



Stelrad Group plc - interim results for the six months ended 30 June 2024

Strong performance; on target for full year outlook

Stelrad Group plc ("Stelrad" or "the Group" or "the Company", LSE: SRAD), a leading specialist manufacturer and distributor of radiators in the UK, Europe and Turkey, today announces its unaudited interim results for the six months ended 30 June 2024.

Results summary

	Six months ended 30 June 2024	Six months ended 30 June 2023	Movement %
Revenue, £m	143.1	157.0	(8.9)
Operating profit, £m	15.6	13.8	13.5
Operating profit margin, %	10.9	8.8	2.1 ppts
Profit for the period, £m	8.0	8.0	0.5
Earnings per share, pence	6.30	6.27	0.5
Adjusted operating profit, £m ⁽¹⁾	15.7	14.0	12.8
Adjusted operating profit margin, % ⁽¹⁾	11.0	8.9	2.1 ppts
Adjusted profit for the period, £m ⁽¹⁾	8.1	8.1	(0.3)
Adjusted earnings per share, pence ⁽¹⁾	6.34	6.36	(0.3)
Free cash flow, £m ⁽¹⁾	1.3	3.4	(58.8)
Return on capital employed, %	26.4	23.9	2.5 ppts
Net debt before lease liabilities, £m	64.6	70.4	(8.2)
Dividend per share, pence	2.98	2.92	2.0

(1) The Group uses some alternative performance measures to track and assess the underlying performance of the business. Alternative performance measures are defined in the glossary of terms and reconciled to the appropriate financial statements line item at the end of this announcement.

Financial and operational highlights

- Revenue was down 8.9%, as anticipated, to £143.1 million due to the continuation of a challenging macroeconomic environment.
 - UK & Ireland: revenue was only down 1.5% supported by strong product mix despite reduced volume.
 - Europe: revenue was down 12.6% primarily due to depressed levels of repair, maintenance and improvement ("RMI") activity.
 - Turkey & International: revenue was down 30.6%, to £7.2 million, due to low economic activity in Turkey.
- Market share increased by 1.6% to 20.8%^[1].
- On Time In Full (OTIF) delivery of 98% in the UK & Ireland building trust in our supply chain to customers.
- 16% rise in contribution per radiator to over £20, driven by operational flexibility, new designs and cost management.
- Operating profit rose to £15.6 million, an increase of £1.8 million (13.5%), benefitting from ongoing operational discipline and margin management. Adjusted operating profit rose to £15.7 million with an adjusted operating profit margin of 11.0%, up from 8.9% in 2023.
- Positive free cash flow, despite seasonal high point and selective investments in working capital in advance of an expected market recovery.
- Return on capital employed increased by 2.5 ppts to 26.4% due to improved operating performance and lower Euro asset values.
- Leverage at 30 June 2024 was 1.49x (December 2023: 1.47x), based on net debt before lease liabilities.
- Interim dividend of 2.98p pence per share (2023 interim dividend: 2.92p), to be paid on 25 October 2024, an increase of 2%, reflecting the strength of the Group's balance sheet and the Board's confidence in the Group's future growth prospects and increasing cash generation.
- Outlook for FY24 unchanged.

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

"Despite continued macroeconomic challenges across Stelrad's geographies, the Group has delivered a strong performance in a volume environment that remains subdued, with inflation and high interest rates continuing to suppress both RMI and new build markets.

"Stelrad's performance during the period, particularly in terms of market share growth and growth in contribution per radiator, combined with cost base reduction and ongoing margin optimisation actions, demonstrates the strength of our business model, and further underpins the Board's confidence in the outlook for the full year.

"Stelrad remains well positioned for a sustained period of profitable growth as markets recover across our core geographies, with the Group well placed to benefit from strong underlying replacement demand across Europe and the long-term regulatory tailwinds for decarbonised, energy-efficient heating systems."

Analyst Conference Call

Trevor Harvey (CEO) and Leigh Wilcox (Interim CFO) will host an analyst presentation at 9am today, 12 August 2024, to talk through the Group's operational and financial performance.

The presentation will be broadcast live at https://brmedia.news/SRAD_HY24

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Notes to Editors

Stelrad Group plc is Europe's 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.

The Group has five core brands: Stelrad, Henrad, Termo Teknik, DL Radiators and Hudevad. In the data reported by BRG Building Solutions for 2022, Stelrad moved into a market leadership position, with 18.8% share by volume of the combined UK, European and Turkish steel panel radiator market. The Group was market leader in seven countries - the UK, Ireland, France, the Netherlands, Belgium, Denmark and Greece - with a top 3 position in a further nine territories. In the 20 countries for which 2023 steel panel radiator share data is now available (which represented 95% of the European market in 2022), Stelrad's market share has increased by 1.6 percentage points to 20.8%.

Stelrad is headquartered in Newcastle upon Tyne in the UK and in 2023 employed 1,400+ 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 continued macroeconomic challenges across our geographies, the Group has delivered a strong performance in a volume environment that remains subdued, with inflation and high interest rates continuing to suppress both RMI and new build markets.

As anticipated, revenues declined 8.9% to £143.1 million (2023: £157.0 million) against volume declines of 8% which by geographical segment were split: UK & Ireland (7.2% decline), Europe (5.1% decline) and Turkey & International (26.3% decline).

The Group's cost reduction initiatives, combined with favourable product mix and steel pricing in the UK, drove a significant increase in contribution per radiator, which increased by 16.0% in the period to over £20 for the first time, building on six consecutive year on year increases. As a result of these factors, operating profit increased to £15.6 million during the period, a 13.5% increase relative to 2023. Adjusted operating profit increased to £15.7 million during the period, a 12.8% increase relative to 2023.

Stelrad's performance during the period, particularly in terms of market share growth and growth in contribution per radiator, combined with cost base reduction and ongoing margin optimisation actions, further underpin the Board's confidence in the outlook for the full year and beyond.

Strong operating performance driven by share gains and geographic diversification

In the first six months of 2024, despite a volume environment that remains subdued, the Group's geographic diversification remained a key driver, with product mix benefits in the UK & Ireland helping to more than offset challenging trading environments in Europe and Turkey. Crucially, the Group's financial performance at the EBITDA and adjusted operating profit level remained strong, particularly in the UK & Ireland, driven by the cost reduction activities initiated in the second half of 2023 alongside ongoing margin management activity, including the transfer of further manufacturing volume to Turkey.

Relative to its competitors, Stelrad's strong UK share position has been advantageous, with UK & Ireland revenue only declining marginally and adjusted operating profit improving.

Revenue in the UK & Ireland decreased by 1.5% to £69.1 million, while adjusted operating profit increased significantly by 31.5% to £15.1 million, driven by the Group's margin management initiatives alongside a more favourable product mix as a result of Part L regulatory changes and management actions to drive adoption.

In Europe, revenue decreased by 12.6% to £66.8 million, with adjusted operating profit declining 23.5% to £3.7 million, primarily due to the decreased sales volumes in addition to adverse country and customer mix in our principal European markets. Radiators SpA operates predominantly within the European segment with a strong presence in the German and French markets, which have both experienced significant volume declines since mid-2022. While the continuation of challenging market conditions has meant that the financial performance of Radiators SpA has remained below expectations, at the point of acquisition, the strategic value of Radiators SpA within the Group is compelling and profitability is expected to improve with recovery in its key end markets, enhanced product mix and margin management.

In Stelrad's Turkey & International markets, while revenue reduced by 30.6% to £7.2 million, adjusted operating profit increased 35.0% to £0.9 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 Group's strong positioning across the UK and Europe has contributed to a significant increase in our market share across key territories. In the 20 European countries for which 2023 steel panel radiator share data is available, Stelrad's market share

increased by 1.6% to 20.8%.

Mainly due to the UK's stronger performance relative to Europe, the Group's product mix of higher added-value premium steel panel and other designer radiators fell marginally to 13.2% (2023: 14.3%). However, Stelrad remains well positioned to benefit from expected long-term growth in these products and has delivered progress in the UK & Ireland, the Group's largest segment.

The Group's expanded product portfolio, including electrical, K3, vertical and 900mm high radiators, which are all aligned with decarbonisation priorities, contributed to the strong performance in the UK, with a 7% increase in the average radiator size in this region driven by the implementation of revised Part L building regulations.

Environmental, social and governance ("ESG") objectives

Sustainability is central to our core purpose, and significant progress in this area has been made since we developed our Fit for the Future sustainability framework. This framework 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.

In 2024, our focus has been on further developing our metrics and targets, building on the sustainability targets first published in 2023, and on addressing our most material sustainability areas, including health and safety, packaging and developing products suitable for all customers as we transition to a lower carbon heating industry. This includes the successful launch of a low-carbon range of radiators.

Interim dividend

The Board has declared an interim dividend of 2.98 pence per share, an increase of 2%. The interim dividend will be paid on 25 October 2024 to shareholders on the register on 11 October 2024. This increase reflects the strength of the Group's balance sheet and the Board's confidence in the Group's future growth prospects and increasing cash generation.

Outlook

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

While challenging economic conditions across the Group's key territories have begun to show indicators of easing, interest rates remain elevated, which continues to subdue both RMI and new build markets for now.

There have been some early indicators of a recovery in the volumes in some of the Group's European territories, with recent volume increases in Belgium, the Netherlands, Poland and Sweden.

As evidenced by the Group's performance, particularly in the contribution per radiator, Stelrad's proactive margin management and cost reduction activities have positioned the Group well to continue to deliver in a persistently challenging market. Given the early economic and trading indicators of a potential recovery in volumes, the Group has made some selective investments in working capital in advance of an expected market recovery to ensure continuation of our high standards of customer service.

The flexibility and resilience of Stelrad's business model, along with experience of navigating prior market downturns, continue to underpin confidence in the Group's ability to capitalise on a market recovery. This confidence has been further reinforced by the Group's market share growth and increase in contribution per radiator during the period.

These factors, combined with the improvements made in the Group's cost base and margin management, position Stelrad well to benefit from strong underlying replacement demand across Europe and regulatory tailwinds for decarbonised, energy-efficient heating systems, underpinning our confidence in driving continued long term shareholder value.

Trevor Harvey
Chief Executive Officer
12 August 2024

FINANCE AND BUSINESS REVIEW

Group overview

The following table summarises the Group's results from operations for the six months ended 30 June 2024 and 30 June 2023.

	Six months ended 30 June 2024	Six months ended 30 June 2023	Movement	Movement
	£m	£m	£m	%
Revenue	143.1	157.0	(13.9)	(8.9)
EBITDA ⁽¹⁾	21.7	19.7	2.0	9.9
Adjusted operating profit ⁽¹⁾	15.7	14.0	1.7	12.8
Exceptional items	-	(0.1)	0.1	100.0
Amortisation of customer relationships	(0.1)	(0.1)	-	2.8
Operating profit	15.6	13.8	1.8	13.5
Net finance costs	(3.9)	(3.5)	(0.4)	(11.5)
Profit before tax	11.7	10.3	1.4	14.2
Income tax expense	(3.7)	(2.3)	(1.4)	(62.7)
Profit for the period	8.0	8.0	-	0.5
Earnings per share (p)	6.30	6.27	0.03	0.5
Adjusted profit for the period ⁽¹⁾	8.1	8.1	-	(0.3)
Adjusted earnings per share (p) ⁽¹⁾	6.34	6.36	(0.02)	(0.3)
Dividend per share (p)	2.98	2.92	0.06	2.0

(1) The Group uses some alternative performance measures to track and assess the underlying performance of the business. Alternative performance measures are defined in the glossary of terms and reconciled to the appropriate financial statements line item at the end of this announcement.

Financial overview

A strong operating performance driven by ongoing operational control and margin management allowed the Group to more than offset the impact of a continued reduction in demand during the first half of 2024. In a trend consistent with 2023, 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.

Revenue for the six months ended 30 June 2024 was £143.1 million, a decrease of £13.9 million, or 8.9%, on the six months ended 30 June 2023 (2023: £157.0 million). The decline in revenue was mainly due to a 8.0% decline in sales volumes during the period.

Operating profit for the period was £15.6 million, an increase of £1.8 million, or 13.5%, compared to the prior year (2023: £13.8 million). The increase in operating profit arose despite the 8.0% decrease in sales volumes. Operating profit grew due to the benefits of cost base management initiatives, favourable material price and strong product mix in UK & Ireland, partially offset by lower sales volumes, continued wage inflation and increased depreciation. Cost management initiatives include the transfer

of further volume to Turkey and the optimisation of our facilities in the UK and the Netherlands.

Adjusted operating profit for the period was £15.7 million, an increase of £1.7 million, or 12.8%, compared to the same period last year (2023: £14.0 million). Adjusted operating profit is stated before the deduction of exceptional items of £nil (2023: £0.1 million) and the amortisation of customer relationships of £0.1 million (2023: £0.1 million).

Supported by ongoing operational control and margin management, the contribution per radiator has increased by 16.0% in the period to over £20 for the first time. The strong contribution per radiator positions the Group well for future growth in market demand. The Group continues to push the sale of premium products throughout its markets, recognising the additional margin that these products generate. Year on year the proportion of premium panel sales to total volumes fell by 0.1ppts to 5.7%, mainly due to a large decline in sales to Germany where the penetration of these products is high. Positively, the penetration of premium panel products into the UK & Ireland increased in the period from 2.8% to 3.1% as a result of targeted management action in the Group's largest segment, with additional work being undertaken to drive this growth further.

Profit for the period remained at £8.0 million (2023: £8.0 million). Adjusted profit for the period remained at £8.1 million (2023: £8.1 million). For both profit after tax measures, the increase in operating profit was offset by increased interest charges and a return to a more normal effective tax rate after a one off credit in 2023, as previously disclosed at the full year 2023 results. Earnings per share was 6.30 pence (2023: 6.27 pence). Adjusted earnings per share was 6.34 pence (2023: 6.36 pence).

At 30 June 2024 the Group had cash of £19.4 million (December 2023: £21.4 million) and undrawn available facilities of £16.0 million (December 2023: £18.7 million), with net debt before lease liabilities of £64.6 million (December 2023: £60.4 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.

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 2024	Six months ended 30 June 2023	Movement	Movement
	£m	£m	£m	%
UK & Ireland	69.1	70.1	(1.0)	(1.5)
Europe	66.8	76.5	(9.7)	(12.6)
Turkey & International	7.2	10.4	(3.2)	(30.6)
Total	143.1	157.0	(13.9)	(8.9)

UK & Ireland

The Group's revenue in the UK & Ireland for the period was £69.1 million (2023: £70.1 million), a decrease of £1.0 million, or 1.5%. This was principally a result of a decrease in sales volumes of 7.2%, partially offset by a continued increase in the average size of radiators sold, with a 7% year on year higher output, and an increase in the penetration of premium panel products both of which improve the average selling price per unit.

Europe

The Group's revenue in Europe for the period was £66.8 million (2023: £76.5 million), a decrease of £9.7 million, or 12.6%, a result of a 5.1% decrease in sales volumes, in addition to adverse country and customer mix and the impact of modest price concessions. European revenue has also been negatively impacted on consolidation by the GBP strengthening against the Euro. Encouragingly, we note certain key geographies in Europe have shown a year on year increase in volumes, including Belgium, the Netherlands, Poland and Sweden.

Turkey & International

The Group's revenue in Turkey & International for the period was £7.2 million (2023: £10.4 million), a decrease of £3.2 million, or 30.6%. This was principally a result of lower volumes to Turkey due to the economic slowdown and also lower sales 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 2024	Six months ended 30 June 2023	Movement	Movement
	£m	£m	£m	%
UK & Ireland	15.1	11.5	3.6	31.5
Europe	3.7	4.9	(1.2)	(23.5)
Turkey & International	0.9	0.7	0.2	35.0
Central costs	(4.0)	(3.1)	(0.9)	(29.0)
Total	15.7	14.0	1.7	12.8

UK & Ireland

The Group's adjusted operating profit in the UK & Ireland for the period was £15.1 million (2023: £11.5 million), an increase of £3.6 million, or 31.5%. The result includes the benefit of the 2023 restructure, favourable material prices, the increase in the average size of radiators and stronger premium panel penetration. These factors have combined to more than offset the lower sales volumes and the impact of ongoing inflation.

Europe

The Group's adjusted operating profit in Europe for the period was £3.7 million (2023: £4.9 million), a decrease of £1.2 million, or 23.5%. Sales volumes have continued to fall due to a weak macroeconomic environment. Additionally, adverse country and customer mix has led to a reduction in the average contribution per radiator. A high fixed cost base in Europe, combined with the sales volume decrease, has led to a reduction in operating margin percentage. The Group continues to focus on improving the margins of Radiators SpA's sales, and whilst initiatives to drive efficiencies have to date been offset by lower volumes, we expect margins for Radiators SpA, and the wider Europe segment, to recover in line with market recovery.

Turkey & International

The Group's adjusted operating profit in Turkey & International for the period was £0.9 million (2023: £0.7 million), an increase of £0.2 million, or 35.0%. The increase is due to favourable material prices, which were partially offset by a decline in sales volumes.

Central costs

Central costs for the period were £4.0 million (2023: £3.1 million), an increase of £0.9 million, or 29.0%. The rise is due to additional LTIP charges following further awards being made in the year, an increase in the accrued charge for management bonuses and consultancy costs related to the appraisal of premium panel penetration strategies.

Exceptional items

During the period no exceptional costs were incurred (2023: £0.1 million).

Finance costs

Finance costs for the period were £1.1 million (2023: £0.5 million), an increase of £0.6 million, or 120.0%. The increase is due to an increase in interest charges on the Group's debt facilities, which were partially offset by a decrease in interest charges on the Group's cash and debt facilities.

The Group's finance costs for the period were £5.9 million (2023: £5.5 million). The increase of £0.4 million is due to comparatively higher interest rates (blended 6.8%) in the first half of 2024 with no increase in rates expected in the balance of 2024.

Income tax expense

The Group's income tax expense for the period was £3.7 million (2023: £2.3 million), an increase of £1.4 million. The 2023 tax charge benefitted from a deferred tax credit associated with higher tax asset values allowed by the Turkish government due to hyperinflation as previously disclosed at the full year 2023 results.

Earnings per share and adjusted earnings per share

Profit for the period remained at £8.0 million (2023: £8.0m) and basic earnings per share was 6.30 pence (2023: 6.27 pence). The weighted average number of shares was 127.4 million (2023: 127.4 million). Adjusted profit for the period remained at £8.1 million (2023: £8.1 million) and consequently basic adjusted earnings per share was 6.34 pence (2023: 6.36 pence).

Dividends

The Group is committed to delivering returns for its shareholders. The Board has confidence in the Group's financial position and believes that its leading market positions, regulatory tailwinds and favourable contribution per radiator will lead to strong future financial performance. On this basis, despite lower earnings due to short term trading headwinds, the Group intends to pay an interim dividend of 2.98 pence per share on 25 October 2024 to shareholders on the register on 11 October 2024, an increase of 2% on the 2023 interim dividend.

The Group paid its final dividend for 2023 of 4.72 pence per share in May 2024, resulting in a total dividend for 2023 of 7.64 pence per share.

Cash flows

The following table summarises the Group's cash flow for the six months ended 30 June 2024 and 30 June 2023.

	Six months ended 30 June 2024	Six months ended 30 June 2023	Movement
	£m	£m	£m
EBITDA	21.7	19.7	2.0
Exceptional items	-	(0.1)	0.1
Gain on disposal of property, plant and equipment	(0.1)	-	(0.1)
Share-based payment charge	0.3	0.3	-
Working capital	(9.8)	(4.9)	(4.9)
Net capital expenditure	(3.1)	(4.5)	1.4
Cash flow from operations	9.0	10.5	(1.5)
Income tax paid	(4.0)	(4.1)	0.1
Net interest paid	(3.7)	(3.0)	(0.7)
Free cash flow	1.3	3.4	(2.1)

	Six months ended 30 June 2024	Six months ended 30 June 2023	Movement
Cash flow from operations (£m)	9.0	10.5	(1.5)
Adjusted operating profit (£m)	15.7	14.0	1.7
Cash flow from operations conversion (%)	57.7	75.6	

The Group's free cash inflow for the period was £1.3 million (2023: £3.4 million), a decrease of £2.1 million. This reflects a higher than prior year seasonal increase in working capital and higher interest paid, partially offset by an increase in EBITDA and reduced capital expenditure as the Group now returns to a lower level of spend. The Group continues to invest in working capital to ensure that it is well placed to respond to market demand.

The Group's cash inflow from operations for the period was £9.0 million (2023: £10.5 million), a decrease of £1.5 million. Adjusted operating profit for the period was £15.7 million (2023: £14.0 million), an increase of £1.7 million. Cash flow from operations conversion for the period was 57.7% (2023: 75.6%).

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 2024 related to various maintenance and upgrade projects. Capital expenditure for the remainder of 2024 will be in line with expectations.

Net debt and leverage

At 30 June 2024, net debt (including lease liabilities) of £73.4 million (December 2023: £70.3 million) comprises £84.0 million (December 2023: £81.8 million) drawn down against the multicurrency facility and £8.8 million (December 2023: £9.9 million) lease liabilities net of £19.4 million (December 2023: £21.4 million) cash.

	30 June 2024	31 December 2023
	£m	£m
Revolving credit facility - GBP	44.7	46.9
Revolving credit facility - EUR	15.3	10.4
Term loan	24.0	24.5
Cash	(19.4)	(21.4)
Net debt before lease liabilities	64.6	60.4
Lease liabilities	8.8	9.9
Net debt	73.4	70.3

Leverage at 30 June 2024 was 1.49x (31 December 2023: 1.47x; 30 June 2023: 1.76x), based on net debt before lease liabilities.

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 2025 and therefore these condensed consolidated interim financial statements have been prepared on a going concern basis.

Leigh Wilcox

Interim Chief Financial Officer
12 August 2024

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 2023.

For and on behalf of the Board

Trevor Harvey
Chief Executive Officer
12 August 2024

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 2024 of Stelrad Group Plc for the 6 month period ended 30 June 2024 (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 Condensed consolidated interim balance sheet as at 30 June 2024;
- 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 2024 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 2024 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 2024, 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 2024 in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority. In preparing the interim results 2024, 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 2024 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.

Stelrad Group plc

Condensed consolidated interim income statement for the six months ended 30 June 2024

		Six months ended 30 June 2024 (not audited)	Six months ended 30 June 2023 (not audited)	Year ended 31 December 2023 (audited)
	Notes	£'000	£'000	£'000
Continuing operations				
Revenue	5	143,116	157,043	308,193
Cost of sales		(98,987)	(113,711)	(221,343)
Gross profit		44,129	43,332	86,850
Selling and distribution expenses		(19,922)	(21,301)	(42,278)
Administrative expenses (excluding exceptional items)		(9,164)	(8,463)	(16,624)
Exceptional items	5	-	(81)	(2,466)
Administrative expenses		(9,164)	(8,544)	(19,090)
Other operating income/(expenses)	6	624	312	1,199
Operating profit	5	15,667	13,799	26,681
Finance income		113	41	182
Finance costs		(4,057)	(3,579)	(7,681)
Profit before tax		11,723	10,261	19,182
Income tax expense	7	(3,699)	(2,273)	(3,758)
Profit for the period		8,024	7,988	15,424
	Notes			
Earnings per share				
Basic	8	6.30p	6.27p	12.11p
Diluted	8	6.26p	6.27p	12.11p
Adjusted earnings per share				
Basic	8	6.34p	6.36p	13.62p
Diluted	8	6.30p	6.36p	13.62p

Stelrad Group plc

Condensed consolidated interim statement of comprehensive income for the six months ended 30 June 2024

		Six months ended 30 June 2024 (not audited)	Six months ended 30 June 2023 (not audited)	Year ended 31 December 2023 (audited)
	Notes	£'000	£'000	£'000
Profit for the period		8,024	7,988	15,424
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		421	873	674
Income tax effect	7	(105)	(205)	(158)
Exchange differences on translation of foreign operations		(2,226)	(3,351)	(2,250)
Net other comprehensive expense that may be reclassified to profit or loss in subsequent periods		(1,910)	(2,683)	(1,734)
<i>Other comprehensive expense not to be reclassified to profit or loss in subsequent periods:</i>				
Remeasurement losses on defined benefit plans		(907)	(716)	(936)
Income tax effect	7	200	143	206
Net other comprehensive expense not to be reclassified to profit or loss in subsequent periods		(707)	(573)	(730)
Other comprehensive expense for the period, net of tax		(2,617)	(3,256)	(2,464)

Total comprehensive income/(expense) for the period, net of tax attributable to owners of the parent

5,407

4,732

12,960

Stelrad Group plc (Registered Number 13670010)
Condensed consolidated interim balance sheet
as at 30 June 2024

		30 June 2024 (not audited)	30 June 2023 (not audited)	31 December 2023 (audited)
	Notes	£'000	£'000	£'000
Assets				
Non-current assets				
Property, plant and equipment		82,111	88,682	87,247
Intangible assets	14	4,990	5,157	5,251
Trade and other receivables		298	306	301
Deferred tax assets		6,640	4,945	6,685
		<u>94,039</u>	<u>99,090</u>	<u>99,484</u>
Current assets				
Inventories		70,512	68,895	63,376
Trade and other receivables		57,690	59,352	50,674
Income tax receivable		230	518	243
Financial assets	10	83	-	-
Cash and cash equivalents		19,359	20,563	21,442
		<u>147,874</u>	<u>149,328</u>	<u>135,735</u>
Total assets		<u>241,913</u>	<u>248,418</u>	<u>235,219</u>
Equity and liabilities				
Equity				
Share capital		127	127	127
Merger reserve		(114,469)	(114,469)	(114,469)
Retained earnings		234,971	229,553	233,329
Foreign currency reserve		(65,702)	(64,741)	(63,792)
Total equity		<u>54,927</u>	<u>50,470</u>	<u>55,195</u>
Non-current liabilities				
Interest-bearing loans and borrowings	10	89,610	99,242	88,227
Deferred tax liabilities		214	214	218
Provisions		1,925	1,877	1,980
Net employee defined benefit liabilities	12	4,865	4,034	4,053
		<u>96,614</u>	<u>105,367</u>	<u>94,478</u>
Current liabilities				
Trade and other payables		85,963	88,013	78,056
Financial liabilities	10	-	419	318
Interest-bearing loans and borrowings	10	2,295	1,458	2,469
Income tax payable		1,317	2,287	1,686
Provisions		797	404	3,017
		<u>90,372</u>	<u>92,581</u>	<u>85,546</u>
Total liabilities		<u>186,986</u>	<u>197,948</u>	<u>180,024</u>
Total equity and liabilities		<u>241,913</u>	<u>248,418</u>	<u>235,219</u>

The financial statements on pages 16 to 32 were approved by the Board of Directors on 12 August 2024 and signed on its behalf by:

Trevor Harvey
Chief Executive Officer

Stelrad Group plc
Condensed consolidated interim statement of changes in equity
for the six months ended 30 June 2024

	Attributable to the owners of the parent				Total
	Issued share capital £'000	Merger reserve £'000	Retained earnings £'000	Foreign currency £'000	£'000
At 31 December 2022 (audited)	127	(114,469)	227,849	(62,058)	51,449
Profit for the year	-	-	15,424	-	15,424
Other comprehensive expense for the year	-	-	(730)	(1,734)	(2,464)
Total comprehensive income/(expense)	<u>-</u>	<u>-</u>	<u>14,694</u>	<u>(1,734)</u>	<u>12,960</u>
Share-based payment charge	-	-	515	-	515
Dividends paid (note 9)	-	-	(9,729)	-	(9,729)
At 31 December 2023 (audited)	127	(114,469)	233,329	(63,792)	55,195
Profit for the period	-	-	8,024	-	8,024
Other comprehensive expense for the period	-	-	(707)	(1,910)	(2,617)

Total comprehensive income/(expense)	-	-	7,317	(1,910)	5,407
Share-based payment charge	-	-	336	-	336
Dividends paid (note 9)	-	-	(6,011)	-	(6,011)
At 30 June 2024 (not audited)	127	(114,469)	234,971	(65,702)	54,927

Attributable to the owners of the parent

	Issued share capital £'000	Merger reserve £'000	Retained earnings £'000	Foreign currency £'000	Total £'000
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 9)	-	-	(6,011)	-	(6,011)
At 30 June 2023 (not audited)	127	(114,469)	229,553	(64,741)	50,470

Stelrad Group plc

Condensed consolidated interim statement of cash flows

for the six months ended 30 June 2024

	Six months ended 30 June 2024 (not audited) £'000	Six months ended 30 June 2023 (not audited) £'000	Year ended 31 December 2023 (audited) £'000
Operating activities			
Profit before tax	11,723	10,261	19,182
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation of property, plant and equipment	5,777	5,672	11,615
Amortisation of intangible assets	252	184	457
(Gain) / loss on disposal of property, plant and equipment	(83)	(11)	11
Share-based payment charge	336	300	515
Finance income	(113)	(41)	(182)
Finance costs	4,057	3,579	7,681
Working capital adjustments:			
(Increase) / decrease in trade and other receivables	(7,622)	(821)	8,237
(Increase) / decrease in inventories	(8,170)	6,877	12,884
Increase / (decrease) in trade and other payables	8,954	(9,687)	(20,364)
(Decrease) / increase in provisions	(2,195)	(427)	2,214
Movement in other financial instruments	(394)	427	319
Decrease in other pension provisions	-	(5)	(7)
Difference between pension charge and cash contributions	(366)	(1,263)	(1,674)
	12,156	15,045	40,888
Income tax paid	(3,987)	(4,083)	(7,497)
Interest received	113	41	182
Net cash flows from operating activities	8,282	11,003	33,573
Investing activities			
Proceeds from sale of property, plant, equipment and intangible assets	184	72	352
Purchase of property, plant and equipment	(1,858)	(3,329)	(6,586)
Purchase of intangible assets	-	-	(507)
Net cash flows used in investing activities	(1,674)	(3,257)	(6,741)
Financing activities			
Transaction costs related to refinancing	-	-	(500)
Proceeds from external borrowings	5,087	1,100	-
Repayment of external borrowings	(2,200)	-	(8,350)
Payment of lease liabilities	(1,408)	(1,236)	(2,619)
Interest paid	(3,778)	(3,058)	(6,428)
Dividends paid	(6,011)	(6,011)	(9,729)
Net cash flows used in financing activities	(8,310)	(9,205)	(27,626)
Net decrease in cash and cash equivalents	(1,702)	(1,459)	(794)
Net foreign exchange difference	(381)	(619)	(405)
Cash and cash equivalents at start of period	21,442	22,641	22,641
Cash and cash equivalents at end of period	19,359	20,563	21,442

Stelrad Group plc

Notes to the condensed consolidated interim financial statements

for the six months ended 30 June 2024

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 2024 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 2023, 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 2023 Annual Report and Accounts as described on pages 103 to 112 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 2024.

The 2023 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 2024 and the comparative financial statements for the six months ended 30 June 2023 have not been audited. However, the financial statements for the six months ended 30 June 2024 and the six months ended 30 June 2023 have been reviewed by the auditor, PricewaterhouseCoopers LLP. The comparative financial statements for the year ended 31 December 2023 have been extracted from the 2023 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 2023 Annual Report and Accounts. The statutory accounts for the year ended 31 December 2023, which were approved by the Board of Directors on 8 March 2024 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.

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 2026. At the period-end date the Group had drawn down £84.0 million of a £100 million loan facility. The remainder of the facility and significant cash balances of £19.4 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 for the period to 31 December 2025 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 2024, but do not have a material impact on the consolidated financial statements of the Group. These include:

- Classification of Liabilities as Current or Non-current - Amendments to IAS 1
- Lease liability in a Sale and Leaseback - Amendments to IFRS 16
- Non-current liabilities with Covenants - Amendments to IAS 1
- Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7

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)

Lack of exchangeability - Amendments to IAS 21

**Effective date
(period beginning
on or after)**
1 January 2025

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.

The judgements used in the condensed consolidated interim financial statements are detailed in the Group's 2023 Annual Report and Accounts on pages 112 to 114 of that report, which can be found on the Group's website at www.stelradplc.com.

No new judgements have been applied to the condensed consolidated interim financial statements in the six months ended 30 June 2024.

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 in the Group's 2023 Annual Report and Accounts on page 114 of that report. 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.

The estimates and assumptions used in the condensed consolidated interim financial statements are detailed in the Group's 2023 Annual Report and Accounts on page 114 of that report, which can be found on the Group's website at www.stelradplc.com.

No new estimates and assumptions have been applied to the condensed consolidated interim financial statements in the six months ended 30 June 2024.

4 Principal risks

The Board has undertaken a review of the principal risks affecting the Group for the six months ended 30 June 2024. 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 2023 (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 and exceptional items.

Revenue by geographical market	Six months ended 30 June 2024 (not audited) £'000	Six months ended 30 June 2023 (not audited) £'000	Year ended 31 December 2023 (audited) £'000
UK & Ireland	69,052	70,106	139,422
Europe	66,821	76,494	149,063
Turkey & International	7,243	10,443	19,708
Total revenue	143,116	157,043	308,193

The revenue arising in the UK, being the Company's country of domicile, was £66,893,000 (six months ended 30 June 2023: £67,650,000; year ended 31 December 2023: £133,323,000).

Adjusted operating profit by geographical market	Six months ended 30 June 2024 (not audited) £'000	Six months ended 30 June 2023 (not audited) £'000	Year ended 31 December 2023 (audited) £'000
UK & Ireland	15,080	11,470	24,485
Europe	3,769	4,926	9,061
Turkey & International	899	666	1,348
Central costs	(4,012)	(3,111)	(5,606)
Adjusted operating profit	15,736	13,951	29,288
Exceptional items	-	(81)	(2,466)
Amortisation of customer relationships	(69)	(71)	(141)
Operating profit	15,667	13,799	26,681

Non-current operating assets	Six months ended 30 June 2024	Six months ended 30 June 2023	Year ended 31 December 2023
------------------------------	-------------------------------	-------------------------------	-----------------------------

	ended 30 June 2024 (not audited) £'000	ended 30 June 2023 (not audited) £'000	31 December 2023 (audited) £'000
UK	16,597	18,618	17,547
The Netherlands	18,863	21,452	20,581
Italy	25,379	26,675	26,818
Other - Europe	802	1,133	1,052
Turkey	25,460	25,961	26,500
Total	87,101	93,839	92,498

In the year ended 31 December 2023 the exceptional items relate to a £2,908,000 restructuring exercise undertaken in quarter four of the year in order to drive cost savings for future periods, partially offset by exceptional income related to the acquisition of Radiators SpA of £442,000.

All exceptional items have been presented as such because they are one-off in nature and separate disclosure allows the underlying trading performance of the group to be better understood.

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 2023: none; year ended 31 December 2023: none).

6 Other operating income/(expenses)

	Six months ended 30 June 2024 (not audited) £'000	Six months ended 30 June 2023 (not audited) £'000	Year ended 31 December 2023 (audited) £'000
Net gain/(loss) on disposal of property, plant and equipment	83	11	(11)
Foreign currency gains	571	1,060	1,736
Net losses on forward derivative contracts	(220)	(919)	(689)
Sundry other expenses - environmental claim	-	-	(104)
Sundry other income	190	160	267
	624	312	1,199

7 Income tax expense

The major components of income tax expense are as follows:

	Six months ended 30 June 2024 (not audited) £'000	Six months ended 30 June 2023 (not audited) £'000	Year ended 31 December 2023 (audited) £'000
Consolidated income statement			
Current income tax:			
Current income tax charge	3,552	3,932	7,214
Adjustments in respect of current income tax charge of previous period	-	177	10
Deferred tax:			
Relating to origination and reversal of temporary differences	147	(1,664)	(3,466)
Relating to change in tax rates	-	(172)	-
Income tax expense reported in the income statement	3,699	2,273	3,758

	Six months ended 30 June 2024 (not audited) £'000	Six months ended 30 June 2023 (not audited) £'000	Year ended 31 December 2023 (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	(200)	(143)	(206)
Current tax on monetary items forming part of net investment and on hedges of net investment	105	205	158
Income tax expensed to other comprehensive (expense)/income	(95)	62	(48)

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

8 Earnings per share

	Six months ended 30 June 2024 (not audited) £'000	Six months ended 30 June 2023 (not audited) £'000	Year ended 31 December 2023 (audited) £'000
Net profit for the period attributable to owners of the parent	8,024	7,988	15,424
Exceptional	-	81	2,466

items			
Amortisation of customer relationships	69	71	141
Tax on exceptional items	-	(19)	(651)
Tax on amortisation of customer relationships	(19)	(20)	(39)
Adjusted net profit for the period attributable to owners of the parent	8,074	8,101	17,341

	Six months ended 30 June 2024 (not audited)	Six months ended 30 June 2023 (not audited)	Year ended 31 December 2023 (audited)
Basic weighted average number of shares in issue	127,352,555	127,352,555	127,352,555
Effect of dilutive potential ordinary shares	753,370	-	-
Diluted weighted average number of shares in issue	128,105,925	127,352,555	127,352,555
Earnings per share			
Basic earnings per share (pence per share)	6.30	6.27	12.11
Diluted earnings per share (pence per share)	6.26	6.27	12.11
Adjusted earnings per share			
Basic earnings per share (pence per share)	6.34	6.36	13.62
Diluted earnings per share (pence per share)	6.30	6.36	13.62

9 Dividends paid and proposed

	Six months ended 30 June 2024 (not audited) £'000	Six months ended 30 June 2023 (not audited) £'000	Year ended 31 December 2023 (audited) £'000
Declared and paid during the period			
Equity dividend on ordinary shares:			
Final dividend for 2023: 4.72p per share (2022: 4.72p per share)	6,011	6,011	6,011
Interim dividend for 2023: 2.92p per share (2022: 2.92p)	-	-	3,718
	6,011	6,011	9,729

	Six months ended 30 June 2024 (not audited) £'000	Six months ended 30 June 2023 (not audited) £'000	Year ended 31 December 2023 (audited) £'000
Dividend proposed (not recognised as a liability)			
Equity dividend on ordinary shares:			
Final dividend for 2023: 4.72p per share (2022: 4.72p per share)	-	-	6,011
Interim dividend for 2024: 2.98p per share (2023: 2.92p per share)	3,795	3,719	-

10 Financial instruments

a) Financial instruments - other - not interest bearing

	30 June 2024 (unaudited) £'000	31 December 2023 (audited) £'000
Financial assets		
Financial instruments at fair value through profit or loss		
Derivatives not designated as hedges - foreign exchange forward contracts	83	-
Total instruments at fair value through profit or loss	83	-
Current	83	-
Non-current	-	-
	30 June 2024 (unaudited) £'000	31 December 2023 (audited) £'000
Financial liabilities		
Financial instruments at fair value through profit or loss		
Derivatives not designated as hedges - foreign exchange forward contracts	-	318
Total instruments at fair value through profit or loss	-	318
Current	-	318
Non-current	-	-

Financial instruments through profit or loss reflect the 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 instruments - interest-bearing loans and borrowings

Effective interest rate	Maturity	30 June 2024 (not audited) £'000	31 December 2023 (audited) £'000
a/			

	7%	£'000	£'000
Current interest-bearing loans and borrowings			
Lease liabilities		2,295	2,469
		<u>2,295</u>	<u>2,469</u>
Non-current interest-bearing loans and borrowings			
Lease liabilities		6,473	7,402
Revolving credit facility - GBP	SONIA + 2.25%	44,700	46,900
Revolving credit facility - Euro	Euribor + 2.25%	15,261	10,399
Term loan	Euribor + 2.25%	24,032	24,563
Unamortised loan costs		(856)	(1,037)
		<u>89,610</u>	<u>88,227</u>
Total interest-bearing loans and borrowings		<u>91,905</u>	<u>90,696</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.

During the year ended 31 December 2023, the £76.027 million revolving credit facility and the €28.346 million term loan facility were extended by two years to 9 November 2026 by exercising the two-year extension option included in the facility agreement.

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

c) Changes in liabilities arising from financing activities

	1 January 2024 (audited) £'000	Cash flows £'000	Non-cash changes £'000	30 June 2024 (unaudited)
Revolving credit facility - GBP	46,900	(2,200)	-	44,700
Revolving credit facility - Euro	10,399	5,087	(225)	15,261
Term loan	24,563	-	(531)	24,032
Lease liabilities	9,871	(906)	(197)	8,768
Cash and cash equivalents	(21,442)	1,702	381	(19,359)
Net liabilities arising from financing activities	70,291	3,683	(572)	73,402

11 Contingent liabilities

Termo Teknik Ticaret ve Sanayi A.S. has issued letters of guarantee and letters of credit to its steel suppliers amounting to \$22,456,000 (31 December 2023: \$18,309,000) and \$11,487,000 (31 December 2023: \$10,204,000) respectively. Termo Teknik Ticaret ve Sanayi A.S. has also issued letters of guarantee denominated in Turkish Lira totalling TL24,383,000 (31 December 2023: TL14,876,000).

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 30 June 2024 is £17,390,000 (31 December 2023: £12,197,000) on purchases and £18,100,000 (31 December 2023: £20,750,000) on sales.

The fair value of the unsettled forward contracts held at the balance sheet date, determined by reference to their market values, is an asset of £83,000 (31 December 2023: liability of £318,000).

As part of the £100 million loan facility, entered into in November 2021, and amended 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.

12 Pensions and other post-employment plans

	30 June 2024 (not audited) £'000	31 December 2023 (audited) £'000
Net employee defined benefit liability		
Turkish scheme	4,165	3,148
Italian scheme	655	860
Other retirement obligations	45	45
	<u>4,865</u>	<u>4,053</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

£4,165,000 (31 December 2023: £3,148,000). There are no assets held in this plan (31 December 2023: 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 £655,000 (31 December 2023: £860,000).

UK scheme

The UK has one defined contribution pension scheme.

There were no outstanding contributions (31 December 2023: £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

Principal actuarial assumptions

	Italian scheme 30 June 2024 (not audited)	Turkish scheme 30 June 2024 (not audited)	Italian scheme 31 December 2023 (audited)	Turkish scheme 31 December 2023 (audited)
Discount rate (per annum)	3.2%	27.5%	3.2%	25.0%
Future salary increases (per annum)	n/a	24.0%	n/a	22.0%

Quantitative sensitivity analysis

	30 June 2024 (not audited)		30 June 2024 (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	(218)	242	232	(210)

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.

13 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.

14 Impairment assessment of goodwill

Included within intangible assets of £4,990,000 (31 December 2023: £5,251,000) is goodwill of £2,673,000 (31 December 2023: £2,732,000) and customer relationships of £1,519,000 (31 December 2023: £1,623,000). The goodwill is not amortised. The customer relationships are amortised over their estimated useful lives. Both the goodwill and the customer relationships relate to the acquisition of Radiators SpA.

All of the goodwill recognised is allocated to a single cash-generating unit ("CGU"), being the Radiators SpA division. This represents the lowest level in the Group at which goodwill is monitored for internal management purposes.

Goodwill is not amortised but is subject to annual impairment testing. IAS 36 also requires an entity to assess at the end of each reporting period whether there is an indication that an asset or cash-generating unit ("CGU") may be impaired. An impairment indicator has been identified due to a decline in performance of Radiators SpA compared to budget. Therefore, an impairment review has been carried out at 30 June 2024.

The impairment test carried out at 31 December 2023 was revisited and the assumptions were assessed and updated where necessary. This included a consideration of volume assumptions and an analysis of volumes in comparison to recent trading levels. Potential market recovery has not been factored in.

Impairment tests on the carrying amounts of goodwill are performed by analysing the carrying amount allocated to each CGU against its value in use. Value in use is calculated for each CGU as the net present value of that CGU's discounted future pre-tax cash flows covering a three-year period. These pre-tax cash flows are based on budgeted cash flows information for a period of three years.

Terminal growth rates of 2% have been applied beyond this, based on historical macroeconomic performance and projections of the sector served by the CGUs.

A pre-tax discount rate of 15.2% has been applied in determining the recoverable amounts of CGUs. The pre-tax discount rate is estimated based on the Group's risk adjusted cost of capital. Another key assumption is EBITDA, which is included in the terminal value at a margin of 7.7%.

The Group has applied sensitivities to assess whether any reasonably possible changes in assumptions could cause an impairment that would be material to these consolidated financial statements. Details of the sensitivity analysis are disclosed in relation to Radiators SpA because it is sensitive to changes in assumptions. The base case scenario for Radiators SpA has headroom of £2.6 million. A change in EBITDA margin of 0.7% percentage points, holding all other assumptions constant, would erode the headroom to zero for Radiators SpA. A change in discount rate of 1.0%, holding all other assumptions

constant, would erode the headroom to zero for Radiators SpA. A reasonably possible change to the EBITDA margin of 1.0% would give rise to an impairment of £1.2 million.

When assessing for impairment of goodwill, management has considered the impact of climate change, particularly in the context of the risks and opportunities identified within the Task Force on Climate-related Financial Disclosures Report on pages 36 to 39 of the 2023 Annual Report, and has not identified any material short-term impacts from climate change that would impact the carrying value of goodwill. Over the longer term, the risks and opportunities are more uncertain, and management will continue to assess the quantitative impact of risks at each balance sheet date.

Other sensitivities were considered; details are not provided as there are no other reasonably possible changes that would be material to these consolidated financial statements.

There is no impairment of goodwill at 30 June 2024.

RECONCILIATION OF ALTERNATIVE PERFORMANCE MEASURES AND GLOSSARY OF TERMS

The Group uses some alternative performance measures to monitor and assess the underlying performance of the business. These measures include adjusted operating profit and adjusted profit for the year. These measures are deemed useful as they aid comparability year on year. The use of alternative performance measures compared to statutory IFRS measures does give rise to limitations, including a lack of comparability across companies and the potential for them to present a more favourable view. Further, these measures are not a substitute for IFRS measures of profit. Alternative performance measures are defined in the glossary of terms below. Alternative performance measures are reconciled to the appropriate financial statements line item being disclosed.

Reconciliation of adjusted profit for the period and adjusted earnings per share

	Six months ended 30 June 2024 £'000	Six months ended 30 June 2023 £'000
Profit for the period	8,024	7,988
<i>Adjusted for:</i>		
Exceptional items	-	81
Amortisation of customer relationships	69	71
Tax on exceptional items	-	(19)
Tax on amortisation of customer relationships	(19)	(20)
Adjusted profit for the period	8,074	8,101
Basic weighted average number of shares in issue	127,352,555	127,352,555
Diluted weighted average number of shares in issue	128,105,925	127,352,555
Earnings per share		
Basic earnings per share (pence per share)	6.30	6.27
Diluted earnings per share (pence per share)	6.26	6.27
Adjusted earnings per share		
Basic earnings per share (pence per share)	6.34	6.36
Diluted earnings per share (pence per share)	6.30	6.36

Reconciliation of adjusted operating profit and EBITDA

	Six months ended 30 June 2024 £'000	Six months ended 30 June 2023 £'000
Operating profit	15,667	13,799
<i>Adjusted for:</i>		
Exceptional items	-	81
Amortisation of customer relationships	69	71
Adjusted operating profit	15,736	13,951
<i>Adjusted for:</i>		
Depreciation	5,777	5,672
Amortisation (excluding customer relationships)	183	113
EBITDA	21,696	19,736

Reconciliation of cash flow from operations, adjusted cash flow from operations and free cash flow

	Six months ended 30 June 2024 £'000	Six months ended 30 June 2023 £'000
EBITDA (see reconciliation above)	21,696	19,736
<i>Adjusted for:</i>		
Exceptional items	-	(81)
Loss/(gain) on disposal of property, plant and equipment	(83)	(11)
Share-based payments	336	300
Working capital adjustments	(9,793)	(4,899)
Net capital expenditure	(3,082)	(4,493)
Cash flow from operations	9,074	10,552
Income tax paid	(3,987)	(4,083)
Interest paid - net	(3,665)	(3,017)
Free cash flow	1,422	3,452

Reconciliation of net debt and leverage before leases liabilities

	Six months ended 30 June 2024 £'000	Six months ended 30 June 2023 £'000
Total interest-bearing loans and borrowings	91,905	100,700
Cash and cash equivalents	(19,359)	(20,563)
<i>Adjusted for:</i>		
Unamortised loan costs	856	768
Lease liabilities	(8,768)	(10,495)
Net debt before leases liabilities	64,634	70,410
EBITDA - six months ended 30 June (see reconciliation above)	21,696	19,736
EBITDA - half two prior year	21,567	20,243
EBITDA - LTM	43,263	39,979
Debt leverage ratio before leases liabilities	1.49	1.76

Adjusted cash flow from operations: cash flow from operations before exceptional items and the impact of exceptional items on working capital.

Adjusted EPS: adjusted earnings per share is calculated on adjusted profit for the period divided by the weighted average number of shares in issue.

Adjusted operating profit: operating profit before exceptional items and amortisation of customer relationships.

Adjusted profit for the period: earnings before exceptional items, amortisation of customer relationships and tax thereon.

Business capital employed: the sum of property, plant and equipment, technology and software costs, trade and other receivables, inventories, other current financial assets, provisions, net employee defined benefit liabilities, trade and other payables and other current financial liabilities.

Cash flow from operations: EBITDA, less exceptional items, plus or minus movements in operating working capital, less share-based payment

Cash flow from operations: EBITDA, less exceptional items, plus or minus movements in operating working capital, less share-based payment expense, less net investments in property, plant and equipment, less technology and software costs, less finance lease payments.

Cash flow from operations conversion: calculated by dividing cash flow from operations by adjusted operating profit.

Contribution: revenue from sale of the Group's products less any cost of direct materials, variable distribution costs, variable selling costs, direct labour costs and other variable costs.

EBITDA: profit before interest, taxation, depreciation, amortisation and exceptional items.

Free cash flow: cash flow from operations less tax paid less net interest paid.

Return on capital employed: adjusted operating profit as a percentage of business capital employed.

RMI: repair, maintenance and improvement activities.

[1] BRG Building Solutions, May 2024. In the 20 European countries for which 2023 steel panel radiator share data is available (which represented 95% of the European market in 2022).

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