The interim financial statements comprise:

- the Condensed consolidated interim balance sheet as at 30 June 2023;
- the condensed consolidated interim income statement and condensed consolidated interim statement of comprehensive income for the period then ended;
- the Condensed consolidated interim statement of cash flows for the period then ended;
- the Condensed consolidated interim statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the interim results of Stelrad Group plc have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Financial Reporting Council for use in the United Kingdom ("ISRE (UK) 2410"). A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the interim results and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed. This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410. However, future events or conditions may cause the group to cease to continue as a going concern.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The interim results, including the interim financial statements, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the interim results in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority. In preparing the interim results, including the interim financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Our responsibility is to express a conclusion on the interim financial statements in the interim results based on our review. Our conclusion, including our Conclusions relating to going concern, is based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion paragraph of this report. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP

Chartered Accountants

Newcastle upon Tyne
14 August 2023

Stelrad Group plc

Condensed consolidated interim income statement

for the six months ended 30 June 2023

		Six months ended 30 June 2023 (not audited)	Six months ended 30 June 2022 (not audited)	Year ended 31 December 2022 (audited)
	Notes	£'000	£'000	£'000
Continuing operations				
Revenue	5	157,043	150,110	316,315
Cost of sales (excluding exceptional items)		(113,711)	(109,823)	(235,194)
Exceptional items	5	-	-	(1,054)
Cost of sales		(113,711)	(109,823)	(236,248)
Gross profit		43,332	40,287	80,067
Selling and distribution expenses		(21,301)	(18,974)	(40,800)
Administrative expenses (excluding exceptional items)		(8,460)	(7,685)	(12,813)

Administrative expenses (excluding exceptional items)		(8,463)	(6,085)	(12,811)
Exceptional items	5	(81)	-	(755)
Administrative expenses		(8,544)	(6,685)	(13,566)
Other operating income	6	1,231	205	373
Other operating expenses	7	(919)	(2,988)	(3,446)
Operating profit	5	13,799	11,845	22,628
Finance income		41	31	50
Finance costs		(3,579)	(1,761)	(4,573)
Monetary losses - net	16	-	(5,420)	(7,860)
Profit before tax		10,261	4,695	10,245
Income tax expense	8	(2,273)	(4,030)	(5,936)
Profit for the period		7,988	665	4,309

Notes

Earnings per share

Basic	9	6.27p	0.52p	3.38p
Diluted	9	6.27p	0.52p	3.38p

Adjusted earnings per share

Basic	9	6.36p	10.95p	19.11p
Diluted	9	6.36p	10.93p	19.11p

Stelrad Group plc

Condensed consolidated interim statement of comprehensive income for the six months ended 30 June 2023

		Six months ended 30 June 2023 (not audited)	Six months ended 30 June 2022 (not audited)	Year ended 31 December 2022 (audited)
	Notes	£'000	£'000	£'000
Profit for the period		7,988	665	4,309
Other comprehensive income/(expense)				
<i>Other comprehensive income/(expense) that may be reclassified to profit or loss in subsequent periods:</i>				
Net gain on monetary items forming part of net investment in foreign operations and qualifying hedges of net investments in foreign operations		873	1,362	1,691
Income tax effect	8	(205)	(340)	(631)
Exchange differences on translation of foreign operations		(3,351)	(4,575)	(5,941)
Net other comprehensive expense that may be reclassified to profit or loss in subsequent periods		(2,683)	(3,553)	(4,881)
<i>Other comprehensive expense not to be reclassified to profit or loss in subsequent periods:</i>				
Remeasurement losses on defined benefit plans		(716)	(840)	(1,932)
Income tax effect	8	143	185	423
Net other comprehensive expense not to be reclassified to profit or loss in subsequent periods		(573)	(655)	(1,509)
Other comprehensive expense for the period, net of tax		(3,256)	(4,208)	(6,390)
Total comprehensive income/(expense) for the period, net of tax attributable to owners of the parent		4,732	(3,543)	(2,081)

Stelrad Group plc (Registered Number 13670010)
Condensed consolidated interim balance sheet
as at 30 June 2023

		30 June 2023 (not audited)	30 June 2022 (not audited)	31 December 2022 (audited)
	Notes	£'000	£'000	£'000
Assets				
Non-current assets				
Property, plant and equipment		88,682	69,139	91,604
Intangible assets		5,157	-	3,855
Trade and other receivables		306	9	317
Deferred tax assets		4,945	2,399	5,397
		<u>99,090</u>	<u>71,547</u>	<u>101,173</u>
Current assets				
Inventories		68,895	65,452	77,851
Trade and other receivables		59,352	49,198	60,497
Income tax receivable		518	12	235
Cash and cash equivalents		20,563	13,488	22,641
		<u>149,328</u>	<u>128,150</u>	<u>161,224</u>
Total assets		<u>248,418</u>	<u>199,697</u>	<u>262,397</u>
Equity and liabilities				
Equity				
Share capital		127	127	127
Share premium		-	-	-
Merger reserve		(114,469)	(114,469)	(114,469)
Retained earnings		229,553	222,667	227,849
Foreign currency reserve		(64,741)	(60,730)	(62,058)
Total equity		<u>50,470</u>	<u>47,595</u>	<u>51,449</u>
Non-current liabilities				
Interest-bearing loans and borrowings	12	99,242	67,109	98,513
Deferred tax liabilities		214	171	2,611
Provisions		1,877	262	1,799
Net employee defined benefit liabilities	14	4,034	2,520	4,542
		<u>105,367</u>	<u>70,062</u>	<u>107,465</u>
Current liabilities				
Trade and other payables		88,013	78,596	99,214
Interest-bearing loans and borrowings	12	1,458	1,921	1,520
Financial liability	12	419	-	-
Income tax payable		2,287	1,427	1,829
Provisions		404	96	920
		<u>92,581</u>	<u>82,040</u>	<u>103,483</u>
Total liabilities		<u>197,948</u>	<u>152,102</u>	<u>210,948</u>
Total equity and liabilities		<u>248,418</u>	<u>199,697</u>	<u>262,397</u>

The financial statements on pages 16 to 34 were approved by the Board of Directors on 14 August 2023 and signed on its behalf by:

George Letham
Chief Financial Officer

Stelrad Group plc
Condensed consolidated interim statement of changes in equity
for the six months ended 30 June 2023

	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 31 December 2021 (audited)	127,353	13,391	(114,469)	57,814	(57,177)	26,912
IAS 29 adjustment (note 16)	-	-	-	8,327	-	8,327
At 31 December 2021	<u>127,353</u>	<u>13,391</u>	<u>(114,469)</u>	<u>66,141</u>	<u>(57,177)</u>	<u>35,239</u>

(restated)

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	-	-	-	22,982	-	22,982
Share-based payment charge	-	-	-	250	-	250
Dividends paid (note 10)	-	-	-	(4,941)	-	(4,941)
At 31 December 2022 (audited)	127	-	(114,469)	227,849	(62,058)	51,449
Profit for the period	-	-	-	7,988	-	7,988
Other comprehensive expense for the period	-	-	-	(573)	(2,683)	(3,256)
Total comprehensive income/(expense)	-	-	-	7,415	(2,683)	4,732
Share-based payment charge	-	-	-	300	-	300
Dividends paid (note 10)	-	-	-	(6,011)	-	(6,011)
At 30 June 2023 (not audited)	127	-	(114,469)	229,553	(64,741)	50,470

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 31 December 2021 (audited)	127,353	13,391	(114,469)	57,814	(57,177)	26,912
IAS 29 Adjustment (note 16)	-	-	-	8,327	-	8,327
At 31 December 2021 (restated)	127,353	13,391	(114,469)	66,141	(57,177)	35,239
Profit for the period	-	-	-	665	-	665
Other comprehensive expense for the period	-	-	-	(655)	(3,553)	(4,208)
Total comprehensive income/(expense)	-	-	-	10	(3,553)	(3,543)
Capital reduction	(127,226)	(13,391)	-	140,617	-	-
IAS 29 Adjustment to retained earnings in the period (note 16)	-	-	-	17,072	-	17,072
Share-based payment charge	-	-	-	50	-	50
Dividends paid (note 10)	-	-	-	(1,223)	-	(1,223)
At 30 June 2022 (not audited)	127	-	(114,469)	222,667	(60,730)	47,595

Stelrad Group plc
Condensed consolidated interim statement of cash flows
for the six months ended 30 June 2023

	Six months ended 30 June 2023 (not audited) £'000	Six months ended 30 June 2022 (not audited) £'000	Year ended 31 December 2022 (audited) £'000
Operating activities			
Profit before tax	10,261	4,695	10,245
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation of property, plant and equipment	5,785	4,236	9,700
Amortisation of intangible assets	71	-	163
Gain on disposal of property, plant and equipment	(11)	(205)	(220)
Monetary loss IAS 29	-	5,420	7,860
Monetary loss IAS 29 income statement element	-	3,029	3,530
Share-based payment charge	300	50	250
Finance income	(41)	(31)	(50)
Finance costs	3,579	1,761	4,573
Working capital adjustments:			
(Increase) / decrease in trade and other receivables	(821)	(3,972)	1,632
Decrease / (increase) in inventories	6,877	(7,489)	5,831
Decrease in trade and other payables	(10,697)	(12,650)	(11,578)

Decrease in trade and other payables	(2,067)	(2,027)	(11,226)
(Decrease) / increase in provisions	(427)	57	(1,297)
Decrease in other pension provisions	(5)	(12)	(23)
Difference between pension charge and cash contributions	(1,263)	17	(319)
Financial derivatives	427	-	-
	<u>15,045</u>	<u>3,897</u>	<u>30,347</u>
Income tax paid	(4,083)	(2,203)	(3,801)
Interest received	41	31	50
Net cash flows from operating activities	<u>11,003</u>	<u>1,725</u>	<u>26,596</u>
Investing activities			
Proceeds from sale of property, plant, equipment and intangible assets	72	209	316
Purchase of property, plant and equipment	(3,329)	(3,597)	(9,671)
Purchase of intangible assets	-	-	(164)
Business combination of subsidiaries, net of cash acquired	-	-	(20,484)
Net cash flows used in investing activities	<u>(3,257)</u>	<u>(3,388)</u>	<u>(30,003)</u>
Financing activities			
Transaction costs related to refinancing	-	(111)	(429)
Proceeds from external borrowings	1,100	4,500	34,122
Repayment of external borrowings	-	-	(1,250)
Repayment of borrowings acquired with subsidiary	-	-	(10,746)
Principal elements of lease payments	(1,236)	(899)	(2,049)
Interest paid	(3,058)	(1,409)	(3,269)
Dividends paid	(6,011)	(1,223)	(4,941)
Net cash flows (used in) / generated from financing activities	<u>(9,205)</u>	<u>858</u>	<u>11,438</u>
Net (decrease) / increase in cash and cash equivalents	(1,459)	(805)	8,031
Net foreign exchange difference	(619)	(1,270)	(953)
Cash and cash equivalents at start of period	22,641	15,563	15,563
Cash and cash equivalents at end of period	<u>20,563</u>	<u>13,488</u>	<u>22,641</u>

Stelrad Group plc

Notes to the condensed consolidated interim financial statements

for the six months ended 30 June 2023

1 Corporate information

Stelrad Group plc is a public limited company that is incorporated, domiciled and has its registered office in England and Wales.

2 Basis of preparation

The condensed consolidated interim financial statements for the half-year reporting period ended 30 June 2023 have been prepared in accordance with the UK-adopted International Accounting Standard 34, 'Interim Financial Reporting' and the disclosure guidance and transparency rules sourcebook of the United Kingdom's Financial Conduct Authority.

The interim financial statements do not include all of the notes of the type normally included in annual financial statements. Accordingly, this report is to be read in conjunction with the Annual Report and Accounts for the year ended 31 December 2022, which has been prepared in accordance with UK adopted international accounting standards in conformity with the requirements of the Companies Act 2006, and any public announcements made by Stelrad Group plc during the interim reporting period. The condensed consolidated interim financial statements have been prepared using the same accounting policies and methods of computation used to prepare the Group's 2022 Annual Report and Accounts as described on pages 98 to 108 of that report, which can be found on the Group's website at www.stelradplc.com, and the adoption of new standards and interpretations, noted below.

The condensed consolidated interim financial statements have not been prepared using any new accounting policies in the six months ended 30 June 2023.

The 2022 annual consolidated financial statements of the Group were prepared in accordance with UK adopted international accounting standards 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.

The financial statements for the six months ended 30 June 2023 and the comparative financial statements for the six months ended 30 June 2022 have not been audited. However, the financial statements for the six months ended 30 June 2023 and the six months ended 30 June 2022 have been reviewed by the auditor, PricewaterhouseCoopers LLP. The comparative financial statements for the year ended 31 December 2022 have been extracted from the 2022 Annual Report and Accounts. The financial statements contained in this interim report do not constitute statutory accounts as defined in section 434 of the Companies Act 2006 and do not reflect all of the information contained in the Group's 2022 Annual Report and Accounts. The statutory accounts for the year ended 31 December 2022, which were approved by the Board of Directors on 13 March 2023 and have been filed with the Registrar of Companies, received an unqualified audit report which did not draw attention to any matters by way of emphasis and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

Functional currency

There has been one significant change in the six months ended 30 June 2023 that affects the interim financial statements: On 1 January 2023, the functional currency of the Turkish business was changed from Turkish Lira to Euros and, as a result, IAS 29 is no longer being applied after this date.

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 the currency profile and therefore functional currency of the business. The Turkish business predominantly holds excess cash balances in Euros.

Going concern

In preparing these financial statements on the going concern basis, the directors have considered the Group's current and future prospects and its availability of cash resources and financing and the Group's financial position.

The Group meets its day-to-day working capital requirements through a bank loan facility which is in place up to November 2024. At the period-end date the Group had drawn down £91.0 million of a £100 million revolving credit facility. The remainder of the facility and significant cash balances of £20.6 million are available to enable day-to-day working capital requirements to be met.

As part of their period-end review, management has performed a detailed going concern review, based on severe but plausible conditions, looking at the group's liquidity and banking covenant compliance, examining expected future performance. The Board have also reviewed the risks and uncertainties facing the business. Based on the output of these going concern reviews, management have concluded that the Group will be able to continue to operate within its existing facilities and as such the financial statements have been prepared on a going concern basis.

New standards and interpretations applied in the period

Several amendments and interpretations apply for the first time in 2023, but do not have a material impact on the consolidated financial statements of the Group. These include:

- IFRS 17 Insurance Contracts
- Definition of Accounting Estimates - Amendments to IAS 8
- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendment to IAS 12
- International Tax Reform - Pillar Two Model Rules - Amendment to IAS 12

New standards and interpretations not applied

The International Accounting Standards Board has issued the following standards and interpretations with an effective date after the date of these financial statements:

International Accounting Standards (IAS/IFRSs)	Effective date (period beginning on or after)
Classification of Liabilities as Current or Non-current - Amendments to IAS 1	1 January 2024
Lease liability in a Sale and Leaseback - Amendments to IFRS 16	1 January 2024
Non-current liabilities with Covenants - Amendments to IAS 1	1 January 2024
Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7	1 January 2024

It is anticipated that adoption of these standards and interpretations will not have a material impact on the Group's financial statements.

The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

3 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. The opening acquisition balance sheet was finalised in the period with the changes from the initial assessment outlined in note 11.

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.

4 Principal risks

The Board has undertaken a review of the principal risks affecting the Group for the six months ended 30 June 2023. The Board considers that the principal risks, as discussed in the 'Risk management' section on pages 49 to 54 of the Group Annual Report and Accounts for the year ended 31 December 2022 (available on the Group's website www.stelradplc.com), remain relevant.

5 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 (until 31 December 2022) and foreign exchange differences (until 31 December 2022).

IAS 29 was applied in the six months ended 30 June 2022 and 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.

On 1 January 2023, the functional currency of the Turkish business was changed from Turkish Lira to Euros and, as a result, IAS 29 is no longer being applied after this date. Also, after this date, the impact of foreign exchange differences is no longer adjusted for in arriving at adjusted operating profit.

Revenue by geographical market	Six months ended 30 June 2023 (not audited) £'000	Six months ended 30 June 2022 (not audited) £'000	Year ended 31 December 2022 (audited) £'000
UK & Ireland	70,106	70,588	138,874
Europe	76,494	63,652	147,909
Turkey & International	10,443	13,576	25,335
Revenue (pre-IAS 29)	157,043	147,816	312,118
Impact of IAS 29	-	2,294	4,197
Total revenue	157,043	150,110	316,315

Adjusted operating profit by geographical market	Six months ended 30 June 2023 (not audited) £'000	Six months ended 30 June 2022 (not audited) £'000	Year ended 31 December 2022 (audited) £'000
UK & Ireland	11,470	12,311	22,716
Europe	4,926	7,486	13,877
Turkey & International	666	2,004	2,055
Central costs	(3,111)	(2,848)	(4,668)
Adjusted operating profit	13,951	18,953	33,980
Exceptional items	(81)	-	(1,809)
Amortisation of customer relationships	(71)	-	(57)
Foreign exchange differences (until 31 December 2022)	-	(2,985)	(3,446)
Impact of IAS 29	-	(4,123)	(6,040)
Operating profit	13,799	11,845	22,628

Non-current operating assets	Six months ended 30 June 2023 (not audited) £'000	Six months ended 30 June 2022 (not audited) £'000	Year ended 31 December 2022 (audited) £'000
UK	18,618	19,610	18,823
The Netherlands	21,452	22,020	22,757

THE NETHERLANDS	21,432	22,737	22,131
Turkey	25,961	25,181	26,854
Italy	22,293	-	22,686
Other	1,133	1,409	1,239
Total	89,457	69,139	92,359

The exceptional items in the period ended 30 June 2023 are the final costs associated with the 2022 acquisition. 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 revenue information above is based on the locations of the customers. All revenue arises from the sale of goods.

No customers have revenues in excess of 10% of revenue (six months ended 30 June 2022: one; year ended 31 December 2022: none).

6 Other operating income

	Six months ended 30 June 2023 (not audited) £'000	Six months ended 30 June 2022 (not audited) £'000	Year ended 31 December 2022 (audited) £'000
Net gain on disposal of property, plant and equipment	11	205	220
Foreign currency gains	1,060	-	-
Sundry other income	160	-	153
	1,231	205	373

7 Other operating expenses

	Six months ended 30 June 2023 (not audited) £'000	Six months ended 30 June 2022 (not audited) £'000	Year ended 31 December 2022 (audited) £'000
Foreign currency losses	-	2,985	3,446
Net losses on forward derivative contracts	919	-	-
Sundry other expenses	-	3	-
	919	2,988	3,446

8 Income tax expense

The major components of income tax expense are as follows:

	Six months ended 30 June 2023 (not audited) £'000	Six months ended 30 June 2022 (not audited) £'000	Year ended 31 December 2022 (audited) £'000
Consolidated income statement			
Current income tax:			
Current income tax charge	3,932	2,305	4,090
Adjustments in respect of current income tax charge of previous period	177	(255)	(290)
Deferred tax:			
Relating to origination and reversal of temporary differences	(1,664)	2,299	2,802
Relating to change in tax rates	(172)	(319)	(666)
Income tax expense reported in the income statement	2,273	4,030	5,936
	Six months ended 30 June 2023 (not audited) £'000	Six months ended 30 June 2022 (not audited) £'000	Year ended 31 December 2022 (audited) £'000
Consolidated statement of comprehensive income			
Tax related to items recognised in other comprehensive income/(expense) during the period:			
Deferred tax on actuarial loss	(143)	(185)	(423)
Current tax on monetary items forming part of net investment and on hedges of net investment	205	340	631
Income tax expensed to other comprehensive income/(expense)	62	155	208

The taxation charge has been calculated by applying the Directors' best estimate of the annual effective tax rate to the profit for the period.

period.

Changes in the corporate income tax rate

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

9 Earnings per share

	Six months ended 30 June 2023 (not audited) £'000	Six months ended 30 June 2022 (not audited) £'000	Year ended 31 December 2022 (audited) £'000
Net profit for the period attributable to owners of the parent	7,988	665	4,309
Exceptional items	81	-	1,809
Amortisation of customer relationships	71	-	57
Foreign exchange differences	-	2,985	3,446
Impact of IAS 29	-	9,610	13,906
Tax on exceptional items, IAS 29, amortisation and foreign exchange differences	(39)	680	806
Adjusted net profit for the period attributable to owners of the parent	8,101	13,940	24,333

IAS 29 was applied in the six months ended 30 June 2022 and the year ended 31 December 2022. The impact of IAS 29 has been removed in arriving at adjusted net profit, as management believe that the pre-IAS 29 results give a more meaningful presentation of the Group's underlying performance.

	Six months ended 30 June 2023 (not audited)	Six months ended 30 June 2022 (not audited)	Year ended 31 December 2022 (audited)
Basic weighted average number of shares in issue	127,352,555	127,352,555	127,352,555
Effect of dilutive potential ordinary shares	-	201,503	-
Diluted weighted average number of shares in issue	127,352,555	127,554,058	127,352,555
Earnings per share			
Basic earnings per share (pence per share)	6.27	0.52	3.38
Diluted earnings per share (pence per share)	6.27	0.52	3.38
Adjusted earnings per share			
Basic earnings per share (pence per share)	6.36	10.95	19.11
Diluted earnings per share (pence per share)	6.36	10.93	19.11

10 Dividends paid and proposed

	Six months ended 30 June 2023 (not audited) £'000	Six months ended 30 June 2022 (not audited) £'000	Year ended 31 December 2022 (audited) £'000
Declared and paid during the period			
Equity dividend on ordinary shares:			
Final dividend for 2022: 4.72p per share (2021: 0.96p per share)	6,011	1,223	1,223
Interim dividend for 2022: 2.92p per share (2021: nil)	-	-	3,718
	6,011	1,223	4,941
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)	-	-	6,011
Interim dividend for 2023: 2.92p per share (2022: 2.92p per share)	3,719	3,719	-

11 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	Provisional fair value adjustment	Fair value at 31 December 2022	Final fair value adjustment	Fair value at 30 June 2023
	£'000	£'000	£'000	£'000	£'000
Intangible assets	713	1,761	2,474	-	2,474
Property, plant & equipment	11,054	6,474	17,528	-	17,528
Inventory	24,499	1,034	25,533	(398)	25,135
Trade & other receivables	17,837	-	17,837	(952)	16,885
Trade & other payables	(28,403)	-	(28,403)	-	(28,403)
Deferred taxation	1,853	(1,538)	315	-	315
Current taxation	(49)	-	(49)	-	(49)
Cash & cash equivalents	3,490	-	3,490	-	3,490
Provisions	(3,580)	-	(3,580)	(131)	(3,711)
Pension liabilities	(1,033)	-	(1,033)	-	(1,033)
Loans & other borrowings	(11,360)	-	(11,360)	-	(11,360)
Total identifiable net assets	15,021	7,731	22,752	(1,481)	21,271
Goodwill on the business combination			1,222		2,703
Discharged by:					
Cash consideration			23,974		23,974

During the period ending 30 June 2023, the provisional fair values of the identifiable net assets were revisited with the fair value reduced by £1,481,000 which increased the goodwill value to £2,703,000. Goodwill of £2,703,000 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 in both the provisional and final fair values. 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 six months ended 30 June 2023 were £81,000 (31 December 2022: £251,000) and have been expensed.

DL Radiators generated revenue of £31,541,000 and a 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.

12 Financial liabilities

a) Financial liabilities - other - not interest bearing

	30 June 2023 (unaudited) £'000	31 December 2022 (audited) £'000
Liabilities		
Financial instruments at fair value through profit or loss		
Derivatives not designated as hedges - foreign exchange forward contracts	419	-
Total instruments at fair value through profit or loss	419	-
Current	419	-
Non-current	-	-

Financial instruments through profit or loss reflect the positive change in fair value of those foreign exchange forward contracts that are not designated in hedge relationships, but are, nevertheless, intended to reduce the level of foreign currency risk for expected sales and purchases.

b) Financial liabilities - interest-bearing loans and borrowings

	Effective interest rate %	Maturity	30 June 2023 (not audited) £'000	31 December 2022 (audited) £'000
Current interest-bearing loans and borrowings				
Lease liabilities			1,458	1,520
			1,458	1,520
Non-current interest-bearing loans and borrowings				
Lease liabilities			9,027	8,516

Lease liabilities			30 June 2023	31 December 2022
Revolving credit facility - GBP	SONIA + 2.25%	9 Nov 2024	56,350	55,250
Revolving credit facility - Euro	Euribor + 2.25%	9 Nov 2024	10,298	10,647
Term loan	Euribor + 2.25%	9 Nov 2024	24,325	25,150
Unamortised loan costs			(768)	(1,050)
			<u>99,242</u>	<u>98,513</u>
Total interest-bearing loans and borrowings			<u>100,700</u>	<u>100,033</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.

13 Contingent liabilities

Termo Teknik Ticaret ve Sanayi A.S. has issued letters of guarantee and letters of credit to its steel suppliers amounting to \$21,669,000 (31 December 2022: \$22,685,000) and \$9,791,000 (31 December 2022: \$11,175,000) respectively. Termo Teknik Ticaret ve Sanayi A.S. has also issued letters of guarantee denominated in Turkish Lira totalling TL14,970,000 (31 December 2022: TL13,220,000).

As part of the £100 million revolving credit facility, entered into in November 2021, and continuing following the amendment to the facility agreement outlined in note 12, 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.

14 Pensions and other post-employment plans

	30 June 2023 (not audited) £'000	31 December 2022 (audited) £'000
Net employee defined benefit liability		
Turkish scheme	3,101	3,546
Italian scheme	886	944
Other retirement obligations - non-IAS 19	47	52
	<u>4,034</u>	<u>4,542</u>

Turkish scheme

In Turkey there is an obligation to provide lump sum termination payments to certain employees; this represents 30 days' pay (subject to a cap imposed by the Turkish Government) for each year of service. The IAS 19 valuation gives a liability of £3,101,000 (31 December 2022: £3,546,000). There are no assets held in this plan (31 December 2022: nil).

Italian scheme

The Italian pension scheme, the Trattamento di Fine Rapporto, is a deferred compensation scheme established by Italian law. Employers are required to provide a benefit to employees when, for any reason, their employment is terminated. The IAS 19 valuation gives a net liability of £886,000 (31 December 2022: £944,000).

UK scheme

The UK has one defined contribution pension scheme.

There were no outstanding contributions (31 December 2022: £nil) due to the scheme at the balance sheet date.

Other overseas retirement obligations

The Group operates a number of defined contribution pension schemes in its overseas entities and also has certain other retirement obligations.

IAS 19 accounting - Turkish and Italian schemes

Amounts recognised in the balance sheet

	Italian scheme 30 June 2023 (not audited) £'000	Turkish scheme 30 June 2023 (not audited) £'000	Italian scheme 31 December 2022 (audited) £'000	Turkish scheme 31 December 2022 (audited) £'000
Defined benefit obligation	886	3,101	944	3,546
Net pension liability	<u>886</u>	<u>3,101</u>	<u>944</u>	<u>3,546</u>

Principal actuarial assumptions

	Italian scheme 30 June 2023 (not audited)	Turkish scheme 30 June 2023 (not audited)	Italian scheme 31 December 2022 (audited)	Turkish scheme 31 December 2022 (audited)
Discount rate (per annum)	3.70%	10.60%	3.70%	10.60%
Future salary increases (per annum)	n/a	10.10%	n/a	10.10%

Quantitative sensitivity analysis

	30 June 2023 (not audited)		30 June 2023 (not audited)	
	Discount rate (per annum)		Future salary increases (per annum)	
	+1%	-1%	+1%	-1%
	£'000	£'000	£'000	£'000
(Decrease)/increase in defined benefit obligation - Turkish scheme	(203)	239	238	(205)

The sensitivity analysis above has been determined based on a method that extrapolates the impact on the net defined benefit obligation as a result of reasonable changes in key assumptions at the end of the reporting period.

15 Related party disclosures

There are no related party transactions or changes since the last year end that could have a material effect on the Group's financial position or performance for the period.

16 IAS 29 Financial reporting in hyperinflationary economies

The Turkish economy was designated as hyperinflationary from 1 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.

IAS 29 was applied to the results of the Group's Turkish subsidiary in the six months ended 30 June 2022 and the year ended 31 December 2022. On 1 January 2023, the functional currency of the Turkish business was changed from Turkish Lira to Euros and, as a result, IAS 29 is no longer being applied after this date.

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)	<u>66,141</u>

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	<u>8,327</u>

Statement of changes in equity the six months ended 30 June 2022

The impact of the restatement of the opening reserves of entities whose functional currency is the Turkish Lira was £17,072k, 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.

Six months ended
30 June 2022

	(not audited) £'000
Retained earnings credit	<u>17,072</u>

Monetary losses - net for the six months ended 30 June 2022

The monetary loss for the six months ended 30 June 2022 is made up as follows:

	Six months ended 30 June 2022 (not audited) £'000
Retained earnings	(17,072)
Property, plant and equipment	7,982
Inventories	497
Prepayments	31
Income statement	3,142
Monetary losses - net	<u>(5,420)</u>

[1] Average analyst adjusted operating profit consensus is currently £28.5 million.

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