IMPORTANT: You must read the following disclaimer before continuing. This electronic transmission applies to the attached approved prospectus relating to Stelrad Group PLC (the "**Company**") dated 5 November 2021, and you are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the attached document, accessed from this page or otherwise received as a result of such access. In accessing the attached document, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access. You acknowledge that this electronic transmission and the delivery of the attached document is confidential and intended for you only and you agree you will not forward, reproduce, copy, download or publish this electronic transmission or the attached document whether electronically or otherwise to any other person.

ANY FORWARDING, DISTRIBUTION, REPRODUCTION OR PUBLICATION OF THIS ELECTRONIC TRANSMISSION AND THE ATTACHED DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS NOTICE MAY RESULT IN A VIOLATION OF THE U.S. SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. NOTHING IN THIS ELECTRONIC TRANSMISSION AND THE ATTACHED DOCUMENT CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO.

This electronic transmission and the attached document and the Offer are only addressed to and at (A) persons inside the United Kingdom who are "**qualified investors**" within the meaning of Article 2(e) of the UK Prospectus Regulation (Regulation (EU) No 2017/1129, as amended and as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018), and (i) who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Order**"), or (ii) who are high net worth entities falling within Article 49(2)(a) to (d) of the Order, or (iii) to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000, as amended) in connection with the issue or sale of any securities of the Company or any member of its group may otherwise lawfully be communicated or caused to be communicated (all such persons referred to in (i), (ii) and (iii) together being "**Relevant Persons**") and (B) persons in member states of the European Economic Area who are "**qualified investors**" within the meaning of Article 2(e) of the Prospectus Regulation (Regulation (EU) No 2017/1129, as amended) ("**Qualified Investors**"). Any investment or investment activity to which the attached document relates is available only to (i) in the United Kingdom, Relevant Persons, and (ii) in any member state of the European Economic Area, Qualified Investors, and will be engaged in only with such persons.

No offer or sale of any securities has been, and is not intended to be, registered under the applicable securities laws of the United States, Australia, Canada, Japan, South Africa or any other jurisdiction in violation of the relevant securities laws of such jurisdiction. There will be no public offer of securities in the United States, Australia, Canada, Japan, South Africa or any other jurisdiction in violation of the relevant securities laws of such jurisdiction. This electronic transmission and the attached document is not for publication or distribution, directly or indirectly, in or into the United States (including its territories and possessions or any State of the United States and the District of Columbia). Any securities referred to in the document have not been, and are not intended to be, registered under the US Securities Act of 1933, as amended or under the securities laws of any state or other jurisdiction of the United States, and may not be offered or sold in the United States.

Confirmation of your Representation: This electronic transmission and the attached document is delivered to you on the basis that you are deemed to have represented to Investec Bank plc ("**Investec**"), the Company and the Selling Shareholders (as defined in Part XI, 'Definitions') that you have understood and agree to the terms set out herein, and (i) if you are in the United Kingdom, you are a Relevant Person, and/or a Relevant Person who is acting on behalf of, Relevant Persons in the United Kingdom; (ii) if you are in a member state of the European Economic Area, you are a Qualified Investor and/or a Qualified Investor acting on behalf of Qualified Investors, to the extent you are acting on behalf of persons or entities in the European Economic Area; and (iii) you are an institutional investor that is eligible to receive this document and you consent to delivery of this document by electronic transmission.

You are reminded that you have received this electronic transmission and the attached document on the basis that you are a person into whose possession this electronic transmission and the attached document may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorised to deliver this electronic transmission or the attached document, electronically or otherwise, to any other person.

The attached document has been made available to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently neither the Company, Investec nor any of their respective affiliates, directors, officers, employees, agents or advisers accepts any liability or responsibility whatsoever in respect of any difference between the document distributed to you in electronic format and the hard copy version. A hard copy of the document will be made available to you only upon request.

By accessing the attached document, you consent to receiving it in electronic form. Neither Investec nor any of its affiliates, directors, officers, employees, agents or advisers accepts any responsibility whatsoever for the contents of the attached document or for any statement made or purported to be made by them, or on their behalf, in connection with the Company, the Offer or the Ordinary Shares. To the fullest extent permitted by law, such persons accordingly disclaim all and any liability whether arising in tort, contract or otherwise which they might otherwise have in respect of such document or any such statement. To the fullest extent permitted by law, no representation or warranty express or implied, is made by the Company, the Selling Shareholders or Investec or any of their respective affiliates, directors, officers, employees, agents or advisers as to the accuracy, completeness, reasonableness, verification or sufficiency of the information set out in the attached document.

Investec, which is authorised by the Prudential Regulation Authority ("**PRA**") and regulated in the United Kingdom by the PRA and the FCA, is acting exclusively for the Company and no one else in connection with the Offer. Investec will not regard any other person (whether or not a recipient of the attached document) as their client in relation to the Offer and will not be responsible to anyone other than the Company for providing the protections afforded to their respective clients nor for giving advice in relation to the Offer or any transaction or arrangement referred to in the attached document.

Restriction: Nothing in this electronic transmission constitutes, and this electronic transmission may not be used in connection with, an offer of securities for sale to persons other than the specified categories of institutional buyers described above and to whom it is directed and access has been limited so that it shall not constitute a general solicitation. If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the securities described therein.

You are responsible for protecting against viruses and other destructive items. Your receipt of this document via electronic transmission is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

This document constitutes a prospectus (the "**Prospectus**") for the purposes of Article 3 of Regulation (EU) 2017/1129 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**UK Prospectus Regulation**") relating to Stelrad Group PLC (the "**Company**"), prepared in accordance with the prospectus regulation rules (the "**Prospectus Regulation Rules**") of the Financial Conduct Authority (the "**FCA**") made under section 73A of the Financial Services and Markets Act 2000, as amended ("**FSMA**"). The Prospectus has been approved by the FCA as competent authority under the UK Prospectus Regulation. The FCA only approves the Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the UK Prospectus Regulation. Such approval should not be considered as an endorsement of the Company that is, or the quality of the securities that are, the subject of the Prospectus. Investors should make their own assessment as to the suitability of investing in the ordinary shares in the capital of the Company with a nominal value of £1.00 each (the "**Ordinary Shares**").

Application has been made to the FCA and to London Stock Exchange plc (the "**London Stock Exchange**") respectively for admission of all of the Ordinary Shares: (i) to the premium listing segment ("**Premium Listing**") of the Official List of the FCA (the "**Official List**" and "**Admission to Listing**", respectively); and (ii) to the London Stock Exchange's main market for listed securities ("**Admission to Trading**", and together with Admission to Listing, "**Admission**"). Conditional dealings in the Ordinary Shares are expected to commence on the London Stock Exchange at 8.00 a.m. (London time) on 5 November 2021. It is expected that Admission will become effective, and that unconditional dealings in the Ordinary Shares will commence, on the London Stock Exchange at 8.00 a.m. (London time) on 10 November 2021. **All dealings in the Ordinary Shares before the commencement of unconditional dealings will be of no effect if Admission does not take place and such dealings will be at the sole risk of the parties concerned**. No application has been, or is currently intended to be, made for the Ordinary Shares to be admitted to listing or traded on any other stock exchange.

The Company and the directors of the Company (the "**Directors**"), whose names appear in the section of this document headed "*Directors, Company Secretary, Registered Office and Advisers*", accept responsibility for the information contained in this document. To the best of the knowledge of the Company and the Directors, the information contained in the Prospectus is in accordance with the facts, and the Prospectus makes no omission likely to affect its import.

Investors should read this document in its entirety and, in particular, the section of this document headed "*Risk Factors*", when considering an investment in the Company. Investors should be aware that an investment in the Company involves a high degree of risk and that, if certain of the risks described in this document occur, investors may find their investment materially adversely affected. Accordingly, an investment in the Ordinary Shares is only suitable for investors who are particularly knowledgeable in investment matters, and who are able to bear the loss of the whole of their investment.

Stelrad®

STELRAD GROUP PLC

(Incorporated under the Companies Act 2006 and registered under the laws of England and Wales with registered no. 13670010)

Offer of 44,186,037 Ordinary Shares at an Offer Price of 215 pence per Ordinary Share and admission to the premium listing segment of the Official List and to trading on the main market for listed securities of the London Stock Exchange

Sponsor, Sole Global Co-Ordinator and Sole Bookrunner

Investec Bank plc

ORDINARY SHARE CAPITAL IMMEDIATELY FOLLOWING ADMISSION

Nominal Value	Number
£1.00 each	127,352,555

The Company is offering 11,627,907 new Ordinary Shares (the "**New Shares**") under the Offer to certain institutional, and other, investors, described in *Part IX* "*Details of the Offer*", and the Selling Shareholders (as defined in *Part XI* "*Definitions*") are offering an aggregate of 32,558,130 existing Ordinary Shares (the "**Sale Shares**") under the Offer (the offering of the New Shares and the Sale Shares is referred to herein as the "**Offer**").

The New Shares and the Sale Shares will, following Admission, rank *pari passu* in all respects with the other issued Ordinary Shares and will carry the right to receive all dividends and distributions declared, made or paid on or in respect of the issued Ordinary Shares after Admission.

Reliance on this document

In making any investment decision, each investor must rely on its own examination, analysis and enquiry of the Company and the terms of the Offer, including the merits and risks associated with it. Investors should rely only on the information contained in this document. No person has been authorised to give any information or make any representations other than those contained in this document and, if given or made, such information or representations must not be relied on as having been authorised by the Company, Investec Bank plc ("**Investec**" or the "**Sponsor**"), the Directors and/or any of the Selling Shareholders.

Without prejudice to any legal or regulatory obligation of the Company to publish a supplementary prospectus pursuant to Article 23 of the UK Prospectus Regulation and Rule 3.4 of the Prospectus Regulation Rules, neither the delivery of this document nor any subscription or purchase of Ordinary Shares made pursuant to it shall, under any circumstances, create any implication that there has been no change in the affairs of the Group since the date of this document, or that the information contained herein is correct at any time subsequent to its date.

This document is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Company, the Directors, the Selling Shareholders, the Sponsor or any of their respective representatives or affiliates that any recipient of this document should subscribe for, or purchase, Ordinary Shares in the Offer. Prior to making any decision as to whether to subscribe for or purchase Ordinary Shares in the Offer, investors should read this document. Investors should ensure that they read the whole of this document and not just rely on key information or information summarised within it.

Investors who subscribe for, or purchase, Ordinary Shares in the Offer will be deemed to have acknowledged that: (i) they have not relied on the Sponsor or any person(s) affiliated with either of them in connection with any investigation of the accuracy of any information contained in this document or their investment decision; and (ii) they have relied on the information contained in this document, and no person has been authorised to give any information or to make any representation concerning the Group or the Ordinary Shares (other than as contained in this document) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company, the Directors, the Selling Shareholders or the Sponsor.

None of the Company, the Directors, the Selling Shareholders, the Sponsor or any of their respective representatives or affiliates is making any representation to any offeror, subscriber or purchaser of the Ordinary Shares regarding the legality of an investment by such offeror, subscriber or purchaser. The contents of this document are not to be construed as legal, tax, business and/or financial advice. Each investor should consult with its own advisers as to the legal, tax, business, financial and related aspects of subscribing for or purchasing Ordinary Shares.

Advisers

Investec, which is authorised by the Prudential Regulation Authority ("**PRA**") and regulated in the United Kingdom by the FCA and the PRA, is acting exclusively for the Company and no one else in connection with the Offer and Admission. Investec will not regard any other person(s) (whether or not a recipient of this document) as a client in relation to the Offer and Admission, and will not be responsible to anyone other than the Company for providing the protections afforded to their respective clients or for the giving of advice in relation to the Offer or Admission or any transaction, matter, or arrangement referred to in this document.

Clearwater Corporate Finance LLP (the "**Financial Adviser**"), which is authorised and regulated in the UK by the FCA is acting as financial adviser to the Company and the Selling Shareholders and no one else in connection with the Offer and Admission. The Financial Adviser will not regard any other person(s) (whether or not a recipient of this document) as a client in relation to the Offer and Admission, and will not be responsible to anyone other than the Company for providing the protections afforded to their respective clients or for the giving of advice in relation to the Offer or Admission or any transaction, matter, or arrangement referred to in this document.

Apart from the responsibilities and liabilities, if any, which may be imposed on the Sponsor and the Financial Adviser by FSMA or the regulatory regime established thereunder, none of the Sponsor, the Financial Adviser nor any of their respective representatives or affiliates, accepts any responsibility whatsoever for the contents of this document or its accuracy, completeness or verification or for any other statement made or purported to be made by it, or on its behalf, or by any other person(s) in connection with the Company, the Ordinary Shares, the Offer and/or Admission. The Sponsor, the Financial Adviser and their respective representatives and affiliates each accordingly disclaim all and any liability whether arising in tort, contract or otherwise (save as referred to above) which they might otherwise have in respect of this document and/or any such statement(s). No representation or warranty, express or implied, is made by the Sponsor, the Financial Adviser, or any of their respective representatives or affiliates as to the accuracy, completeness or sufficiency of the information set out in this document.

In connection with the Offer, Investec, the Financial Adviser and/or any of their respective representatives and/or affiliates acting as an investor for its or their own account(s) may subscribe for, or purchase, Ordinary Shares and, in that capacity, may retain, purchase, sell, offer to sell or otherwise deal for its or their own account(s) in such securities, any other securities of the Company or other related investments in connection with the Offer or otherwise. Accordingly, references in this document to the Ordinary Shares being issued, offered, subscribed or otherwise dealt with should be read as including any issue or offer to, or subscription or dealing by, Investec, the Financial Adviser and/or any of their representatives and/or affiliates acting as an investor for its or their own account(s). Investec and the Financial Adviser do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

Investec, the Financial Adviser and any of their respective representatives and affiliates may have engaged in transactions with, and provided various investment banking, financial advisory and/or other services for, the Company and the Selling Shareholders for which they would have received customary fees. The Sponsor, the Financial Adviser and any of their respective representatives and affiliates may provide such services to the Company and/or the Selling Shareholders and/or any of their representatives and/or affiliates in the future. In addition, the Sponsor, the Financial Adviser and/or any of their respective representatives and/or affiliates may enter into financing arrangements (including swaps or contracts for differences) with investors, in connection with which the Sponsor, the Financial Adviser and/or their respective representatives and/or affiliates may from time to time acquire, hold or dispose of Ordinary Shares. The Sponsor and the Financial Adviser do not intend to disclose the extent of any such transactions otherwise than in accordance with any legal or regulatory obligation to do so.

Notice to overseas investors

This Prospectus does not constitute, or form part of, any offer or invitation to sell or issue, or any solicitation of any offer or invitation to purchase or subscribe for, any Ordinary Shares or any other securities in the Company to any person in any jurisdiction to whom or in which jurisdiction such offer or solicitation is unlawful and, in particular, subject to certain exceptions, is not for distribution in the United States, Australia, Canada, Japan or the Republic of South Africa.

The Ordinary Shares have not been, and will not be, registered under the US Securities Act of 1933, as amended (the "**Securities Act**"), or with any securities regulatory authority of any state or other jurisdiction of the United States, and may not be offered, sold, resold, pledged, delivered, distributed or transferred, directly or indirectly, in the United States, except in transactions exempt from, or not subject to, the registration requirements of the Securities Act, and in accordance with applicable securities laws of any state or other jurisdiction of the United States

Neither the US Securities and Exchange Commission, nor any other US federal or state securities commission or regulatory authority in the United States has approved or disapproved the Ordinary Shares or reviewed or passed judgement upon the adequacy or accuracy of this document. Any representation to the contrary is a criminal offence in the United States.

No actions have been taken to allow a public offering of the Ordinary Shares under the applicable securities laws of any jurisdiction, including the United States, Australia, Canada, Japan or the Republic of South Africa. The Ordinary Shares have not been and will not be registered under the applicable securities laws of the United States, Australia, Canada, Japan, the Republic of South Africa or any other jurisdictions. Subject to certain exceptions, the Ordinary Shares may not be offered or sold in any jurisdiction, or to or for the account or benefit of any national, resident or citizen of any jurisdiction, including Australia, the Republic of South Africa, Canada or Japan. This document does not constitute an offer of, or the solicitation of an offer to subscribe for or purchase, any Ordinary Shares to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation in such jurisdiction.

The distribution of this document and the offer and sale of the Ordinary Shares in certain jurisdictions may be restricted by law. No action has been or will be taken by the Company, the Selling Shareholders and/or the Sponsor to permit a public offering of the Ordinary Shares under the applicable securities laws of any jurisdiction. Other than in the United Kingdom, no action has been taken or will be taken to permit the possession or distribution of this document (or any other offering or publicity materials relating to the Ordinary Shares) in any jurisdiction where action for that purpose may be required, or where doing so is restricted by law. Accordingly, neither this document, nor any advertisement, nor any other offering material may be distributed or published in any jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of the securities laws of any such jurisdiction.

Notice in connection with member states of the European Economic Area ("Relevant States")

This document has been prepared on the basis that all offers of Ordinary Shares will be made pursuant to an exemption under the EU Prospectus Regulation, from the requirement to produce a prospectus for offers to the public of transferable securities. Accordingly, any person making or intending to make any offer within the Relevant States of Ordinary Shares should only do so in circumstances in which no obligation arises for the Company or Investec to produce a prospectus for such offer. Neither the Company nor Investec nor any of their affiliates have authorised, nor do they authorise, the making of any offer of Ordinary Shares through any financial intermediary, other than offers made by Investec which constitute the final placement of Ordinary Shares contemplated in this document.

Notice in connection with the United Kingdom

This document has been prepared on the basis that all offers of Ordinary Shares will be made pursuant to an exemption under the UK Prospectus Regulation from the requirement to produce a prospectus for offers to the public of transferable securities. Accordingly, any person making or intending to make any offer within the United Kingdom of Ordinary Shares should only do so in circumstances in which no obligation arises for the Company or Investec to produce a prospectus for such offer. Neither the Company nor Investec nor any of their affiliates have authorised, nor do they authorise, the making of any offer of Ordinary Shares through any financial intermediary, other than offers made by Investec which constitute the final placement of Ordinary Shares contemplated in this document.

No incorporation of website information

Except for this document, the New Articles of Association, PwC's accountants' report set out in *Section A* "*Accountants' Report on the Historical Financial Information*" of *Part VII* "*Historical Financial Information*" and the consent letter referred to in paragraph 27 "*General and Documents Available for Inspection*" of *Part X* "*Additional Information*", the contents and information on the Company's website (www.stelradplc.com) does not constitute a part of this document.

Information to Distributors

Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments, as amended or that directive as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018, as applicable ("**MiFID II**"); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II or that directive as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018, as applicable; and (c) local implementing measures (together, the "**MiFID II Product Governance Requirements**"), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the Ordinary Shares (as defined below) have been subject to a product approval process, which has determined that the Ordinary Shares are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the "**Target Market Assessment**"). Notwithstanding the Target Market Assessment, "distributors" (for the purposes of the MiFID II Product Governance Requirements) should note that: the price of the Ordinary Shares may decline and investors could lose all or part of their investment; the Ordinary Shares offer no guaranteed income and no capital protection; and an investment in the Ordinary Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Offer. Furthermore, it is noted that, notwithstanding the Target Market Assessment, Investec will only procure investors who meet the criteria of professional clients and eligible counterparties.

For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to, the Ordinary Shares.

Each distributor is responsible for undertaking its own Target Market Assessment in respect of the Ordinary Shares and determining appropriate distribution channels.

Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Ordinary Shares has led to the conclusion that: (i) the target market for the Ordinary Shares is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook, and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**UK MiFIR**"); and (ii) all channels for distribution of the Ordinary Shares to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Ordinary Shares (a "distributor") should take into consideration the manufacturers' target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Ordinary Shares (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

GENERAL

Capitalised terms have the meanings ascribed to them in *Part XI* "*Definitions*" of this document.

This document is dated 5 November 2021.

CONTENTS

Page

SUMMARY INFORMATION

1. INTRODUCTION AND WARNINGS

1.1 Name and ISIN of the securities

Ordinary shares in the capital of the Company with a nominal value of £1.00 each (the "**Ordinary Shares**") with International Securities Identification Number (**"ISIN"**): GB00BMHRMV23.

1.2 Identity and contact details of the issuer

The issuer's name is Stelrad Group PLC. Its registered office is at 69-75 Side, Newcastle Upon Tyne, Tyne And Wear, NE1 3JE, United Kingdom. The Company's telephone number is +44 (0) 191 261 3301 and its Legal Entity Identifier (**"LEI"**) is 2138006LKVGN16PTVA73.

1.3 Identity and contact details of the competent authority

This document has been approved by the Financial Conduct Authority, with its head office at 12 Endeavour Square, London E20 1JN, United Kingdom and telephone number +44 (0) 20 7066 1000.

1.4 Date of approval of the Prospectus

5 November 2021.

1.5 Warnings

This summary should be read as an introduction to the Prospectus. Any decision to invest in the Ordinary Shares should be based on consideration of the Prospectus as a whole by the investor. The investor could lose all or part of the invested capital. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only where the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus, or where it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in the Ordinary Shares.

2. KEY INFORMATION ON THE ISSUER

2.1 Who is the issuer of the securities?

Domicile and legal form, LEI, applicable legislation and country of incorporation

The Company is incorporated under the laws of England and Wales with its registered office in England and its LEI is 2138006LKVGN16PTVA73. The Company was incorporated on 8 October 2021 under the Companies Act 2006 (the "**Companies Act**") as a public company with the name Stelrad Group PLC with registered number 13670010. The principal law and legislation under which the Company operates is the Companies Act.

Principal activities

The Group is a leading specialist manufacturer and distributor of steel panel radiators in the UK, Europe and Turkey, selling an extensive range of standard and premium steel panel radiators, low surface temperature ("**LST**") radiators, towel warmers, decorative steel tubular radiators and other steel "column" radiators ("**Radiators**") to more than 500 customers annually. The Group enjoys long established commercial relationships with many of its customers, having served each of its top five customers, representing 35 per cent. of its revenue for the year ended 31 December 2020, for over twenty years. The Group focuses on a number of strong, established brands and has a well invested, low-cost manufacturing base, supported by extensive distribution facilities. The Group is headquartered in the United Kingdom and has been a leading supplier across Europe for over twenty years, with manufacturing and distribution facilities in the United Kingdom, The Netherlands and Turkey, additional distribution facilities in Poland and Denmark and sales personnel in seven other countries, including China.

For the six months ended 30 June 2021, the Group sold approximately 3.1 million radiators into mainly European markets, generating revenue of £128 million.

Major Shareholders

In so far as it is known to the Company as at the date of this document, the following persons will, on Admission, be directly or indirectly interested (within the meaning of the Companies Act) in 3 per cent. or more of the Company's issued share capital (being the threshold for notification of interests that will apply to Shareholders as of Admission pursuant to Chapter 5 of the Disclosure Guidance and Transparency Rules):

	Immediately prior to Admission		Immediately following Admission	
Name of Shareholder	**Number of Ordinary Shares**	**Percentage of issued Ordinary Shares**	**Number of Ordinary Shares**	**Percentage of Ordinary Shares**
The Bregal Fund III L.P[(1)].	92,566,696	80.00%	63,103,765	49.55%
Trevor Harvey	12,727,921	11.00%	11,455,129	8.99%
George Letham	6,363,960	5.50%	5,727,564	4.50%
Chelverton Asset Management Limited	-	-	6,976,744	5.48%
Unicorn Asset Management Limited	-	-	4,883,720	3.83%
Henderson Global Investors Limited	-	-	4,418,604	3.47%
Lombard Odier Asset Management (Europe) Limited	-	-	4,186,046	3.29%
Tellworth Investments LLP	-	-	4,186,046	3.29%
Charles Stanley & Co. Limited	-	-	3,860,465	3.03%

(1) Acting by its general partner Bregal General Partner III Jersey LP acting by its general partner Bregal Capital General Partner Jersey Limited.

Key managing Directors

Trevor Harvey is the Group Chief Executive Officer and George Letham is the Group Chief Financial Officer.

Statutory auditors

PricewaterhouseCoopers LLP, whose registered address is at Central Square South, Orchard Street, Newcastle upon Tyne NE1 3AZ, United Kingdom ("**PwC**").

2.2 **What is the key financial information regarding the issuer?**

(a) *Selected historical key financial information*

Consolidated Income Statement for the years ended 31 December 2020, 2019 and 2018 and six months ended 30 June 2021 and 2020

	Six months ended 30 June		Year ended 31 December		
	2021	**2020**	**2020**	**2019**	**2018**
		(unaudited)			
			(£) 000		
Revenue	127,925	83,026	196,565	208,581	205,207
Gross profit	39,208	23,663	57,193	54,415	49,397
Operating profit	17,916	5,890	19,524	11,736	8,237
Profit before tax from continuing operations	12,417	851	9,187	2,462	244
Profit for the period attributable to owners of the parent	8,842	90	8,699	1,849	(191)

Summary Statement of Financial Position as at 31 December 2020, 2019 and 2018 and six months ended 30 June 2021 and 2020

	Six months ended 30 June	Year ended 31 December		
	2021	**2020**	**2019**	**2018**
		(£) 000		
Total assets	180,372	155,533	150,984	141,646
Total equity attributable to owners of the parent	10,314	9,388	8,775	13,911
Total liabilities	170,058	146,145	142,209	127,735

Statement of Cash Flows for the years ended 31 December 2020, 2019 and 2018 and six months ended 30 June 2021 and 2020

	Six months ended 30 June		Year ended 31 December		
	2021	**2020**	**2020**	**2019**	**2018**
		(unaudited)			
			(£) 000		
Net cash flows from / (used in) operating activities	17,030	(4,464)	26,242	12,716	14,100
Net cash flows used in investing activities	(2,520)	(2,410)	(8,166)	(7,653)	(11,897)
Net cash flows (used in) / from financing activities	(3,807)	4,936	(9,559)	(5,349)	3,699

Accountants' report on Historical Financial Information

There are no qualifications to PwC's accountants' report on the historical financial information of the Group included in this document.

(b) *Selected pro forma key financial information*

The unaudited pro forma statement of net assets as at 30 June 2021 set out below (the "**Pro forma Financial Information**") has been prepared to illustrate the effect of (i) the receipt of the net proceeds of the New Shares under the Offer by the Company and (ii) the refinancing of the Group's existing shareholder and third-party indebtedness, on the Group's net assets as at 30 June 2021 as if these events had been undertaken at that date. The unaudited consolidated financial information has been produced for illustrative purposes only and, by its nature, addresses a hypothetical situation and therefore does not represent the Group's actual financial position, nor is it indicative of the financial position that may be achieved in the future.

The Pro forma Financial Information has been prepared in accordance with the basis set out in the notes below, in a manner consistent with the IFRS accounting policies of the Group applied in preparing the historical financial information of the Group as at 30 June 2021 as set out in "Historical Financial Information", and in accordance with the requirements of sections 1 and 2 of Annex 20 of the PR Regulation. It should be read in conjunction with the notes to the Pro forma Financial Information set out below.

	Consolidated net assets at 30 June 2021 (1)	Net proceeds of the New Shares (2)	Refinancing (3)	Pro forma consolidated net assets at 30 June 2021
		(£) 000		
Non-current assets	60,362	-	-	60,362
Current assets	120,010	18,100	(24,591)	113,519

Total assets	**180,372**	**18,100**	**(24,591)**	**173,881**
Non-current liabilities	90,024	-	(22,822)	67,202
Current liabilities	80,034	-	(1,690)	78,344
Total liabilities	**170,058**	**-**	**(24,512)**	**145,546**
Net assets	**10,314**	**18,100**	**(79)**	**28,335**

Notes:

(1) The net assets of the Group as at 30 June 2021 have been extracted without material adjustment from the historical financial information of Stelrad Radiator Group Limited. No separate balance sheet has been presented for the Company as the Company does not have material equity or reserves, and therefore has no material impact on the pro forma combined net assets.

(2) The issue of New Shares under the Offer is expected to result in gross proceeds of £25.0 million less £6.9 million of related underwriting commissions and other estimated fees and expenses resulting in net proceeds of £18.1 million.

(3) On 2 November 2021, the Group entered into the New RCF Agreement and, immediately following Admission, £57.5 million of the New RCF will be drawn, with fees of £1.2 million capitalised on the balance sheet. The amount of £56.3 million drawn net of fees, along with excess cash balances of £24.6 million, (which includes the £18.1 million of net proceeds which the Company expects to receive under the Offer referred in note 2 above) will be used in order for the Group to repay existing loan facilities, including shareholder loans.

The repaid and estimated new debt facilities as at 30 June 2021 are as follows:

	30 June 2021
	(£) 000
Current interest bearing loans and borrowings	
ABF Facility	556
Lombard Facility	1,187
Unamortised loan costs – old loans	(53)
	1,690
Non-current interest bearing loans and borrowings	
Ultimate shareholder loans [a]	61,246
Immediate parent company loan [b]	11,273
ABF Facility	3,596
Lombard Facility	3,033
Unamortised loan costs – old loan	(26)
New loan drawdown	(57,500)
Unamortised loan costs – new loan	1,200
	22,822
Total refinancing debt movement	**24,512**
Summary of loans repaid by facility	
ABF Facility	4,152
Lombard Facility	4,220
Ultimate shareholder loans [a]	61,246
Immediate parent company loan [b]	11,273
	80,891

Notes:

(a) These funds reflect the amounts outstanding under the Bregal Loan Notes which will be repaid to the Major Shareholder.

(b) The funds received by SRGL's immediate parent, Noosa, from the repayment of the immediate parent company loan will be used to repay an equal amount owed by Noosa to Management under the Management Loan Notes.

(4) No adjustment is shown for the sale of Sales Shares as part of the Offer because the Group will not receive any of the proceeds from the sale of the Sale Shares, and underwriting commissions and other estimated fees and expenses associated with the sale of Sale Shares will be borne by the Selling Shareholders.

(5) No adjustment has been made to reflect the trading results or financial position of the Group since 30 June 2021.

(6) The incorporation of the Company on 8 October 2021, as part of the Pre-IPO Reorganisation, does not result in an amendment to the consolidated net assets position as the issue of subscription shares in the Company on its incorporation to the Major Shareholder will, immediately prior to Admission, be settled by a share for share exchange involving the Company's and Noosa's share capital.

The unaudited pro forma statement of net assets as at 30 June 2021 is £28.335 million.

2.3 What are the key risks that are specific to the issuer?

Risks relating to the Group's business

A significant portion of the Group's revenue is derived from a small number of customers and its relationships with national builders merchants, distributors and DIY retailers, in addition a portion of the Group's revenue is supported by relationships with major housebuilders in the UK, and it may fail to maintain these relationships, or such relationships could become less profitable.

The operation of the Group's manufacturing facilities, or the facilities of its material suppliers, may be disrupted unexpectedly or for a prolonged period and insurance coverage may not be available or sufficient to cover any associated loss.

The Group is subject to risks related to Turkey.

The Group may be adversely affected by the fluctuation in availability and cost of steel required for its products.

Disruptions to international freight can adversely affect the Group.

Risks relating to the Group's industry

The market for home improvements and residential construction, and as a result the Group's business, may be adversely affected by economic and political conditions and other factors influencing disposable income in the countries in which the Group operates, in particular the UK.

The Group's business is subject to competition.

Risks associated with macroeconomic conditions and events

Any current or future health epidemic or other adverse public health development, such as the COVID-19 pandemic, could result in business disruption, sustained economic downturn and margin pressures and have a material adverse effect on the Group's business and operating results.

The United Kingdom's exit from the European Union may have a negative effect on global and UK domestic economic conditions, financial markets and the Group's business.

Risks associated with compliance and regulation

Compliance with existing laws and regulations, including in relation to privacy, data protection, and information security, or changes in any such laws and regulations could affect the Group's business.

The Group's operations are subject to health and safety and environmental laws and regulations which could result in material liabilities for the Group.

3. KEY INFORMATION ON THE SECURITIES

3.1 What are the main features of the securities?

Type, class and ISIN of the securities

When admitted to trading, the Ordinary Shares (which are ordinary shares) will be registered with ISIN GB00BMHRMV23.

Currency, denomination, par value, number of securities issued and term of the securities

The Ordinary Shares are denominated in pound sterling with par value of £1.00 each and an indefinite term. On Admission, the Company will have an issued share capital of £127,352,555.00, divided into 127,352,555 Ordinary Shares with a nominal value of £1.00.

Rights attached to the securities

The New Shares will, when issued and fully paid, rank equally in all respects with the Ordinary Shares and have the following rights attaching to them:

- on a show of hands at a general meeting every member present in person has one vote and every proxy or representative present who has been duly appointed by a member entitled to vote has one vote; and on a poll every member (whether present in person or by proxy or representative) has one vote per Ordinary Share;
- the right to receive dividends on a *pari passu* basis; and

- if the Company is wound up, the surplus assets remaining after payment of all creditors are to be divided amongst the members in the proportion to the capital which at the start of the winding-up is paid up on the Ordinary Shares held by them, respectively.

Restrictions on free transferability of the securities

The Ordinary Shares are free from any restriction on transfer, subject to compliance with applicable securities laws.

Dividends and dividend policy

The Group intends to adopt a progressive dividend policy targeting an initial annualised pay-out of approximately 40 per cent. of net income, with reinvestment for growth being the primary use of available cash. The Group expects to pay its first dividend in May 2022, with a 33 per cent. and 67 per cent. split between the Group's interim and final dividend payments respectively, across the fiscal year.

3.2 **Where will the securities be traded?**

Application will be made to the FCA for the Ordinary Shares to be admitted to the premium listing segment of the Official List of the FCA, and to the London Stock Exchange for the Ordinary Shares to be admitted to trading on the main market for listed securities of the London Stock Exchange ("**Admission**").

3.3 **What are the key risks that are specific to the securities?**

An active or liquid market for the Ordinary Shares may not develop.

The Major Shareholder will retain significant interests in, and will continue to exercise significant influence over the Group following the Offer and its interests may differ from those of the other Shareholders.

The price of the Ordinary Shares is subject to volatility.

The Company’s ability to pay dividends in the future depends, among other things, on the Group’s financial performance.

4. **KEY INFORMATION ON THE OFFER AND ADMISSION**

4.1 **Under which conditions and timetable can I invest in this security?**

General terms and conditions

Not applicable. This document does not constitute an offer or an invitation to any person to subscribe for or purchase any Ordinary Shares. The Ordinary Shares are not being offered to the public.

Expected timetable

It is expected that Admission will become effective, and that unconditional dealings in the Ordinary Shares will commence on the London Stock Exchange, at 8.00a.m. (London time) on 10 November 2021.

Details of admission to trading on a regulated market

Application will be made to the FCA for the Ordinary Shares to be admitted to the premium listing segment of the Official List of the FCA and to the London Stock Exchange for the Ordinary Shares to be admitted to trading on the main market for listed securities of the London Stock Exchange.

Plan for distribution

On 5 November 2021, the Company, The Bregal Fund III L.P. acting by its general partner Bregal General Partner III Jersey LP acting by its general partner Bregal Capital General Partner Jersey

Limited the ("**Major Shareholder**"), the Directors and Investec entered into an underwriting agreement (the "**Underwriting Agreement**") pursuant to which Investec has agreed to act as sponsor to the Company in connection with the Offer and Admission and has agreed, on the terms and subject to the conditions contained therein, to use reasonable endeavours to procure subscribers and purchasers for, and, failing which, to subscribe for or purchase itself the New Shares and the Sale Shares at an offer price of 215 pence per Ordinary Share (the "**Offer**").

The Company is offering 11,627,907 new Ordinary Shares (the "**New Shares**") to certain institutional, and other, investors, and the Selling Shareholders are offering an aggregate of 32,558,130 existing Ordinary Shares (the "**Sale Shares**") under the Offer.

Amount and percentage of immediate dilution resulting from the issue

Pursuant to the Offer, existing Shareholders will experience a 9.13 per cent. dilution in their holdings of Ordinary Shares (that is, his or her proportionate interest in the Company will decrease by 9.13 per cent. assuming they do not sell any Sale Shares in the Offer).

Estimate of the total expenses of the issue

The costs and expenses of, and incidental to, Admission and the Offer payable by the Company are estimated to amount to £6.9 million (including VAT), and include, amongst others, underwriting commissions (including the maximum amount of any discretionary commission), the FCA's fees, professional fees and the costs of printing and distribution of documents. No expenses will be charged by the Company or the Selling Shareholders to any subscribers or purchasers of Ordinary Shares pursuant to the Offer.

Sponsor, Sole Global Co-ordinator and Sole Bookrunner

Investec has been appointed as sponsor, sole global co-ordinator and sole bookrunner for the Offer.

Over-allotment Option

No over-allotment option has been granted in connection with the Offer and no stabilisation will therefore be carried out in connection with the Offer.

4.2 **Why is this prospectus being produced?**

Reasons for the Offer and use of proceeds

The Directors believe that the Offer will enhance the Group's public profile and brand awareness and provide an appropriate capital structure for its future development. In addition, the Offer will reduce the level indebtedness of the Group and create a market in the Ordinary Shares for the Existing Shareholders and provide them with a partial realisation of their investment in the Company.

The Company intends to raise gross proceeds of £25 million from the issue of New Shares pursuant to the Offer. After deducting underwriting commissions and other estimated fees and expenses incurred in connection with the Offer, the Company expects to receive net proceeds of £18.1 million.

The Company intends to use the net proceeds of the Offer together with £56.3 million of borrowings under a new revolving credit facility (net of £1.2 million of fees payable under the relevant financing agreement) and £11.7 million of existing available cash, to repay (i) £9.6 million of outstanding third-party debt; and (ii) £76.5 million of outstanding shareholder debt (including accrued interest).

Material conflicts of interest

There are no material conflicts of interests pertaining to the Offer or Admission.

RISK FACTORS

Any investment in the Ordinary Shares is subject to a number of risks. Prior to investing in the Ordinary Shares, investors should carefully consider the factors and risks associated with any investment in the Ordinary Shares, the business of the Group and the Group's industries as a whole, together with all other information contained in this document, including in particular the risks described below, and consult with their professional advisers.

The following is not an exhaustive list or explanation of all risks that investors may face when making an investment in the Ordinary Shares and should be used as guidance only. Additional risks and uncertainties relating to the Group that are not currently known to the Directors, or that the Directors currently deem to be immaterial, could also, individually or cumulatively, have a material adverse effect on the business, reputation and brand, sales, results of operations, financial condition and/or prospects of the Group and, if any such risks or uncertainties should materialise, the price of the Ordinary Shares may decline and investors could lose all or part of their investment. Investors should carefully consider whether an investment in the Ordinary Shares is suitable for them in the light of the information in this document and their personal circumstances.

Risks relating to the Group's business

A significant portion of the Group's revenue is derived from a small number of customers and its relationships with national builders merchants, distributors and DIY retailers, in addition a portion of the Group's revenue is supported by relationships with major housebuilders in the UK, and it may fail to maintain these relationships, or such relationships could become less profitable

In the year ended 31 December 2020, the top 10 customers of the Group accounted for 49 per cent. of its revenue, with the top 5 customers accounting for 35 per cent. of its revenue and the largest customer representing 14 per cent. of revenue. The Group expects this customer concentration will continue for the foreseeable future.

The Group's top customers are primarily national builders merchants, distributors and DIY retailers. The Group also retains a number of key relationships with the major housebuilders in the UK with whom the Group collaborate to set the specification for their large new-build construction projects.

The Group's agreements with its customers are terminable on short notice by the customer without cause and/or do not contain any minimum order commitments. The Group's customers have the right to terminate, or to seek to negotiate amendments to the terms (including as to pricing). The Directors believe that a significant proportion of the Group's sales through national builders merchants are driven by the demand generated by the specification of products to be installed in new-build construction projects and the specification of products to be used by large installers in the social housing and private residential replacement sectors. Specification work is typically awarded on a project-by-project basis, and therefore there can be no assurance of repeat business.

The Group may not be able to maintain its relationships with key customers, including as a result of a change of ownership of a customer, or to renegotiate its customer agreements on reasonable terms. If any of the Group's key customers terminate their trading relationship with the Group, or a major housebuilder ceases to specify products with the Group for new projects, or if the Group is unable to maintain agreements with its customers on favourable terms, this could have a material adverse effect on the Group's prospects, results of operations, business and financial condition.

Further consolidation among the Group's customers may result in demands for "best available terms", which may result in the Group failing to maintain its pricing structure and put pressure on its margins, adversely affecting the Group's prospects, business, results of operations and financial condition.

The operation of the Group's manufacturing facilities, or the facilities of its material suppliers, may be disrupted unexpectedly or for a prolonged period and insurance coverage may not be available or sufficient to cover any associated loss

The Group has three manufacturing facilities, one in each of the UK, The Netherlands and Turkey. Disruption at any of these facilities (in particular the Turkish facility at Çorlu, which produced approximately 71 per cent. of the Group's products in the year ended 31 December 2020) could have a material adverse effect on its manufacturing capacity. These facilities could be subject to disruption for a variety of reasons, including labour disputes, breakdown or failure of equipment or power supply, explosions, fires, earthquakes, extreme weather conditions, floods or other natural disasters, acts of terrorism, sabotage or vandalism. If one of the Group's facilities were to be shut down unexpectedly, or certain of its operations or equipment and machinery within an otherwise operational facility were to cease production, alternative capacity may not be available at all or quickly enough and on favourable terms.

Any downtime or facility damage could prevent the Group from meeting customer demand for its products or require the Group to make unplanned capital expenditures. If the Group's machines or facilities were to incur significant downtime, the Group's ability to satisfy customer requirements could be impaired, resulting in decreased customer satisfaction and have a material adverse effect on the Group's business, results of operations and financial condition.

In addition, the Group's suppliers are subject to the manufacturing facility disruption risks noted above. The Group's suppliers' inability to manufacture or supply the necessary raw materials, such as steel, for the Group's manufacturing processes could have a material adverse effect on the Group's business, results of operations and financial condition.

Any such disruption, particularly if not adequately compensated by insurance, could have a material adverse effect on the Group's prospects, results of operations, business and financial condition.

The Group is subject to risks related to Turkey.

The substantial majority of the Group manufacturing operations are carried out at its facility in Turkey which produced over 71 per cent. of its radiators for the year ended 31 December 2020 of which 88 per cent. were exported to the other countries in which the Group operates. Part of the Group's ongoing strategy is to transfer more of its manufacturing to its Turkish facility and thereby increase the number of radiators this facility produces. As a result, the Group's business is subject to various risks relating to Turkey that could have a material adverse effect on those operations and its business as a whole, including but not limited to:

- exposure to local economic and social conditions, including logistical and communication challenges;
- exposure to local political conditions, including political disputes, requirements to expend a portion of funds locally and governmental industrial cooperation requirements, coups, the risk of seizure of assets by a foreign government, increased risk of fraud and political corruption, terrorism, acts or war or similar events;
- exposure to a potentially undeveloped legal system which makes it difficult to enforce contractual rights and to potentially adverse changes in laws and regulatory practices, including grants, adjudications, concessions, among others;
- controls on the repatriation of cash, including the imposition or increase of withholding and other taxes on remittances and other payments by foreign subsidiaries;
- imposition of tariffs and embargoes, export and import restrictions, licensing requirements, other trade restrictions and the implementation of other protectionist political measures that could affect its customers; and
- violence and civil unrest, domestic or international terrorist events and hostilities, complications due to natural or manmade disasters.

While the factors mentioned above or the effect of these factors are difficult to predict, adverse developments in one or more of these areas could materially adversely affect the Group's business, results of operations, financial condition and prospects.

The Group may be adversely affected by the fluctuation in availability and cost of steel required for its products

The Group sells standard steel panel radiators and premium steel panel radiators, which it manufactures, as well as designer radiators and towel warmers, through multiple channels to a range of customers.

Accordingly, the Group's ability to fulfil its orders depends in large part on obtaining timely and adequate supplies of raw materials for its manufacturing facilities, especially steel.

The Group does not typically enter into long-term supply contracts for steel with major steel suppliers and only orders steel against its supply requirements for a short period of time. Market prices for steel could in the future be volatile due to changes in supply and demand, manufacturing and other costs, natural disasters, regulations and tariffs, economic conditions and other circumstances. Accordingly, the Group may not be able to obtain raw materials from its current or alternative suppliers at reasonable prices in the future or may not be able to obtain these items on the scale and within the time frames that it requires.

Failure by steel suppliers to meet the Group's requirements for any reason could significantly limit the Group's sales and increase its costs. Suppliers may also extend lead times, limit supplies or increase prices from time to time, which could adversely affect the Group's ability to deliver its products on a timely and cost-effective basis, and it may be unable to pass on any increased costs to its customers. Despite the Group's efforts to select its suppliers and manage supplier relationships, a supplier may fail to meet the Group's standards in matters such as product quality, efficiency and safety. Any of these events could delay the successful delivery of the Group's products on competitive terms and in compliance with its standards. Cold rolled coil steel is the core material used in the Group's manufacturing process and represented approximately 39 per cent. of its costs of sales for period 2015 to 2020. During the three-year period ended 31 December 2020 there was a year on year decline in average steel prices albeit with some in year fluctuations. Since 1 January 2021, the Group has experienced significant steel price rises due to a shortage of supply of steel, post the initial stages of the COVID-19 pandemic, and an increase in global demand. In the event of shortages of steel supply, the Group may have to purchase steel at higher spot rate prices, which happened during April 2021 due to a delay in a shipment of steel ordered from Asia. No assurances can be given as to whether the Group will be able to keep passing on price increases to its customers and thereby maintain its historic operating margins and in the event that it cannot do so its business, results of operations, financial condition and prospects may be materially adversely affected.

Any of the foregoing may have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Disruptions to international freight can adversely affect the Group.

The Group relies on third parties with respect to freight services for the shipment of its products (notably in relation to the radiators which it exports from Turkey to the other countries where it operates) and is dependent on the continued efficient operation of such services. The Group cannot control all of the various factors that might affect the timely and effective shipment of its products. The Group's dependence on shipments by third-party freight service providers exposes it to various risks, such as, damage, destruction or confiscation of products in transit, work stoppages (including as a result of strikes), fuel and labour shortages, transportation and other delays in shipments (including as a result of inspection processes or other port-of-entry limitations or restrictions in the United Kingdom and Continental Europe) and lack of freight availability and freight cost increases, including as a result of events such as Brexit, the COVID-19 pandemic and the Suez Canal blockage.

If the Group is unable to obtain sufficient freight capacity on a timely basis or at expected shipping rates, it may not be able to ensure that it receives products in the appropriate locations in a timely manner, which could impact its lead times and have a material adverse effect on the Group's ability to service its customers' requirements. For example, as a result of the COVID-19 pandemic, which has led to market-wide reduced freight capacity, the Group has been experiencing delays in freight shipping and higher freight costs, which has adversely impacted its gross margins. The impact of such disruptions was more acute in the first half of 2021. The Group has also experienced delays due to the greater administrative burden and port disruptions as a result of Brexit and growing regulation and increasing customs scrutiny on imported goods. The continued impact, worsening or repeat of such events and factors could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Disruption to road transport systems or significant changes in the cost of transportation could adversely affect the Group's results of operations.

Manufacturers in the Group's industry are frequently responsible for delivering products to the customer and any prolonged disruption to road transport systems, including as a result of shortages of fuel or haulage drivers, may hinder the Group's ability to meet delivery schedules – creating backlogs that could take time and additional resources to clear which in turn could negatively impact the Group's reputation and have a material adverse effect on the Group's business, results of operations and financial condition.

Furthermore, transportation costs associated with the delivery of the Group's products, in most cases by road haulage contractors are a significant cost to the Group. In addition, the Group also imports into the UK and Continental Europe a significant part of its stock from its manufacturing facilities in Turkey, and is therefore responsible for the associated transport costs which, along with its other transportation costs, could increase in the future. For instance, in the UK, which represents the Group's largest market for its products, the haulage industry currently faces unprecedented challenges in meeting demand as a result of shortages in driver availability. Given this labour shortage in the haulage industry it is likely that the cost of haulage will continue to rise in the short- and medium-term. While the Group outsources haulage, increases in the cost of fuel, labour or fleet maintenance of its suppliers, or a decrease in the availability of supply, could result in increases in the cost of transportation for the Group, which could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group's business may suffer if its reputation is damaged

The Group's business and market positions are predicated on maintaining its reputation, the reputation of its brands (including the "Stelrad", "Henrad", "Hudevad" and "Termo Teknik" brands), and trust with key stakeholders, including consumers, customers, housebuilders, trading partners and installers and specifiers. Actual or alleged instances of inferior product quality or of damage caused or allegedly caused by the Group's products (even if these instances occur due to the actions or failure of a supplier or contractor of the Group who installed its products) could damage its reputation and credibility, and materially adversely affect the Group's business and results of operations. Any perceived or actual concerns related to the Group's products may be widely disseminated online or otherwise, and, consequently, could result in new or existing customers and trading partners becoming less willing to conduct business with the Group. Current methods of dissemination of information (including the ability of reports to "go viral" online) mean that potential threats to reputation can occur in a very short period of time and reach a far broader audience than historically was the case, making it far more difficult to address.

The Group may be unsuccessful in identifying suitable acquisition candidates, and consummating such acquisitions or integrating acquired businesses

A part of the Group's medium term strategy is to continue to expand by acquiring additional businesses, including but not limited to businesses which offer adjacent products to its own (such as air management and heat recovery, hydronic convectors, electric heat emitters, water treatment, valves and controls), subject to the availability of suitable opportunities. The Group may not be able to identify or acquire suitable targets on acceptable terms. Further, existing competitors and/or new entrants, including financial investors, may have greater financial resources available for investments or may have the capacity to accept less favourable terms than the Group, which may prevent the Group from acquiring targets and reduce the number of potential targets. The Group's ability to consummate acquisitions may also be restricted under applicable competition and antitrust laws, the terms of its financing arrangements, or the financial resources then available to the Group. The Group may expend significant resources (including financial resources and management time) evaluating and negotiating acquisitions which are not consummated.

Acquisitions involve numerous risks and uncertainties, especially if such acquisitions are significant. If one or more acquisitions are completed, the Group's prospects, results of operations, business and financial condition may be affected by a number of factors, including the failure of the acquired business to achieve its financial projections, the assumption of unknown liabilities, the difficulties of imposing adequate financial and operating controls on the acquired companies and businesses and their management, preparing and consolidating financial statements in a timely manner, integrating the acquired companies and businesses into the Group, the diversion of management and other employees' time and attention from other business concerns, legal and cultural differences and the failure to achieve the strategic objections of such acquisitions, such as cost savings and synergies.

Acquisitions may be funded through additional debt or equity (as consideration or otherwise) financing or a combination of debt and equity. Acquisitions funded by way of issues of further equity could have a dilutive effect on shareholders. Acquisitions could also give rise to amortisation expenses related to intangible assets. Incurrence of additional debt, amortisation expenses or acquisition-related expenses could reduce the Group's profitability.

The Group depends on efficient and uninterrupted operations of its information and communication technology, and any disruption to or interruptions in these operations could have a material adverse effect on its business, results of operations and financial condition.

The operation of the Group's production facilities as well as the Group's sales activities depend on the efficient and uninterrupted operation of complex and sophisticated computer, telecommunication and data processing systems. The Group also uses information technology systems for, among other things, processing, transmitting and storing electronic data relating to its operations and financial reporting and a significant portion of communications among the Group's personnel, customers, suppliers and other trading partners relies on the efficient performance of information technology systems. The Group also store sensitive data, including intellectual property, proprietary business information and personally identifiable information of its employees. The secure maintenance and transmission of this information is critical to the Group's operations.

Despite the Group's security measures and back-up systems, its information technology systems may be vulnerable to attacks by hackers, computer viruses or malicious code or may be breached due to employee error, malfeasance or affected by other disruptions, including as a result of fires, electricity failures, telecommunications breakdown or other unpredictable reasons beyond its control. An interruption in the operations of computer or data processing systems could adversely affect the Group's ability to efficiently maintain its production processes and to ensure adequate controls. Disruptions to or interruptions in operations could lead to production downtime which, in turn, could result in lost revenue. Furthermore, if any such event were to occur, it could result in the loss of confidential information, which could expose the Group to liability and cause the Group's business and reputation to suffer. The Group may also be unable to source alternative capacity during any period of disruption, or such capacity may only be available on unfavourable terms.

Any of the foregoing, particularly if not adequately compensated by insurance, could have a material adverse effect on the Group's prospects, results of operations, business and financial condition.

The Group's success depends on retaining key personnel and attracting highly skilled individuals

The Group's success depends substantially on the efforts and abilities of key personnel and its ability to attract and retain such personnel. The Chief Executive Officer and the Chief Financial Officer, who joined the group in 2000 and 2003, respectively, have significant experience in the heating industry and have made an important contribution to the Group's growth and success. The loss of the services of the Chief Executive Officer, the Chief Financial Officer, or a senior member of management of any company or business it acquires, could have a material adverse effect on the Group's prospects, results of operations, business and financial condition. The Group may also not be successful in attracting and retaining key personnel in the future. Further, the loss of or failure to attract and retain certain individuals in non-managerial positions may also have a material adverse effect on the Group where such individuals possess specialist knowledge or skills that are not easily replaceable (for example, its employees who are responsible for the design of its products).

Labour disruptions could adversely affect the Group's business

A work stoppage at one of the Group's facilities could cause the Group to lose revenue or to incur increased costs and could adversely affect the Group's ability to meet customers' needs. Approximately 65 per cent. of the Group's workforce are members of a trade union. In Turkey, approximately 95 per cent. of the Group's employees located in the country are members of trade union. The Group's employees in The Netherlands (who account for approximately 13 per cent. of its employees) are represented by workers' councils which, if requested by employees, are required under local law. The Group is therefore dependent on good relations with its employees, unions and employee representatives to avoid business interruptions, implement restructuring and amend existing collective bargaining agreements. Any such work stoppages or disruptions arising as a result of a breakdown in labour relations could have an adverse effect on the Group's business, results of operation and financial condition.

Shortages or increased costs of skilled labour could increase costs and delay deliveries and may have an adverse impact on customer relationships

The Group is subject to supply risks related to the availability and cost of labour. The Group may experience labour cost increases or disruptions in its facilities in circumstances where it must compete for employees with necessary skills and experience or in tight labour markets. Increased wages (which might include, without limitation, an increase in the minimum wage requirements across the Group or union negotiated increases to take account of increases in the cost of living) or shortages of skilled labour could cause increases in costs and delivery delays. If the Group is unable to pass on any increase in costs to its customers, the Group's margins may reduce, which could accordingly have an adverse impact on its operating results, business prospects and financial condition.

The Group's production, manufacturing and distribution activities are subject to health and safety risks.

The Group's production, manufacturing and distribution operations are carried out under potentially hazardous conditions. Although the Group operates in accordance with relevant health and safety regulations and requirements, liabilities may arise as a result of accidents or other work force related incidents, some of which may be beyond the Group's control. Accidents, events or conditions that are detrimental to the health and safety of the Group's employees, including, for example, as a result of operating heavy machinery, could have a material adverse effect on the Group's business, results of operation and financial condition.

The Group's insurance coverage may not cover all of the risks to which the Group may be exposed.

The Group faces the risks of loss and damage to its products, property and machinery due to fire, accidents, theft, pandemics and natural disasters such as floods. Such events may cause a disruption to or cessation of the Group's operations and in some instances the Group's insurance coverage may not be sufficient to cover all of the Group's potential unforeseen losses and liabilities. In addition, the Group's insurance coverage may not cover all of the risks to which the Group may be exposed. If the Group's losses exceed its insurance coverage, or if the Group is not covered by the insurance policies it has in place, the Group may be liable to cover any shortfall or losses. The Group's insurance premiums may also increase substantially because of such claims. Inadequate insurance could have a material adverse effect on the Group's business, results of operations and financial condition.

The success of introductions of new products and new variants of existing products is inherently uncertain

The launch of new products, including in product categories which the Group does not currently offer, and new variants of existing products is an inherently uncertain process and the Group cannot guarantee that it will continuously develop successful new products or new variants of existing products, nor predict how customers and end-users will react to such products or how successful the Group's competitors will be in developing products which are more attractive than those it develops. The profitable lifespans of any new products and new variants of existing products are also uncertain and largely depend on the reaction of the Group's customers and end-users to such products. An unsuccessful launch of a new product or a new variant of an existing product may, for example, give rise to inventory write-offs and have an adverse impact on the Group's public perception. Failure to innovate could hinder the Group's growth potential, and cause a reduction in the Group's market share. The success of a new product could, and the success of a new variant of an existing product would be likely to, reduce revenue from existing products if such products are in direct competition with each other.

Any of the foregoing could have an adverse effect on the Group's prospects, results of operations, business and financial condition.

The Group may not be able to defend its intellectual property rights

As at 31 December 2020, the Group had registered 168 trademarks across its various business divisions. These trademarks primarily relate to the Group's brand names and logos as well as certain other trademarks. The Group has also registered 164 domain names across all divisions, as well as 38 patents, patent applications and designs in addition to other intellectual property rights that the Directors believe are important to the Group's business and competitive position. The Group cannot ensure that third parties will not infringe or misappropriate these rights by, for example, imitating its products, or by asserting rights in, or ownership of, its intellectual property rights or in intellectual property rights that are similar to the intellectual property rights the Group owns. In addition, the Group may fail to discover infringement of its intellectual property rights and any steps taken by the Group may not be sufficient to protect its intellectual property rights, to prevent others from seeking to invalidate its intellectual property rights or to block sales of a third party's products by alleging a breach of its intellectual property rights. Moreover, some of the

Group's intellectual property are not registered, and therefore may be more limited in scope and difficult to enforce. If the Group is unable to protect its intellectual property against infringement or misappropriation, or if others assert rights in, or seek to invalidate, its intellectual rights, this could materially adversely affect the Group's brand equity, prospects, results of operations, business and financial condition.

The Group may be affected by litigation, including product liability and collateral warranty claims and claims relating to other disputes

The Group has in the past, and may in the future, be subject to litigation in the ordinary course of its business, including disputes with customers and suppliers, intellectual property claims, product liability or collateral warranty claims. Further, although the Group generally requires its suppliers to satisfy certain standards regarding the quality and specification of their products, the Group may incur certain liabilities and reputational damage (for example, in respect of product liability or collateral warranty claims) as a result of incorporating defective components supplied to it by third parties into its products, the Group may be unsuccessful in passing any financial liability on to the relevant supplier (especially if they are situated overseas or supplying on their own standard terms of business) or to an insurer, and the Group's reputation may in any event remain adversely affected. The Group could incur substantial legal fees and other costs in defending any litigation, which may not be covered by its insurance. Furthermore, any claims against the Group, whether meritorious or not, could be time-consuming, and require significant amounts of management time and divert significant resources.

If as a result of litigation the Group is required to make payments, or to alter or lose ownership of its intellectual property rights or reputational damage is caused to it or its brands, the Group's prospects, results of operations, business and financial condition may be materially adversely affected.

Any failure of the Group's products to perform as anticipated could result in liability and reputational damage that may adversely affect the Group's business and results of operations

The majority of the products which the Group sells are hydronic radiators which, when installed, contain water and therefore carry an inherent risk of leaking resulting in potential damage to property. Any failure of the Group's products to perform as anticipated could result in product liability, other costs or reputational damage.

In addition, the Group typically provides warranty terms of up to twenty years. Warranties of such extended lengths pose a risk as actual future costs may exceed the Group's current estimates of those costs.

The terms of the Group's financing arrangements may limit the flexibility of its operations

The group's operations are restricted by certain restrictive covenants and other provisions under the New RCF Agreement. These include restrictions relating to mergers and acquisitions, joint ventures, the incurrence of financial indebtedness, guarantees and indemnities and derivative transactions. Specifically, such provisions could have important consequences for the Group, including: (i) limiting its ability to invest in or expand its business; and (ii) limiting its ability to borrow additional funds in the future. Any breaches of the provisions of the New RCF Agreement or any of the Group's outstanding borrowings in the future may result in acceleration of the repayment of such indebtedness prior to maturity, which may have a material adverse effect on the Group. Further, the Group may incur substantial additional debt in future, including in connection with any acquisition. If new debt is added to the current debt levels, the risks described above could be materially increased.

Risks relating to the Group's industry

The market for home improvements and residential construction, and as a result the Group's business, may be adversely affected by economic and political conditions and other factors influencing disposable income in the countries in which the Group operates, in particular the UK.

The majority of the Group's products are purchased either to replace existing radiators in residential properties or are installed in newly built residential properties. The Group's financial performance therefore depends significantly on the residential construction markets, including within the repair, maintenance and improvement ("**RMI**") sector, in the UK, Continental Europe and Turkey. The sales of the Group's products in these markets strongly correlate to the number of new homes and buildings that are built, or existing structures that are refurbished, upgraded or repaired. General economic and credit market conditions, house prices, volumes of homes and buildings being bought and sold, government policies, prevailing interest rates, inflation, deflation, levels of private and government expenditure, the availability and affordability of financing for construction projects, unemployment and demographic trends are some of the drivers of the demand for new residential buildings or upgrades to existing residential buildings.

The Group's business is not only influenced by the level of activity in the residential construction market but also the volumes of existing homes being bought and sold (as new owners commonly undertake more extensive RMI work) and the availability and cost of mortgage financing and refinancing, especially for extensive RMI projects such as extensions and property renovations, because when mortgages are less expensive, homeowners have more disposable income with which to undertake RMI work. Trends in home improvement, housing repair and maintenance expenditure have historically been linked to leading housing market indicators, such as housing turnover and mortgage approvals. As a result, if economic or political conditions lead to low growth levels, negatively impacting the housing market in the countries in which the Group operates or consumer confidence, this may negatively impact demand for the Group's products.

In the UK, which represents the Group's largest market and accounted for 43 per cent. of the Group's sales for the year ended 31 December 2020, the housing market can be affected by a variety of economic factors, including inflation, real disposable income, salaries, interest rates, the availability of consumer credit and consumer confidence, as well as global economic conditions, health concerns (including related to COVID-19) and UK government policy and initiatives. In particular, these factors could lead to a decline in consumer confidence, increases in unemployment and repossession rates, and limited availability of credit (including mortgages, home equity loans and consumer credit), which could result in lower sales for the Group. For example, consumer confidence levels and housing transactions were impacted by the result of the 2016 UK referendum to leave the European Union, and lockdown measures during the COVID-19 pandemic restricted home viewing activities and reduced transactions. Sentiment can also be negatively impacted by consumer perception of economic and political conditions, as well as changes to UK government regulation and policy, such as changes to stamp duty levels.

More broadly, the countries to which the Group supplies products have in the past experienced significant declines in employment, household wealth, property values, consumer spending and lending. Many customers of the Group's products have faced, and may face in the future, weakened demand for their products (including those the Group produces), difficulty obtaining access to financing, increased funding costs and barriers to expanding operations, with the residential construction markets, including the RMI sector, in certain of the countries to which the Group supplies products, experiencing contraction in recent years.

As a result of the above, the Group is unable to predict accurately the level of demand for the Group's products, and, therefore, the level of future orders from its customers. The current growth of the building and construction markets in the countries where the Group operates may not continue or these markets may again contract. Orders for the Group's products may decline, and/or it may experience an over or undersupply of raw materials and/or production capacity, each of which could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Group's business is subject to competition

The Group has in the past faced, and expects to continue to face, competition in every country to which its products are supplied. Competition is based on many factors, including brand recognition and customer loyalty, product quality and reliability, breadth of product range and availability, product design and innovation, manufacturing capabilities and price. The Group's primary competitors are varied and include international, domestic and local competitors, and generalists and specialists in sub-markets. The Group's competitors may have or may obtain greater financial, technical or other resources than it has, which could enhance their ability to finance acquisitions and new product development, and they may be able to respond more quickly to changes in the market. Some of the Group's competitors may also be, or may become, able to produce similar, equivalent or superior products at lower costs than it can produce them or be willing to accept lower operating margins on their sales in order to gain market share. Any of the foregoing could be exacerbated by consolidation within the industry or by a financial investor providing additional capital to a competitor (to grow organically or by acquisition). Further, many of the Group's customers are subject to competition in their respective businesses. Such competition could result in downward price pressure on the Group's products, which it may be unable to offset with equivalent cost savings. Any of the foregoing could have a material adverse effect on the Group's prospects, results of operations, business and financial condition.

Increasing demand for substitutes for the Group's products and the development of new construction techniques and materials could have a material adverse effect on the Group.

Various other heating products can be used as substitutes for the Group's products. For example, the Group's radiators compete with underfloor heating systems and electric radiators. Sales of the Group's radiators could decline in the event of changes in building regulations or market preferences that encourage or increase the use of or alternative heating systems. New construction techniques and heating technologies developed in the future could decrease the demand and prices for the Group's products. If the Group is unable to continue to improve its existing products and develop new products in response to new construction technology or changing consumer preferences, the Group's business, results of operations and financial condition could be materially adversely affected. Furthermore, governments have provided in the past, and may continue to provide in the future, incentives that support products with which the Group competes and which may correspondingly reduce demand for its products.

Risks associated with macroeconomic conditions and events

Any current or future health epidemic or other adverse public health development, such as the COVID-19 pandemic, could result in business disruption, sustained economic downturn and margin pressures and have a material adverse effect on the Group's business and operating results.

The Group's business has been and could continue to be adversely affected by infectious disease outbreaks, such as the COVID-19 pandemic, which has spread rapidly across the globe, including in all the countries in which the Group operates, resulting in adverse economic conditions and business disruptions. Governments worldwide have imposed varying degrees of preventative and protective actions, such as temporary travel bans, forced business closures, and stay-at-home orders, all in an effort to reduce the spread of the virus, which has resulted in supply shortages and other business disruptions in many regions. It is impossible to predict the ultimate effect and impact of the COVID-19 pandemic as the situation keeps on evolving. Whilst the Group's results of operations have recovered since the start of the pandemic, the Group cannot predict for how long and to what extent this crisis will impact its business operations or the global economy as a whole going forward.

As a result of the COVID-19 pandemic, the Group has been experiencing longer lead times in delivering its products to customers due to low stock levels arising from a short term reduction in production output at the Group's manufacturing facilities in the second quarter of the year ended 31 December 2020 (as a reaction to declining market demand caused by COVID-19) followed by a strong rebound in market demand. The effects of the pandemic could continue to disrupt the Group's supply chain and distribution and fulfilment capabilities, including the delivery and shipments of its products to impacted regions. The Group's offices, logistics, manufacturing facilities and employees have also been affected more generally. The Group has had to re-purpose a number of its employees (especially those in UK). In addition, it temporarily placed a number of its employees on furlough during the first few months of the pandemic and a majority of its office-based employees moved to remote working.

Further, restrictions on travel, quarantines and other measures imposed in response to the outbreak, as well as ongoing concern regarding its potential impact, have had and will likely continue to have a negative effect on the economies, financial markets and business activities of the countries in which outbreaks occur. Global financial markets have experienced significant losses and volatility as a result of these conditions. A continued economic downturn resulting from these measures could negatively impact customer demand and spending in the impacted regions and have an adverse effect on the Group's gross margins and results of operations. Should any of these factors worsen, customer demand and the Group's results of operations could be negatively affected in the current or future fiscal periods.

The United Kingdom's exit from the European Union may have a negative effect on global and UK domestic economic conditions, financial markets and the Group's business.

On 29 March 2017, the United Kingdom formally notified the European Council of its intention to leave the European Union ("**Brexit**"). On 24 January 2020, a withdrawal agreement was entered into between the European Union, the European Atomic Energy Community and the United Kingdom, setting the terms of the withdrawal of the latter from the former two. On 24 December 2020, the United Kingdom and the European Union agreed a trade and cooperation agreement (the "**Trade and Cooperation Agreement**"), which provides for, among other things, zero-rate tariffs and zero quotas on the movement of goods between the United Kingdom and the European Union. Due to the size and importance of the economy of the United

Kingdom, the uncertainty and unpredictability concerning the United Kingdom's future laws and regulations (including financial laws and regulations, tax and free trade agreements, immigration laws and employment laws) as well as its legal, political and economic relationships with Europe following its exit from the European Union may continue to be a source of instability in international markets, create significant currency fluctuations or otherwise adversely affect trading agreements or similar cross-border cooperation arrangements (whether economic, tax, fiscal, legal, regulatory or otherwise) for the foreseeable future. The long-term effects of Brexit will depend on the practical implications of the implementation of the Trade and Cooperation Agreement and any future agreements (or lack thereof) between the United Kingdom and the European Union and, in particular, any potential changes in the arrangements for the United Kingdom to retain access to European Union markets. Brexit could result in adverse economic effects across the United Kingdom and Europe, which could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Fluctuations in exchange rates may adversely affect the Group's results of operations.

Unfavourable fluctuations in exchange rates used to translate foreign currencies into sterling, the currency used to present the Group's results, may have a significant impact on its reported results of operations from year to year. In particular, any depreciation of sterling in relation to the US dollar, which is the currency used to buy steel at the Group's manufacturing facility in Turkey, will increase the sterling equivalent of the price paid for steel and may have an adverse impact on the Group's financial condition and future prospects. Similarly, fluctuations in the Turkish Lira, which is the currency used to pay local labour costs at the Group's manufacturing facility in Turkey and the currency used to invoice sales to domestic customers in Turkey, relative to sterling, may have an adverse impact on the group's financial condition and future prospects. The Group's results are also subject to fluctuations in the exchange rate between the Euro and sterling due to its Continental Europe businesses reporting in Euro. Whilst the Group takes steps to mitigate the impact of fluctuations in the value of the U.S. Dollar, Euro and Turkish Lira to the extent these arrangements prove inadequate or fail, the Group's exposure to fluctuations in exchange rates could harm its business, results of operations and financial condition.

Risks associated with compliance and regulation

Compliance with existing laws and regulations, including in relation to privacy, data protection, and information security, or changes in any such laws and regulations could affect the Group's business.

The Group currently operates in twelve countries, nine of which are member states of the European Union. As a result of the Group's international footprint, it is subject to a wide range of laws and regulations and routinely incurs costs in complying with these laws and regulations. New laws or regulations or changes in existing laws and regulations, particularly those governing the sale of products or in other regulatory areas such as, sanctions, anti-bribery and corruption, data protection, information security, product safety, marketing, labour and employment, tax, competition, unfair trading, consumer credit, health and safety or environmental protection, may conceivably require extensive system and operating changes that may be difficult to implement and could increase its cost of doing business. For example, the Group is subject to those regulations provided under the Modern Slavery Act 2015 as well as to the risk of forced labour and modern slavery in its supply chain. While the Group can monitor its own compliance, there can be no assurances that suppliers, or their labour practices, are fully compliant with the Group's policies and procedures as well as the relevant laws and regulations in which they operate.

Changes in laws and regulations, more stringent enforcement or alternative interpretation of existing laws and regulations in jurisdictions in which the Group currently operates can change the legal and regulatory environment, making compliance with all applicable laws and regulations more challenging. Changes in laws and regulations in the future could have an adverse economic impact on the Group by tightening restrictions, reducing its freedom to do business, increasing its costs of doing business, or reducing its profitability. In addition, the compliance costs associated with such evolving laws and regulations may be significant. Failure to comply with applicable laws or regulations can lead to civil, administrative or criminal penalties, including but not limited to fines or the revocation of permits and licences that may be necessary for its business activities. The Group could also be required to pay damages or be subject to civil judgements in respect of third-party claims.

Any of these developments, alone or in combination, could have a material adverse effect on its business, financial condition, results of operations and prospects.

The Group's operations are subject to health and safety and environmental laws and regulations which could result in material liabilities for the Group

As the Group is involved in the manufacture and assembly of its products, it is subject to applicable laws and regulations with respect to employee health and safety and the protection of the environment in each of the countries in which the Group operates. The cost of compliance with these and similar future laws and regulations could be substantial. A risk of environmental liability is inherent in the Group's current and former production activities. The Group has used and continues to use various substances in its products and manufacturing operations, and have generated and continue to generate wastes, which have been or may be deemed to be hazardous or dangerous. Under certain environmental laws and regulations, the Group could be held solely or jointly and severally responsible, regardless of fault or knowledge, for the remediation of any hazardous substance contamination or other environmental issues at the Group's past and present facilities or at locations to which current or former operations have shipped waste for disposal, and could also be held liable for damages to natural resources and any consequences arising out of human exposure to such substances or other environmental issues. While the Group is not currently aware of any material outstanding environmental claims or obligations in relation to any of its current or former sites, the Group cannot be certain that identification of presently unidentified environmental conditions, more vigorous enforcement by regulatory agencies, enactment of more stringent laws and regulations or other unanticipated events will not arise in the future and give rise to material environmental liabilities or an increase in compliance costs. If the Group's operations, or the operations of its former owners or occupiers of its facilities, have not or do not (now or in the future) comply with all such environmental laws and regulations, the Group could be subject to penalties, fines, restrictions on operations or other sanctions, which could have a material adverse effect on the Group (including by interrupting or suspending its operations).

Changes in law or regulation may reduce the size of the market for the Group's products or, if it is unable to adapt to such changes, its share of those markets

The market for the Group's products has over recent years been largely unaffected by regulatory change as the key decarbonisation initiatives being implemented in the countries in which the Group operates have focused on heat sources as opposed to heat emitters. However, there can be no assurance that changes in law or regulations will not be implemented in the future that could adversely affect the market for the Group's products. The Group may be unable to develop new products which are, or to adapt existing products to be, suitable for any such new requirements, or the Group's competitors may be more successful in doing so. Further, the Group may fail to effectively monitor changes to laws or regulations such that its products become obsolete and could be required to incur significant expenditure as a result of any new laws or regulations (including any new environmental, safety or other laws or regulations). Any such change could have a material adverse effect on the Group's business, prospects, results of operations and financial condition.

The Group could be adversely affected by changes to employment laws

The Group relies on a flexible and low-cost workforce to manage its employment costs, including a significant number of temporary employees and employees paid the minimum wage in the countries where it operates (or remuneration linked to such minimum wage). Changes to certain employment laws, for example granting temporary employees additional protections or rights on termination in the countries in which the Group operates, or an increase in minimum wage, could increase the Group's overall employment costs and reduce its ability to be flexible during periods of declining demand for its products.

The Group is subject to customs and international trade laws that could require it to modify its current business practices and incur increased costs or could result in delay or failure in getting products through customs and port operations.

The Group imports and exports a large number of products as part of its day-to-day business and such imports and exports may be subject to customs and foreign trade regulations and there is no guarantee that it will be able to comply with all of these regulations. In addition, the Group relies on third parties, in particular its suppliers, to make certain import and export customs declarations and therefore only has limited control over such declarations. Any non-compliance with customs or foreign trade regulations could lead to the imposition of fines or result in the Group's products being seized, in which case delivery of its products may be delayed or fail entirely. Further, customs and international trade laws and regulations may change unpredictably, and have done so recently in connection with the COVID-19 pandemic, economic pressures, potential trade wars and Brexit. For example, Brexit has increased regulatory compliance, with the Group being required to comply with both EU and UK standards, which may diverge and cause the Group to incur additional costs in ensuring its compliance with all the regulations applicable to it.

As legal requirements are frequently changed and subject to interpretation, the Group is unable to predict the ultimate cost of compliance with these requirements or their effects on its operations. It may be required to make significant expenditures or modify its business practices to comply with existing or future laws and regulations, which may increase its costs and materially limit its ability to operate its business.

The Group might be subject to fines and follow-on claims for damages in relation to alleged or actual anti-competitive behaviour.

The Group might become the subject of investigations by competition authorities and might be exposed to fines imposed by such authorities and follow-on claims for damages raised against it by third parties. For example, on 20 May 2010, the Belgian Competition Council issued a decision finding that the Group and three other steel panel radiator companies had coordinated their behaviour on the Belgian market by exchanging information relating to their gross wholesale prices during the period from 2003 to mid-2006 in breach of Belgian competition law. A fine of approximately €1.9 million was imposed on the Group as a result of the decision. The Group may in the future be subject to further investigations by competition authorities as a result of the market share that it has in the countries in which it operates, which include, for the year ended 31 December 2020, a 50.2 per cent. market share in the UK, a 33.5 per cent. market share in Belgium, 39.4 per cent. market share in The Netherlands and a 37.5 per cent. market share in Denmark.[1]

The amount of any fines and follow-on claims for damages arising as a result of any future investigations by competition authorities could be substantial and such investigations could reveal actual or potential non-compliance with competition laws. In addition, alleged or actual anti-competitive behaviour might seriously disrupt business relationships with business partners. The realisation of any of these risks relating to the Group's alleged or actual anticompetitive behaviour, alone or in combination, could have a material adverse effect on its business, financial condition and results of operations.

The Group will incur increased costs and regulatory burden as a result of being a listed company.

The Group will incur additional costs as a newly listed company and its management will be required to devote substantial time to new compliance matters. As a newly listed public company, the Group will incur significant legal, accounting and other expenses, including those resulting from public company reporting obligations and compliance with corporate governance related rules, including the admission requirements of the FCA and the London Stock Exchange. There can be no assurance that, in an environment where the Group is subject to greater scrutiny and disclosure requirements, it will be able to manage its operations in the same manner as it has done as a private business and not in a public company environment. In particular, the Group will be subject to increased regulatory obligations as a result of being listed, and senior management, as well as other employees, will need to devote a substantial amount of time to ensure that its business complies with all of these requirements. In addition, the reporting requirements, rules and regulations will increase the Group's legal and financial compliance costs and make some activities more time-consuming and costly, which may have a material adverse effect on its business, financial condition, results of operations and prospects.

Application of existing tax laws, rules or regulations are subject to interpretation by taxing authorities.

The application of the tax laws of the jurisdictions in which the Group operates is subject to interpretation. The taxing authorities of the jurisdictions in which the Group operates may challenge its methodologies, including its transfer pricing, or determine that the manner in which the Group operates its business does not achieve the intended tax consequences, which could increase its effective tax rate and adversely affect its financial position and results of operations.

In the ordinary course of the Group's business, there are transactions and calculations for which the ultimate tax determination is uncertain or otherwise subject to interpretation. Tax authorities in any of the countries in which the Group operates may disagree with its intercompany charges, including the amount of, or basis for, such charges or cross jurisdictional transfer pricing, and assess additional taxes.

---

1 BRG – BRG Market Studies

As the Group operates in a number of different jurisdictions, the application of tax laws of these jurisdictions can be subject to diverging and sometimes conflicting interpretations by tax authorities of these jurisdictions. It is not uncommon for taxing authorities in different countries to have conflicting views, for instance, with respect to, amongst other things, whether a permanent establishment exists in a particular jurisdiction, transfer pricing, or the valuation of intellectual property. For example, if the taxing authority in one country where the Group operates were to reallocate income from another country where it operates, and the taxing authority in the second country did not agree with the reallocation asserted by the first country, the Group could become subject to tax on the same income in both countries. If taxing authorities were to allocate income to a higher tax jurisdiction, subject the Group's revenue to double taxation or assess interest and penalties, it could increase Group's tax liability, which could adversely affect the Group's financial position and results of operations.

Although the Group believes its tax estimates and methodologies are reasonable, taxing authorities have become more aggressive in their interpretation and enforcement of such laws, rules and regulations over time, as governments are increasingly focused on ways to increase revenues. This has contributed to an increase in audit activity and harsher stances by tax authorities. As such, additional taxes or other assessments may be in excess of the Group's current tax reserves or may require the Group to modify its business practices to reduce its exposure to additional taxes going forward, any of which may have a material adverse effect on its business, results of operations and financial condition.

Risks relating to the Offer and the Ordinary Shares

An active or liquid market for the Ordinary Shares may not develop

Prior to the Offer, there has been no public trading market for the Ordinary Shares. Although the Company will apply for admission of the Ordinary Shares to the premium listing segment of the Official List and to trading on the main market for listed securities of the London Stock Exchange, there can be no assurance that an active trading market for the Ordinary Shares will develop, or if developed, can be sustained following the closing of the Offer. If an active trading market is not developed or maintained, the liquidity and trading price of Ordinary Shares could be adversely affected.

The Major Shareholder will retain significant interests in, and will continue to exercise significant influence over the Group following the Offer and its interests may differ from those of the other Shareholders.

As at the date of this document, the Major Shareholder owns 80 per cent. of the Ordinary Shares. Immediately following the Offer and Admission, the Major Shareholder will hold 49.55 per cent. of the Ordinary Shares and voting rights in the Company. As a result, the Major Shareholder will possess sufficient voting power to exercise significant influence over all matters requiring shareholder approval, including the election or removal of directors, the declaration of dividends, whether to accept the terms of a takeover offer and other matters to be determined by the Shareholders. In exercising its voting rights, the Major Shareholder may be motivated by interests that are different from those of other Shareholders.

The Company has entered into a relationship agreement with the Major Shareholder to regulate its relationship following Admission in order to ensure that the Company will be capable of complying with its obligations under the Listing Rules from Admission (the "**Relationship Agreement**"). Notwithstanding the Relationship Agreement, the ownership levels of the Major Shareholder may have the effect of delaying, deferring or preventing a change of control, merger, consolidation, takeover or other business combination or discouraging a potential acquirer from making a tender offer or otherwise attempting to obtain control of the Company, which in turn could have an adverse effect on the trading price of the Ordinary Shares.

The Major Shareholder has retained the right, under the Underwriting Agreement, to enter into margin loan facilities that could encompass the entire shareholding of the Major Shareholder. Should the Major Shareholder enter into a margin loan facility, the security granted by the Major Shareholder in favour of the relevant margin loan lenders could represent all or a significant majority of the Ordinary Shares that the Major Shareholder will hold following Admission. The enforcement, if any, of such a security, in whole or in part, by margin loan lenders will reduce the Major Shareholder’s shareholding in the Company and may result in it ceasing to be a significant shareholder. It may also result in there being new significant shareholders of the Company.

In certain circumstances, the enforcement of a security granted in connection with a margin loan facility in respect of Ordinary Shares which carry 30 per cent. or more of the voting rights of the Company may trigger an obligation on the relevant margin loan lenders to make a mandatory offer for the Ordinary Shares they do not otherwise own. However, the Takeover Panel will not normally require such an offer from a lender enforcing security if sufficient interests in Ordinary Shares are disposed of within a limited period to persons unconnected with the lender, so that the percentage of shares carrying voting rights in which the lender, together with any persons acting in concert with it, is interested is reduced to the percentage held by those persons prior to the triggering acquisition being made. Any such disposal, or the perception that such disposal may occur, may depress the market price of the Ordinary Shares and could impair the Group's ability to raise capital through the issue of new Ordinary Shares.

The price of the Ordinary Shares is subject to volatility

The value of an investment in the Ordinary Shares may decrease or increase abruptly, and such volatility may bear little or no relation to the Group's performance. The price of the Ordinary Shares may fall in response to market appraisal of the Group's strategy or if the Group's results of operations and/or prospects are below the expectations of market analysts or shareholders. In addition, stock markets have, from time to time, experienced significant price and volume fluctuations that have affected the market price of securities, and may, in the future, experience similar fluctuations which may be unrelated to the Group's operating performance and prospects but nevertheless affect the price of the Ordinary Shares. Other factors which may affect the price of the Ordinary Shares include but are not limited to:

- differences between the Group's expected and actual operating performance;
- cyclical fluctuations in the performance of the Group's business;
- announcements by the Group of significant contracts, acquisitions, strategic alliances, joint ventures or capital commitments or speculation, whether or not founded, regarding the same;
- speculation, whether or not well-founded, regarding the intentions of the Group's major shareholders or significant sales of shares by any such Shareholders or short-selling of the Ordinary Shares;
- speculation, whether or not founded, regarding future issues or sales of Ordinary Shares;
- speculation, whether or not-founded, regarding possible changes in the Group's management team;
- the publication of research reports by analysts;
- strategic actions by the Group or its competitors, such as mergers, acquisitions, divestitures, partnerships and restructurings;
- speculation, whether or not well-founded, about the Group's business, about mergers or acquisitions involving the Group and/or major divestments by the Group in the press, media or investment community; and
- general market conditions and regulatory changes.

Any or all of these events could result in material fluctuations in the price of the Ordinary Shares which could lead to investors being unable to recover their original investment.

In addition, potential investors should be aware that no stabilisation will be carried out in connection with the Offer and therefore there may be a greater risk of price volatility during the period immediately following the Offer than would otherwise be the case. Any or all of these factors could result in material adverse fluctuations in the price of the Ordinary Shares, which could lead to Shareholders getting back less than they invested or a total loss of their investment.

The Company's ability to pay dividends in the future depends, among other things, on the Group's financial performance.

There can be no guarantee that the Group's historic performance will be repeated in the future, particularly given the competitive nature of the industry in which it operates, and its sales, profit and cash flow may significantly underperform market expectations. If the Group's cash flow underperforms market expectations, then its capacity to pay a dividend will suffer. Any decision to declare and pay dividends will be made at the discretion of the Directors and will depend on, among other things, applicable law, regulation, restrictions on the payment of dividends in the Group's financing arrangements, the Group's financial position, the Company's distributable reserves, working capital requirements, finance costs, general economic conditions and other factors the Directors deem significant from time to time.

The Company is a holding company with substantially all of its operations conducted through its subsidiaries. Its ability to pay dividends on the Ordinary Shares depends on its ability to obtain dividends and other cash payments or obtain loans from the Group's subsidiaries.

As a matter of English law, the Company can pay dividends only to the extent that it has distributable reserves available. The Company conducts substantially all of its operations through subsidiaries that generate substantially all of the Group's operating income and cash flow. Because the Company has no direct operations or significant assets other than the share capital of its subsidiaries, it relies on those entities for cash flows to create distributable reserves in order to pay dividends, if any, on the Ordinary Shares. The ability of the Company's subsidiaries to make payments to the Company depends largely on their financial condition and ability to generate profits. In addition, because the Company's subsidiaries are separate and distinct legal entities, they will have no obligation to pay dividends or to lend or advance the Company funds and may be restricted from doing so by contract (including financing arrangements), or the applicable laws and regulations of the countries in which they operate. There can therefore be no assurances that the Group's subsidiaries will generate sufficient profits and cash flows to enable the Company to pay dividends or lend or advance to the Company sufficient funds to pay dividends, if any, on the Ordinary Shares.

Substantial future sales of Ordinary Shares, or the perception of such sales, could impact the market price of Ordinary Shares

On Admission, the Selling Shareholders will in aggregate hold 83,150,240 Ordinary Shares, representing 65.29 per cent. of the issued Ordinary Shares. The Company cannot predict what effect, if any, future sales of Ordinary Shares, or the availability of Ordinary Shares for future sale, will have on the market price of Ordinary Shares. Sales of substantial numbers of Ordinary Shares in the public market following the Offer, or the perception or any announcement that such sales could occur, following the expiry of the lock-up arrangements described below, could adversely affect the market price of Ordinary Shares and may make it more difficult for investors to sell their Ordinary Shares at a time and price which they deem appropriate. Such sales may also make it more difficult for the Company to issue equity securities in the future at a time and at a price that it deems appropriate.

The Company, the Major Shareholder, Management and the Directors have agreed to certain lock-up arrangements from the date of this document until 180 days after Admission, in the case of the Company and the Major Shareholder, and from the date of this document until 360 days after Admission, in the case of the Directors and Management. During the periods immediately prior to, and following the end of, the periods of sales restriction provided for by these lock-up arrangements, the market price of the Ordinary Shares may fall in anticipation of a substantial sale of Ordinary Shares. Following the expiry of these lock-up arrangements, there will be no contractual restriction on the sale of the Ordinary Shares owned by the shareholders who were previously subject to them. The Group cannot predict whether a substantial number of Ordinary Shares in addition to those which will be available in the Offer will be sold in the open market following the expiry or waiver of these restrictions. In particular, there can be no assurances that after the restrictions expire, or prior to such time if any such restrictions are waived, such shareholders will not reduce their holdings of the Ordinary Shares.

The Major Shareholder has retained the right, under the Underwriting Agreement, to enter into margin loan facilities following Admission. Should the Major Shareholder decide to enter into any margin loan facility, the security granted by the Major Shareholder in favour of the relevant margin loan lenders could potentially represent all or a significant majority of the Shares that the Major Shareholder will hold following Admission. The terms of any margin loan facility may contain requirements for the Major Shareholder to take steps to restore the margin loan lenders' position if the Ordinary Shares were to decline in value. If there were to be a significant fall in value of the Ordinary Shares, and the Major Shareholder declined to, or was unable to, rectify this, then after any applicable grace period the margin loan lenders would typically be entitled to enforce their security over the Ordinary Shares by disposing of them. If these circumstances were to develop and lead to an enforcement of such security within 180 days of Admission, in whole or in part, by the relevant margin loan lenders, this could result in a substantial number of Ordinary Shares being sold in the open market prior to the expiry of the lock-up arrangements to which the Major Shareholder is subject.

The rights, including the pre-emptive rights, of non-UK holders of Ordinary Shares may be limited or not capable of exercise, which could have a material adverse effect on the Group's business as well as on the liquidity and price of the Ordinary Shares and may dilute the holdings of Shareholders

The Company could undertake future equity issues that could have a material adverse effect on the market price of the Ordinary Shares and may reduce the percentage ownership and voting interests of Shareholders. Moreover, the Company may issue new shares that have rights, preferences or privileges senior to those of the Ordinary Shares.

In the case of certain increases in the Company's share capital, existing holders of the Ordinary Shares generally would be entitled to pre-emption rights pursuant to the Companies Act 2006 unless such rights have been waived by a special resolution of the Shareholders at a general meeting, or, in certain circumstances, pursuant to the Articles of Association. Holders of Ordinary Shares outside the United Kingdom may not be able to exercise their pre-emption rights in respect of Ordinary Shares unless exemptions from any overseas securities law requirements are available and the Company decides to comply with local law and regulations. The Company cannot assure prospective investors that any exemption from such overseas securities law requirements would be available to enable US or other non-UK holders to exercise such pre-emption rights or, if available, that the Company will utilise any such exemption.

The issuance of additional Ordinary Shares in the Company in connection with any future acquisitions, any share incentive or share option plan or otherwise may dilute all other shareholdings.

The Group may seek to raise financing to fund future acquisitions and other growth opportunities, invest in its business, or for general purposes and for these reasons may issue additional equity or convertible equity securities in the medium-term. Any of such additional issuances or top-up may result in the dilution of the percentage ownership of the Group’s existing Shareholders or may materially adversely affect the price of the Ordinary Shares.

Exchange rate fluctuations may impact the value of the Ordinary Shares for those Shareholders whose principal currency is not pound sterling

The Ordinary Shares are, and any dividends to be paid in respect of them will be, denominated in pound sterling. An investment in Ordinary Shares by an investor whose principal currency is not sterling exposes the investor to foreign currency exchange rate risk. Any depreciation of sterling in relation to such foreign currency will reduce the value of the investment in the Ordinary Shares or any dividends in foreign currency terms, and any appreciate of sterling will increase the value in foreign currency terms.

IMPORTANT INFORMATION

General

Investors should only rely on the information in this document. No person has been authorised to give any information or to make any representations in connection with the Offer, other than those contained in this document and, if given or made, such information or representations must not be relied upon as having been authorised by or on behalf of the Group, the Directors, the Selling Shareholders and/or the Sponsor. No representation or warranty, expressed or implied, is made by the Sponsor and/or any selling agent as to the accuracy or completeness of such information, and nothing contained in this document is, or will be relied upon as, a promise or representation by the Sponsor as to the past, present or future. Without prejudice to any obligation of the Company to publish a supplementary prospectus pursuant to Article 23 of the UK Prospectus Regulation, neither the delivery of this document nor any subscription or sale of Ordinary Shares pursuant to the Offer will, under any circumstances, create any implication that there has been no change in the business or affairs of the Company or the Group since the date of this document or that the information contained herein is correct as of any time subsequent to its date.

The Company will update information provided in this document by means of a supplement hereto if a significant new factor that may affect the evaluation by investors of the Offer occurs prior to Admission or if this document contains a material mistake or inaccuracy. This document and any supplement thereto will be subject to approval by the FCA and will be made public in accordance with the Prospectus Regulation Rules. If a supplement to this document is published prior to Admission, investors shall have the right to withdraw their subscriptions for and/or purchases of Ordinary Shares made prior to the publication of such supplement. Such withdrawal must be made within the time limits set out in the supplement (if any) (which shall not be shorter than two clear Business Days after publication of such supplement).

The contents of this document are not to be construed as legal, business, financial and/or tax advice. Each investor should consult its, his or her own lawyer, financial adviser, tax adviser or other advisers for legal, financial, business or other related advice. In making an investment decision, each investor must rely on their own examination, analysis and enquiry of the Company and the terms of the Offer, including the merits and risks involved.

This document is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Company, the Directors, the Selling Shareholders the Sponsor and/or any of their respective representatives and/or affiliates that any recipient(s) of this document should subscribe for the Ordinary Shares. Prior to making any decision as to whether to subscribe for the Ordinary Shares, investors should read this document. Investors should ensure that they read the whole of this document and not just rely on key information or information summarised within it. In making an investment decision, investors must rely upon their own examination of the Company and the terms of this document, including the risks involved.

Investors who subscribe for or purchase Ordinary Shares in the Offer will be deemed to have acknowledged that: (i) they have not relied on the Sponsor and/or any person(s) affiliated with them in connection with any investigation of the accuracy of any information contained in this document or their investment decision; and (ii) they have relied on the information contained in this document, and no person has been authorised to give any information or to make any representation concerning the Company or the Ordinary Shares (other than as contained in this document) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company, the Directors, the Selling Shareholders and/or the Sponsor.

None of the Company, the Directors, the Selling Shareholders and the Sponsor and/or any of their respective representatives and/or affiliates is making any representation to any offeror or subscriber or purchaser of the Ordinary Shares regarding the legality of an investment by such offeror or subscriber or purchaser.

In connection with the Offer, Investec and/or any of its respective representatives and/or affiliates, acting as investors for their own accounts, may subscribe for and/or purchase Ordinary Shares and in that capacity may retain, purchase, sell, offer to sell or otherwise deal for their own accounts in such Ordinary Shares and other securities of the Company or related investments in connection with the Offer or otherwise. Accordingly, references in this document to the Ordinary Shares being issued, offered, subscribed for, acquired, placed or otherwise dealt in should be read as including any issue or offer to, or subscription, acquisition, placing or dealing by, Investec and any of its representatives or affiliates acting as investors for their own accounts. Investec does not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligations to do so. In addition, Investec or its representatives or affiliates may enter into financing arrangements (including swaps or contracts for differences) with investors in connection with which Investec (or its representatives or affiliates) may from time to time acquire, hold or dispose of Ordinary Shares. Investec does not intend to disclose the extent of any such transactions otherwise than in accordance with any legal or regulatory obligations to do so.

Investec is acting exclusively for the Company and the Selling Shareholders and no one else in connection with the Offer and Admission. Investec will not regard any other person (whether or not a recipient of this document) as its respective customer in relation to the Offer and will not be responsible to anyone other than the Company and the Selling Shareholders for providing the protections afforded to its customers or for giving advice in relation to the Offer or any transaction or arrangement referred to herein.

Forward-looking statements

Certain statements contained in this document constitute "forward-looking statements". These forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond the Company's control and all of which are based on the Directors' current beliefs and expectations about future events. In some cases, these forward-looking statements can be identified by the use of forward-looking terminology, including the terms "targets", "believes", "estimates", "plans", "prepares", "anticipates", "expects", "intends", "may", "will" or "should" or, in each case, their negative or other variations or comparable terminology.

Such forward-looking statements are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which the Group will operate in the future. By their nature, such forward-looking statements involve known and unknown risks, uncertainties and other factors because they relate to events and depend on circumstances which may or may not occur in the future. Forward-looking statements are not guarantees of future performance. Actual results, performance or achievements of the Group, or industry results, may be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. In addition, even if the actual performance, results of operations, internal rate of return, financial condition, distributions to Shareholders and the development of its financing strategies are consistent with the forward-looking statements contained in this document, those results or developments may not be indicative of results or developments in subsequent periods.

Key risks, uncertainties and other factors that could cause actual results to differ from those expected are set out more fully in the section of this document headed "*Risk Factors*". Potential investors should specifically and carefully consider these factors, which could cause actual results to differ, before making an investment decision.

Each forward-looking statement speaks only as of the date of the particular statement and is not intended to provide any representation, assurance or guarantee as to future events or results. To the extent required by the UK Prospectus Regulation, the Market Abuse Regulation (Regulation (EU) 596/2014) as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**UK MAR**" or "**UK Market Abuse Regulation**"), the listing rules made by the FCA under part VI of FSMA (as set out in the FCA Handbook) as amended from time to time (the "**Listing Rules**"), the Disclosure Guidance and Transparency Rules and other applicable regulation, the Company will update or revise the information in this document. Otherwise, the Company undertakes no obligation to update or revise any forward-looking statements or other information, and will not publicly release any revisions it may make to any forward-looking statements or other information that may result from events or circumstances arising after the date of this document.

Investors should note that the contents of these paragraphs relating to forward-looking statements are not intended to qualify the statements made as to the sufficiency of working capital in this document.

Presentation of financial information

Historical Financial Information

Unless otherwise indicated, the financial information presented in this document has been derived from the consolidated historical financial information of Stelrad Radiator Group Limited for the three years ended

31 December 2020, 31 December 2019 and 31 December 2018 and the six months ended 30 June 2021 and 30 June 2020 included in *Section B* "*Historical Financial Information*" of *Part VII* "*Historical Financial Information*" of this document which has been prepared in accordance with the requirements of the UK Prospectus Regulation and the Listing Rules and in accordance with UK adopted international accounting standards ("**IFRS**"). The basis of preparation and significant accounting policies are set out within Note 2 of the Group's consolidated historical financial information in *Section B* "*Historical Financial Information*" of *Part VII* "*Historical Financial Information*". The Company was recently incorporated and, as at the date of this document, has no historical operations of its own. Therefore, this document does not present any standalone, unconsolidated financial information for the Company. Furthermore, Noosa Holdings Jersey Limited (which is registered in Jersey) does not carry out any material operations or activities, and therefore there is no material information to be provided to investors with respect to Noosa Holdings Jersey Limited in this document.

The historical financial information of the Group included in *Section B* "*Historical Financial Information*" of *Part VII* "*Historical Financial Information*" is covered by the accountants' report from PwC included in *Section A* "*Accountants' Report on the Historical Financial Information*", which was prepared in accordance with the Standards for Investment Reporting issued by the Financial Reporting Council in the UK (the "**FRC**").

None of the historical financial information used in this document has been audited in accordance with auditing standards generally accepted in the United States of America ("**US GAAS**") or auditing standards of the Public Company Accounting Oversight Board (United States) ("**PCAOB**"). In addition, there could be other differences between the auditing standards issued by the FRC in the United Kingdom and those required by US GAAS or the auditing standards of the PCAOB. Potential investors should consult their own professional advisers to gain an understanding of the historical financial information in *Part VII* "*Historical Financial Information*" and the implications of differences between the auditing standards noted herein.

The financial information relating to the Group contained in this document does not constitute statutory accounts within the meaning of section 434(3) of the Companies Act.

Results for the twelve months ended 30 June 2021

The Group's unaudited financial information for the twelve months ended 30 June 2021 included in *Part VI* "*Operating and Financial Review*" has been calculated by adding the Group's audited financial information for the six months ended 30 June 2021 to the unaudited financial information representing the second half of the Group’s audited financial information for the year ended 31 December 2020 which has been extracted from the Group’s audited financial information for the year ended 31 December 2020.

The second half of the Group's audited financial information for the year ended 31 December 2020 is the period from 1 July to 31 December 2020 and is calculated based on average exchange rates between the currencies set out below and Sterling during the twelve months ended 31 December 2020. The Group's unaudited financial information for the six months ended 30 June 2020 is calculated based on the average exchange rates during that six month period but the Group's financial information for the six months ended 30 June 2020 is stated using the average exchange rates for the twelve months ended 31 December 2020 (rather than the six months ended 30 June 2020) when reflected in the Group’s audited financial information for the year ended 31 December 2020.

The average exchange rates against Sterling used in the preparation of the Group's audited historical financial information for the years ended 31 December 2020, 31 December 2019 and 31 December 2018 and the six months ended 30 June 2021, the Group's unaudited financial information for the six months ended 30 June 2020 and the Group's unaudited financial information for the twelve months ended 30 June 2021 respectively were:

	Six months ended 30 June		**Year ended 31 December**		
	2021	**2020**	**2020**	**2019**	**2018**
Euros	1.1501	1.1465	1.1308	1.1423	1.1292
Turkish Lira	11.0719	8,2352	9.0817	7.2391	6.3451
Polish Zlotty	5.2236	5.0540	5.0314	4.9056	4.8124
Czech Krone	29.7963	30.1276	29.8703	29.3281	28.9840
Danish Krone	8.5544	8.5578	8.4307	8.5284	8.4151
Chinese Yuan	8.9735	8.9366	8.9300	8.8299	8.8176

Pro Forma Financial Information

In this document, any reference to "pro forma" financial information is to information which has been extracted without material adjustment from the unaudited pro forma financial information contained in *Part VIII* "*Unaudited Pro Forma Financial Information*" of this document. The unaudited pro forma statement of net assets has been prepared for illustrative purposes only in accordance with Annex 20 of the Prospectus Delegated Regulation and should be read in conjunction with the notes set out in *Part VIII* "*Unaudited Pro Forma Financial Information*" of this document. Because of its nature, the unaudited pro forma statement of net assets addresses a hypothetical situation and therefore may not give a true picture of the Group's financial position or results as of 30 June 2021 nor is it indicative of the results that may or may not be expected to be achieved in the future.

Alternative Performance Measures

The Group utilises a range of alternative performance measures ("**APMs**") to assess its performance – see the below, *Part V* "*Selected Financial Information*" and *Part VI* "*Operating and Financial Review*" for details.

EBITDA

EBITDA is profit after tax after adding back interest, taxation, depreciation, amortisation and foreign exchange differences.

The following table shows how EBITDA is reconciled to the operating profit number in the Group's income statement:

EBITDA by geographical market	**Twelve months ended 30 June**	**Six months ended 30 June**		**Year ended 31 December**		
	2021	**2021**	**2020**	**2020**	**2019**	**2018**
	(unaudited)		*(unaudited)*			
			(£) 000			
UK and Ireland	20,115	11,753	3,636	11,821	8,717	6,940
Europe	17,013	8,879	6,270	14,230	10,699	8,110
Turkey and international	2,802	1,611	366	1,527	1,992	3,297
Corporate costs	(4,185)	(1,690)	(1,540)	(4,034)	(4,219)	(2,916)
EBITDA	**35,745**	**20,553**	**8,732**	**23,544**	**17,189**	**15,431**
Exceptional costs	(1,446)	(1,446)	-	-	-	-
EBITDA post Exceptional items	**34,299**	**19,107**	**8,732**	**23,544**	**17,189**	**15,431**
Depreciation	(7,940)	(3,784)	(3,795)	(7,921)	(7,443)	(5,106)
Negative goodwill amortisation	-	-	-	-	-	89
Foreign exchange differences	5,632	2,593	953	3,901	1,990	(2,177)
Operating profit	**31,991**	**17,916**	**5,890**	**19,524**	**11,736**	**8,237**

EBITDA Margin %

EBITDA as a percentage of total revenue

Total Radiator volumes sold (000 units)

The sales volumes of Radiators across all geographical segments in the reporting period.

Total Premium panel radiator volumes sold (000 units)

The sales volumes of premium panel radiators sold across all geographical segments in the reporting period. Premium panel radiators include vertical radiators and are differentiated from standard steel panel radiators by their design.

Contribution per Radiator (£)

Contribution per radiator is (a) the total 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; divided by (b) total Radiator volumes sold.

Cash Flow from Operations Conversion %

Cash Flow from Operations Conversion % is: (a) Net cash flows from operating activities before income tax paid and interest received, divided by (b) EBITDA plus or minus foreign exchange differences.

Free cash flow

Free Cash Flow is net cash flows from operating activities less net cash flows used in investing activities less the payment of lease liabilities.

Return on Capital Employed %

Return on Capital Employed % is: (a) EBITDA less depreciation and amortisation; divided by (b) Business capital employed. Business capital employed being the sum of property, plant and equipment, trade and other receivables, inventories, other current financial assets, provisions, net employees defined benefit liabilities, trade and other payables and other current financial liabilities.

The APMs used in this document should not be considered superior to, or a substitute for, measures calculated in accordance with IFRS. Readers should not consider these APMs in isolation, but in conjunction with measures calculated in accordance with IFRS. APMs reported by the Group may not be comparable to similarly titled measures reported by other companies as those companies may define and calculated such measures differently from the Group.

The APMs alone do not provide a sufficient basis to compare the Group's performance with that of other companies and should not be considered in isolation or as a substitute for revenue or any other measure as an indicator of operating performance or as an alternative to cash generated from operating activities as a measure of liquidity. In addition, these measures should not be used instead of, or considered as an alternative to, the Group's historical financial results.

The Group's presentation of the APMs should not be construed as an implication that its future results will be unaffected by non-recurring items. The Group encourages you to evaluate these items and the limitations for purposes of analysis in excluding them.

Market, Economic and Industry Data

This document contains historical market data and forecasts which have been obtained from industry publications, market research and other publicly available information. Certain information regarding market size, market share, market position, growth rates and other industry data pertaining to the Group and its business contained in this document consists of estimates based on data compiled by professional organisations and on data from other external sources, including publications, data compiled and independent market research carried out by CIL Management Consultants ("**CIL**") and BRG Building Solutions, carrying on business as BRG Enterprises Solutions LTD ("**BRG**").

Industry publications and market research generally state that the information they contain has been obtained from sources believed to be reliable but that the accuracy and completeness of such information is not guaranteed and that the projections they contain are based on a number of significant assumptions.

The Company does not intend, and does not assume any obligation, to update industry or market data set forth in this document. Because market behaviour, preferences and trends are subject to change, prospective investors should be aware that market and industry information in this document and estimates based on any data therein may not be reliable indicators of future market performance or the Group's future results of operations.

Certain market and industry data and estimates contained in this document have been extracted from the following market studies prepared by BRG a specialist research consultancy: "European Radiators Option (31 Countries)" and "China Radiators Option 2021" (together the "**BRG Market Studies**"). The Group purchased this data on from BRG. The relevant data is not confidential and is available for purchase by third parties. BRG has no material interest in the Company. BRG's work is research-based and therefore extracts from the BRG Market Studies included in this document may include estimates and forward-looking statements which, by their nature, are not statements of fact.

In addition, CIL, an independent and international strategy consulting firm whose address is 30 King Street, London EC2V 8EH, has prepared, at the request of the Company for the purpose of this document, information on the market and industry (the "**CIL Report**"). CIL has no material interest in the Company.

The Company confirms that all the information contained in this document which has been extracted from third-party sources has been accurately reproduced and, so far as the Company is aware and able to ascertain from information published by that third party, no facts have been omitted that would render the reproduced information inaccurate or misleading. Where third-party information has been used in this document, the source of such information has been identified.

Currency presentation

Unless otherwise indicated, all references in this document to "**GB Pounds**", "**pounds**", "**pound sterling**", "**sterling**", "**£**","**pence**" or "**p**" are to the lawful currency of the United Kingdom, all references in this document to "**US$**", "**$**" or "**US dollars**" are to the lawful currency of the United States of America, all references to "**Turkish Lira**" or "**TL**" are to the lawful currency of the Republic of Turkey and all references to "**Polish Zlotty**" is to the lawful currency of Poland and all references to "**EUR**", "**euro**", "**Euro**" or "**€**" are to the single currency introduced at the start of the third stage of the European Economic and Monetary Union pursuant to the Treaty on the functioning of the European Community, as amended from time to time.

Rounding

Certain figures contained in this document, including financial and numerical information, have been subject to rounding adjustments. Accordingly, in certain instances, the sum of the numbers in a column or a row in tables contained in this document or incorporated into this document by reference may not conform exactly to the total figure given for that column or row.

EXPECTED TIMETABLE FOR THE OFFER

Each of the following times and dates in the table below is indicative only and subject to change without further notice. All references to times in this document are to London times unless otherwise stated.

Announcement of the results of and notification of allocations of Ordinary Shares in the Offer	7.00 a.m. on 5 November 2021
Publication of this document	5 November 2021
Commencement of conditional dealings in Ordinary Shares on the London Stock Exchange[1]	5 November 2021
Admission and commencement of unconditional dealings in Ordinary Shares on the London Stock Exchange	8.00 a.m. on 10 November 2021
CREST accounts credited with uncertificated Ordinary Shares	8.00 a.m. on 10 November 2021
Dispatch of definitive share certificates, where applicable, for Ordinary Shares in certificated form	by 17 November 2021

(1) If Admission does not occur, all conditional dealings will be of no effect and any such dealings will be at the sole risk of the parties concerned.

OFFER STATISTICS

The Offer statistics in this document are subject to change at the determination of the Company and the Sponsor.

Offer Price (per Ordinary Share)	215 pence
Number of Ordinary Shares (11,627,907 New Shares and 32,558,130 Sale Shares) included in the Offer	44,186,037
Number of Ordinary Shares in the Offer as a percentage of total number of Ordinary Shares in existence immediately after Admission	34.70%
Estimated net proceeds of the Offer receivable by the Company[(1)]	£18.1 million
Estimated net proceeds of the Offer receivable by the Selling Shareholders[(2)]	£67.6 million
Number of Ordinary Shares in issue immediately following Admission	127,352,555
Market capitalisation of the Company at the Offer Price	£274 million

Note:

(1) The estimated net proceeds receivable by the Company are stated after the deduction of underwriting commissions (including the maximum amount of any discretionary commission) and other costs and expenses of, and incidental to, Admission and the Offer payable by the Company, expected to be approximately £6.9 million (including VAT). The Company will not receive any of the proceeds from the sale of the Sale Shares in the Offer.

(2) The estimated net proceeds receivable by the Selling Shareholders are stated after the deduction of underwriting commissions (including the maximum amount of any discretionary commission) and amounts in respect of stamp duty or SDRT payable by the Selling Shareholders in connection with the Offer, expected to be approximately £2.4 million (including VAT).

DIRECTORS, COMPANY SECRETARY, REGISTERED OFFICE AND ADVISERS

Directors	Robert Ellis, Chair Trevor Harvey, Chief Executive Officer George Letham, Chief Financial Officer Edmund Lazarus, Non-Executive Director Nicholas Armstrong, Non-Executive Director Terry Miller O.B.E, Senior Independent Non-Executive Director Nicola Bruce, Independent Non-Executive Director Martin Payne, Independent Non-Executive Director
Company Secretary	Computershare Investor Services PLC The Pavilions Bridgwater Road Bristol BS99 6ZZ
Registered Office	69-75 Side Newcastle Upon Tyne Tyne And Wear NE1 3JE United Kingdom
Sponsor, Sole Global Co-ordinator and Sole Bookrunner	Investec Bank plc 30 Gresham Street London EC2V 7QP United Kingdom
Legal Adviser to the Company as to English law.	Clifford Chance LLP 10 Upper Bank Street London E14 5JJ United Kingdom
Legal Adviser to Investec as to English law	Norton Rose Fulbright LLP 3 More London Riverside London SE1 2AQ United Kingdom
Auditors..	PricewaterhouseCoopers LLP Central Square South Orchard Street Newcastle upon Tyne NE1 3AZ United Kingdom
Reporting Accountant...	PricewaterhouseCoopers LLP Central Square South Orchard Street Newcastle upon Tyne NE1 3AZ United Kingdom
Registrars..	Computershare Investor Services PLC The Pavilions Bridgwater Road Bristol BS99 6ZZ

PART I
INDUSTRY

Industry Overview

Residential Radiator Overview

The market for European residential radiators can be broadly segmented into Hydronic and Electric systems, with Hydronic systems accounting for 80.3 per cent. of the market for 2020 with approximately 310 million homes with central heating.[2]

Hydronic radiators are compatible with any heat source using water as the medium for energy transmission, making them suitable for systems fuelled either by traditional fossil fuel boilers or by air and ground source heat pumps, including those powered by zero carbon electricity. Due to the currently high relative cost of electricity, electric radiators are typically used in applications where gas boilers cannot be fitted for reasons of installation cost or building safety, or in countries with low carbon electricity programmes, notably France.

The European Hydronic radiator market of 48 million units in 2020 can be broken down into four key product categories: steel panel radiators (59 per cent. of sales volumes); towel warmers (13 per cent.); decorative steel tubular ("**DST**") and other steel radiators (4 per cent.)[3]; and other radiators, including aluminium (24 per cent.). Typically, steel panel radiators are more cost efficient than other hydronic radiators and are the dominant type in most European countries.

Broadly, the demand for hydronic radiators is driven by the replacement cycle in the private RMI sector and by new build housing installations. New build demand is typically characterised by buyer specification, which is also a driver in other channels such as social housing and commercial. In 2020, the replacement and first-time installation sectors accounted for 60 per cent. of the European steel panel radiator market, with residential new build accounting for 31 per cent. and the commercial sector accounting for 9 per cent., with 28 million steel panel radiators being sold.[4]

Product overview

Steel Panel Radiators

Steel panel radiators are suitable for both residential and commercial use, and are the most popular choice amongst consumers in the hydronic heat emission market. Broadly speaking, there are two distinct types of steel panel radiators: standard steel panel radiators and premium steel panel radiators, which are differentiated by design.

The estimated market value of standard steel panel radiators for the Group's Core Geographies (as defined below) fell by 6 per cent. from 2019 to 2020, however is forecast to remain flat from 2020 to 2024. Meanwhile, the estimated market value of premium steel radiators for the Group's Core Geographies rose by 6 per cent. from 2019 to 2020, and is forecasted to increase by 8 per cent. from 2020 to 2024 assuming stable underlying macro-economic conditions.[5]

The Group offers both a 'standard' range and a 'premium' range within its portfolio.

Towel Warmers

Towel warmers aim to heat the bathroom, as well as towels.

Once considered a luxury, heated towel radiators are widely considered to now be common-place in most European bathrooms.

---

[2] BRG - BRG Market Studies; SH&WH Park 2021

[3] BRG - BRG Market Studies

[4] BRG – BRG Market Studies

[5] CIL Management Consultants – CIL Report

Although decreasing by an estimated 11 per cent. from 2019 to 2020, the estimated market value of towel warmers for the Group's Core Geographies is expected to increase by 6 per cent. from 2020 to 2024.[6]

DST and Other Steel Radiators

DST and other steel radiators are mainly used for commercial applications in buildings such as hotels or offices.

Decorative radiators are becoming increasingly more affordable and consumer awareness is increasing, driving momentum in the high end residential sector.

Although falling by an estimated 7 per cent. from 2019 to 2020, the estimated market value of decorative steel tubular and other steel radiators for the Group's Core Geographies is forecast to rise by 3 per cent. from 2020 to 2024.[7]

Other radiators, including aluminium

This product category largely consists of aluminium radiators, but also includes other types of radiators such as cast iron types, convector radiators, electric convector radiators, and oil filled radiators. Aluminium radiators are able to sustain the high water heat and pressures required in some countries' collective heating systems.

Geographical overview

The Group operates across six core geographies: UK, Benelux, Germany, France, Turkey and Poland (the "**Core Geographies**").

Collectively, the total addressable market across these geographies has an estimated value of £1,100 million, and equates to approximately 24.4 million radiators.[8]

Across these Core Geographies, Germany currently commands the highest market value of £342 million, followed by the UK which has a market value of £246 million. At £95 million, France represents the lowest market value across the Group's Core Geographies.[9]

Despite being only the fourth largest across the Core Geographies by value[10], the Turkish market represents the Group's largest by volume of radiators, accounting for an estimated 26 per cent. of the total across the Core Geographies, however market volumes are anticipated to fall by 5 per cent. from 2020 to 2024.[11] The UK is currently largely in-line with Turkey by way of volumes and, supported by an anticipated rise in new housing, these volumes are expected to rise by 2 per cent. from 2020 to 2024.[12] Overall, estimated market value across these geographies is expected to increase by 3 per cent. from 2020 to 2024.[13]

Figure 1: Stelrad estimated market value and volume overview[14, 15]

Geography	UK	Benelux	Germany	France	Turkey	Poland
2020 Market Value (£m)	246	122	342	95	144	149
2017 - 19 market value CAGR	5%	(1%)	2%	4%	(15%)	2%

6 CIL Management Consultants – CIL Report

7 CIL Management Consultants – CIL Report

8 CIL Management Consultants – CIL Report

9 CIL Management Consultants – CIL Report

10 CIL Management Consultants – CIL Report

11 CIL Management Consultants – CIL Report

12 CIL Management Consultants – CIL Report

13 CIL Management Consultants – CIL Report

14 CIL Management Consultants – CIL Report

15 CIL Management Consultants – CIL Report

Geography	UK	Benelux	Germany	France	Turkey	Poland
2020 - 24 market value CAGR	6%	1%	2%	5%	(2%)	3%
Stelrad volume market share	42%	31%	4%	15%	6%	5%
2020 volume (m)	6.3	1.5	4.6	2.0	6.4	3.7
2017 – 19 volume CAGR	0%	(3%)	(2%)	1%	(18%)	(2%)
2020 – 24 volume CAGR	2%	(1%)	(3%)	2%	(5%)	(3%)
Average market price per radiator	£39	£80	£75	£48	£23	£41

United Kingdom

The UK market for radiators is high-volume and relatively mature, with a lower average price per radiator driven by primarily by under-penetration of premium panel radiators. The Group is the leading manufacturer of steel panel radiators in the UK, and uses its market position to drive sales of more premium products, leveraging its experience from continental Europe where penetration of premium panel products is higher.

An estimated 67 per cent. of the market value is attributable to the residential replacement end-user market, with standard steel panel radiators accounting for approximately £88 million (53 per cent.) of the UK's residential replacement radiator market's value.[16] Following a decrease in new-housing related volumes in 2020 as a result of COVID-19, 2021 new-housing related volumes are estimated to return to levels similar to 2019.[17] Conversely, replacement radiator volumes are expected to fall by 1 per cent. between 2020 and 2024[18], with a general increase in the lifespan of radiators leading to a longer replacement cycle in this end-user segment.

However, looking forward, it is forecasted that the estimated market value for higher-value products will increase in the UK radiator market, with decorative and other steel radiator volumes expected to rise by 3 per cent. from 2020 to 2024, and premium steel panel radiator volumes forecasted to increase by 10 per cent. over the same period.[19] The Group is well positioned to benefit from this shift towards higher margin products through capitalising on its market leading position and extensive portfolio of premium panel radiators.

Benelux

As is also the case with the UK, estimated volumes within the replacement end-user segment are anticipated to fall from 2020 to 2024, however the Benelux contraction is forecasted to be at 3 per cent as opposed to 1 per cent.[20]

Penetration of premium panel radiators is significantly higher in this market than in the UK. Many merchants (particularly in Belgium) have their own showrooms, showing end-users the difference between premium and standard products. This drives a high proportion of premium sales, with premium steel panel radiators accounting for an estimated 27 per cent. of market value across the replacement segment.[21] Additionally, decorative and other steel radiators account for a further 23 per cent.[22] of market value across the replacement segment.

Germany

The German market is also mature, however the non-housing segment represents the largest proportion of market value across all of the core regions, estimated at 22 per cent.[23] Across this end-user group, roughly 37 per cent. of market value is attributable to DST and other steel radiators, whilst an estimated 32 per cent.

---

16 CIL Management Consultants - CIL Report

17 CIL Management Consultants - CIL Report

18 CIL Management Consultants - CIL Report

19 CIL Management Consultants – CIL Report

20 CIL Management Consultants – CIL Report

21 CIL Management Consultants – CIL Report

22 CIL Management Consultants – CIL Report

23 CIL Management Consultants – CIL Report

is made up of Steel radiators, across both the standard and premium categories. Germany also has a notable replacement segment, which makes up roughly 66 per cent. of total market value.[24] The replacement cycle in this segment is underpinned by government incentives to improve energy efficiency that drive a focus on renovation and optimisation, often leading to radiator replacement ahead of obsolescence.

All in all, German radiator volumes are expected to decline at a rate of 3 per cent. per year from 2020 to 2024.[25] However, similar to the UK, volumes across the premium steel panel radiator sub-set are expected to see a rise of 5 per cent. over this period.[26]

The German radiator market is relatively fragmented at a manufacturer and brand level. The Group has yet to gain a major share of this market.

France

Limited by its relatively high use of electric radiators due to its use of nuclear energy generation, the French hydronic radiator market is currently the smallest by value across all Core Geographies. Approximately 60 per cent. of the French market's value is attributable to the new residential housing segment, and within this segment, premium steel panel radiators together with decorative steel radiators account for 42 per cent. of market value.[27] Premium steel panel radiators are expected to drive the estimated 2 per cent. increase in total volumes sold from 2020 to 2024, and are anticipated to rise by an estimated 11 per cent.[28]

The replacement segment makes up approximately 31 per cent. of the total French market value, and decorative steel radiators are the most prevalent product type within this group; making up roughly 38 per cent. of market value.[29] Volumes within the replacement segment are expected to grow by 3 per cent. from 2020 to 2024.[30] There is also anticipated growth of 4 per cent. from the non-housing segment.[31]

Turkey

The Turkish market is highly opportunistic and competitive, with the lowest average price per radiator in the Group's Core Geographies.[32] It should be noted that the volume data from the Turkish market is of lower quality than other Core Geographies.[33] As a result, profitability is low and the Group has deprioritised sales here, although Çorlu remains a key manufacturing site and provides the Group with a significant competitive advantage.

Relative to the mature UK market, there is a higher proportion of large housing construction projects and first-time installations, often where houses previously only had a stove but now have been added to the natural gas network. Consequently, first-time radiator installations account for 45 per cent. of Turkish radiator market value[34]; and volumes within this segment rose by approximately 68 per cent. from 2019 to 2020.[35] Looking forward however, volume sales within this segment are estimated to fall by 12 per cent.

---

[24] CIL Management Consultants – CIL Report

[25] CIL Management Consultants – CIL Report

[26] CIL Management Consultants – CIL Report

[27] CIL Management Consultants – CIL Report

[28] CIL Management Consultants – CIL Report

[29] CIL Management Consultants – CIL Report

[30] CIL Management Consultants – CIL Report

[31] CIL Management Consultants – CIL Report

[32] Company estimate

[33] CIL Management Consultants – CIL Report

[34] CIL Management Consultants – CIL Report

[35] CIL Management Consultants – CIL Report

from 2020 to 2024.[36] A further estimated 32 per cent. of market value is attributable to the new housing segment, and volumes within this segment are anticipated to rise by 3 per cent. from 2020 the 2024.[37]

Poland

District heating is a prominent feature in Eastern European markets, where one heating source is used to heat a group of properties. District heating connects approximately 40 per cent. of Polish properties, though this proportion is falling. Aluminium radiators are typically used in district heating, due to their ability to sustain the high water heat and pressure involved. Polish new build volumes are high, with the new housing segment representing 30 per cent. of market value.[38]

Polish radiator volumes are estimated to decline by 3 per cent. from 2020 to 2024.[39] It is however anticipated that market value will increase as premium steel panel radiator volumes and decorative and other steel radiator volumes are estimated to increase by 4 per cent. and 1 per cent. respectively.[40]

Market Drivers

Decarbonisation

European countries have been progressive in advancing the decarbonisation agenda through strong regulation and policies, with UK and European markets targeting net zero carbon emissions by 2050 with a 55 per cent. reduction from 1990 levels by the end of 2030.[41] This has clear implications for heat source technologies and a corresponding effect on the heat emitter market.

Heat sources

Decarbonisation regulation will result in growth in alternative heat sources to gas boilers in new construction. France is seeking to ban gas boilers in new builds from 2021, with the UK set to follow as early as 2023[42], and there is a wide range of similar legislations across Western Europe. In the medium term, heat pumps or alternative boiler types (e.g. hydrogen or electric) appear to be the most promising substitute technologies.

Whilst adoption of heat pumps remains relatively nascent, market share is expected to continue to increase, particularly across new build market.

Heat emitters

In the longer term, there is some uncertainty over heat emitter choice in new build, but the large replacement market for steel panel radiators is expected to sustain current demand trends for the foreseeable future.

Transforming the current radiator estate is inherently difficult and slow moving due to the size of the installed base and the difficulty of retrofitting. There is therefore likely to be a place for hydronic systems in the long-term, particularly amongst the replacement segment.

In both new construction and replacement markets, larger surface area radiators are better suited to lower temperature systems and will work as part of a system that uses lower carbon heating technologies, including heat pumps.

Whilst in theory the trend to heat pumps complements the installation of underfloor heating, its penetration is expected to be limited in key markets, notably the UK. Underfloor heating remains expensive relative to

---

[36] CIL Management Consultants – CIL Report

[37] CIL Management Consultants – CIL Report

[38] CIL Management Consultants – CIL Report

[39] CIL Management Consultants – CIL Report

[40] CIL Management Consultants – CIL Report

[41] https://www.bbc.co.uk/news/world-europe-56828383

[42] CIL Management Consultants – CIL Report

radiators and is challenging to both retrofit and to fit on floors other than ground level. Heat pumps also benefit emerging technologies such as hydronic convectors, which are also expected to play a part in certain geographies.

Electric radiators are also an alternative to hydronic radiators but are more expensive to install and run relative to steel panel radiators. The following table set outs a comparison between steel panel radiators, hydronic underfloor heating and electric radiators across Europe:

	STEEL PANEL	**HYDRONIC UNDERFLOOR**	**ELECTRIC RADIATORS**
Level of adoption	**High** Common in all countries and across Replacement and new build markets	**Low** Growing steadily Western Europe, orientated towards high value new build	**Low/moderate** Country specific and used where fossil fuel systems are impractical
Advantages	• Easy to install • Low cost • Proven technology – long life • Compatible with all hydronic heating systems • Fast response time • Fully recyclable	• Aesthetically unobtrusive • Compatible with all hydronic heating systems • Large surface area facilities low system temperatures and running costs	• Easy to install with no hydronic connection needed • Fast response time • Suitable for off grid dwellings
Disadvantages	x Physically large / heavy x Larger sizes needed for low temperature systems	x Complex to install and particularly difficult to retrofit x Suited primarily to hard floors, often limited to ground floors x Slow response time x Higher system cost x Made from plastic	x High running costs x Noise from convector types x Aesthetically uninspiring x Alternate solution needed for heating water
Installation[43]	**£660**	**£6,000**	**£1,050**
Running costs[44]	**£460**	**£460**	**£1,600**
Annual costs[45]	**£820**	**£960**	**£1,750**

The Group has been a leading brand across the European residential heating market for over a decade.[46] Merchants, specifiers and installers all have loyalty to the Stelrad brand and should there be a genuine step change in heat emitter preference in the medium term, the Directors expect the Group will be well positioned to benefit from movement into relevant product adjacencies or extensions.

Decarbonisation by Geography

United Kingdom

Decarbonisation has had little effect on the UK radiator market to date.[47]

---

43 Company estimate

44 Company estimate

45 Management assumes air source heat pump systems for Steel Panel & Hydronic Underfloor heat emitters, 40 year heat emitter and 20 year heat source lifespan

46 CIL Management Consultants – CIL Report

47 CIL Management Consultants – CIL Report

As part of the UK Government's move to achieve net zero by 2030 it will introduce a Future Homes Standard from 2023.[48] This will target a 75-80 per cent. reduction in carbon emissions from new build homes relative to current building regulations.[49] A key pillar of the standard is the requirement for new build homes to be fitted with improved insulation and low carbon heating, including a ban on gas boilers in new homes. Radiators can continue to be used with alternative heat generators (e.g. heat pumps) but could lose some modest share to underfloor heating. Larger radiators may become increasingly common due to lower system temperatures. Retrofitting existing housing stock with alternative heat emitters will be costly, difficult and slow. As replacement represents the largest radiator market segment, the Directors believe that there will be minimal short term impact on radiator demand and that the drive to decarbonise UK housing should provide a long term tailwind for the Group.

France

France has a target of 38 per cent. of heating to come from renewable sources by 2030.[50] Decarbonisation policy in the country has involved significant changes to taxes on energy and other financial incentives, Regulation has also banned gas in new builds from 2021.[51]

Germany

Germany is increasingly moving towards heat pumps for new buildings as a result of energy performance building regulations and financial incentives. In 2016, heat pumps were installed in 23 per cent. of new dwellings.[52] Regulation states that it is mandatory to replace all fossil fuel heating systems that are over 30 years old, however, there is no competitively priced renewable replacement option and hence it is expected that most will be replaced with gas or oil boilers which are both suitable for use with radiators. As in other geographies, the radiator replacement market is expected to be more resilient than new housing.

Poland

As with other EU countries, decarbonisation in Poland is partly driven by the EU's Energy Performance of Buildings Directive (which mainly affects new build construction).

Benelux

The Netherlands is the only EU country with a more comprehensive gas grid than the UK. Its long term goal is to eliminate fossil fuel heating by 2050.[53] Shorter-term goals include: since July 2018, no new builds granted planning permission to have gas heating and 1.5 million (of 7.9 million) existing houses to have 'sustainable heating' by 2030.[54] In Belgium, decarbonisation is less advanced (with a new build gas ban introduced in 2021).[55] This contributes to a higher number of radiators per household vs. the Netherlands (both have radiator volumes of approximately 0.8 million in 2020 but Belgium has 5.5 million dwellings and the Netherlands has 7.9 million).[56]

Turkey

Turkey is the only G20 country not to have ratified the Paris Agreement, with decarbonisation a relatively low government priority to date (though this may change). The recent expansion of its gas network has

48 CIL Management Consultants – CIL Report

49 UK government consultation, "*The Future Homes Standard 2019 Consultation on changes to Part L (Conservation of fuel and power) and Part F (ventilation) of the Buildings Regulations for new dwellings*" Ministry of Housing, Communities & Local Government, October 2019

50 CIL Management Consultants – CIL Report

51 CIL Management Consultants – CIL Report

52 CIL Management Consultants – CIL Report

53 CIL Management Consultants – CIL Report

54 CIL Management Consultants – CIL Report

55 CIL Management Consultants – CIL Report

56 CIL Management Consultants – CIL Report

helped drive demand for radiators, as dwellings were converted from solid fuel heaters to boilers and hydronic systems.[57]

European Union

The Energy Performance of Buildings Directive is the EU's main instrument to improve building energy performance. It includes a requirement that all new buildings be 'nearly zero-energy' from 2021. However, interpretation varies by country.[58]

*Growth in housing repair, maintenance and improvement ("**RMI**") activity*

Demand for steel panel radiators within the construction sector is primarily driven by demand for first-time installations and replacements, with these two end-user segments accounting for 60 per cent. of 2020 European steel panel radiators market volume.[59]

The European Residential RMI construction growth outlook stands at approximately 2 to 3 per cent. per year to 2023.[60] RMI spending in Europe, which totalled £0.5 trillion in 2019, exceeded 50 per cent. of total residential construction spending in Europe in 2019[61], and is forecast to continue growing in the next three years. The ageing housing stock in Europe (average dwelling age in excess of thirty years) is driving a continue requirement to upgrade and repair residential radiators, whilst increasing disposable incomes has led to an increase in home improvement spend and is supporting the shift towards higher value, premium radiators.

Following the 2007/08 financial crisis, hydronic radiator volumes remained broadly flat across Europe between 2009-19, with steel panel and towel rail volumes growing by 0.2 per cent. and 1.2 per cent. per year respectively, suggesting that the factors driving replacement are non-cyclical, and that the market is arguably beginning to demonstrate stability.[62]

Growth in new housing

Residential new build growth in the Group's Core Geographies is forecast to rise by approximately 3 per cent. per year to 2023[63], with construction activity rising following a general increase in population, economic growth and low interest rates. Across most of the Group's Core Geographies, there has been growth in house building over recent years. The UK, the Group's largest market, has seen growth of approximately 7 per cent. from 2013 to 2019.[64] New housing related radiators represented approximately 19 per cent. of the volumes within the UK radiator market in 2020.[65] Stelrad's embedded relationships with UK new build specifiers means the Group is well positioned to derive continued benefit from growth in new housing. Elsewhere, the Netherlands and Germany have seen growth of 6 per cent. and 5 per cent. over the same period.[66]

Maintained momentum in house building will support growth prospects in the new housing segment of radiators.

[57] CIL Management Consultants – CIL Report

[58] CIL Management Consultants – CIL Report

[59] BRG – BRG Market Studies

[60] CIL Management Consultants based on Euroconstruct data

[61] CIL Management Consultants based on Euroconstruct data

[62] Company estimate

[63] Company estimate

[64] CIL Management Consultants – CIL Report

[65] CIL Management Consultants – CIL Report

[66] CIL Management Consultants – CIL Report

Shift from standard steel panel radiators to premium products

Overall estimated volumes across steel radiators are forecast to decline by 1 per cent. from 2020 to 2024[67], however a shift in volumes away from standard steel panel radiators, towards premium and decorative steel radiators is anticipated to drive market value.

One factor driving this shift is a general increase in consumer focus on home design, with the volume of premium steel panel radiators expected to rise across all of the Group's Core Geographies from 2020 to 2024.[68] Across this time period, it is expected that, estimated premium steel panel radiator volumes will increase by 8 per cent[69], in line with the increase from 2019 to 2020. Decorative and other steel radiator estimated volumes are forecast to rise by 1 per cent. over 2020 and 2024. Conversely, standard steel panel estimated volumes are expected to decline by 3 per cent.[70]

---

[67] CIL Management Consultants – CIL Report

[68] CIL Management Consultants – CIL Report

[69] CIL Management Consultants – CIL Report

[70] CIL Management Consultants – CIL Report

PART II
BUSINESS

The following information should be read in conjunction with the information appearing elsewhere in this document, including Part VI "Operating and Financial Review" and Part VII "Historical Financial Information". The financial information included in this Part II "Business" has been extracted without material adjustment from Part VII "Historical Financial Information". It should be noted that any financial information that has not been extracted without material adjustment from the Historical Financial Information has not been audited.

Overview

The Group is a leading specialist manufacturer and distributor of steel panel radiators in the UK, Europe and Turkey, selling an extensive range of standard and premium steel panel radiators, low surface temperature ("**LST**") radiators, towel warmers, decorative steel tubular radiators and other steel "column" radiators to more than 500 customers annually. The Group enjoys long established commercial relationships with many of its customers, having served each of its top five customers, representing 35 per cent. of its revenue for the year ended 31 December 2020, for over twenty years. The Group focuses on a number of strong, established brands and has a well invested, low-cost manufacturing base, supported by extensive distribution facilities. The Group is headquartered in the United Kingdom and has been a leading supplier across Europe for over twenty years, with manufacturing and distribution facilities in the United Kingdom, The Netherlands and Turkey, additional distribution facilities in Poland and Denmark and sales personnel in seven other countries, including China.

The Group's four distinct business units are:

- UK Radiators;
- Continental Radiators;
- Termo Teknik; and
- Hudevad.

The relationship between the Group's business units and financial reporting geographical operating segments is as follows:

Business units	Geographical operating segments
UK Radiators	UK & Ireland
Continental Radiators	Europe
Termo Teknik	UK & Ireland
	Europe
	Turkey & International
Hudevad	UK & Ireland
	Europe

The split of the total sales volumes for each business unit, by geographical market and intercompany for 2020 is outlined below:

Total sales volumes by geographical segment (Financial Year 2020)	**UK Radiators**	**Continental Radiators**	**Termo Teknik**	**Hudevad**
UK & Ireland	100%	0%	18%	3%
Europe	0%	95%	20%	97%
Turkey and International	0%	1%	15%	0%
Intercompany	0%	4%	47%	0%
	100%	**100%**	**100%**	**100%**

The Group has developed strong market positions across the UK, Europe and Turkey, particularly in the UK, which in 2020 was Europe's second largest market for steel panel radiators. The Group offers a comprehensive range of radiators across all price categories, with premium steel panel and other designer radiators representing 32 per cent. of the Group's Contribution in 2020, reflecting a highly effective upselling strategy over recent years (2015: 25 per cent.). For the six months ended 30 June 2021, the Group sold approximately 3.1 million radiators into mainly European markets, generating revenue of £128 million. The Group's revenue broken down by operating segment were as follows for the year ended 31 December 2020:

Revenue by geographical market	**Year ended 31 December 2020**
	(£) 000
UK and Ireland	89,430
Europe	90,566
Turkey and International	16,569
Total	**196,565**

History

The origins of the Group date back to the 1930s and some of the key milestones in the Group's development are set out below:

Year	**Events**
1936	Manufacture of column radiators commences at Southall (UK)
1960	Manufacture of steel panel radiators commences at Nuth (Netherlands)
1969	Manufacture of steel panel radiators commences at Mexborough (UK)
1978	Manufacture of steel panel radiators commences at Herentals (Belgium)
1991	Manufacture of steel panel radiators commences at Çorlu (Turkey)
1998/1999	Caradon PLC simplifies its portfolio with focus on four divisions: Boilers, Radiators, Bathrooms and Showers (Caradon Plumbing)
2000	Leveraged buyout of Caradon Plumbing from Caradon PLC led by HSBC Private Equity
2001	Disposal of Twyford Bathrooms and Mira showers to focus on the Boilers and Radiators divisions
2005	Leveraged buyout of Ideal Stelrad Group (i.e. the Boilers and Radiators divisions) led by Warburg Pincus
2006	Acquisition of Keston Boilers
2012	Acquisition of Sabi Therm assets (Belgian design radiators manufacturer)
2013	Leveraged buyout of Ideal Stelrad Group led by Bregal Capital

Year	Events
2014	Closure of radiator manufacturing plant in Belgium
2015	Disposal of Ideal Boilers and renaming of radiator business to Stelrad Radiator Group. Commencement of major capital investment programme to upgrade radiator manufacturing plants
2018	Acquisition of the manufacturing assets and brands of Hudevad a design radiator manufacturer based in Denmark
2019 - 2021	Operational improvement programme increasing proportion of Group requirements manufactured at low cost plant in Turkey

Strengths

The Directors believe that the following key strengths contribute to the Group's leading market positions and differentiate it from its competitors:

Market position

Leading brands and market share across its Core Geographies

The Group operates four brands (Stelrad, Henrad, Termo Teknik and Hudevad) and is a leading player in the market for European steel panel radiators, with approximately 16.6 per cent. share (by volume) of total markets in the UK, Europe, and Turkey for 2020, including 50.2 per cent. market share in the UK.[71] The Group was the market leader in steel panel radiators, by volume, in 2020 in each of UK, Ireland, The Netherlands, Belgium and Denmark.[72]

The following table sets out the Group's share of the steel panel radiator market for 2019 and 2020 for the geographies indicated:

	Share of steel panel radiator market	
	2020	**2019**
UK	50.2%	49.7%
Ireland	54.1%	38.2%
Netherlands	39.4%	37.3%
Denmark	37.5%	21.2%
Belgium	33.5%	31.1%
France	19.8%	14.9%
Germany	6.0%	6.0%
Other Western Europe(1)	6.2%	5.5%
Poland	8.7%	8.7%
Turkey	7.4%	8.4%
Other Eastern Europe(2)	3.6%	4.5%
Total Europe	16.6%	17.8%
China	4.5%	8.5%

(1) Sweden, Austria, Finland, Greece, Norway, Spain, Italy, Switzerland and Portugal.

(2) Russia, Ukraine, Romania, Czech Republic, Hungary, Slovakia, Lithuania, Latvia, Croatia, Bulgaria, Estonia and Slovenia.

Source: (BRG - BRG Market Studies)

Stelrad is the number one best-selling steel panel radiator brand in Europe with approximately 8 per cent. share by volume.[73] Henrad and Termo Teknik represent strong steel panel radiator brands in their own right and are strategically important to the effective channel management of the Group. Distributors typically have limited storage space available for bulky items such as radiators, restricting ability to stock multiple brands and driving significant brand loyalty to scale manufacturers with significant warehousing and

[71] BRG – BRG Market Studies

[72] BRG - BRG Market Studies

[73] BRG - BRG Market Studies

distribution capability. The Group's multi-brand strategy has allowed it to achieve high levels of penetration across new and emerging routes to market, and respond flexibly to changing distribution models, whilst minimising channel conflict. In the UK, for example, independent merchants and new entrants, such as Screwfix, have increasingly challenged the historically dominant national merchants. The Group has successfully managed this challenge through, for example, entering a distribution agreement with Screwfix for the Stelrad brand in 2020 whilst also developing the Henrad brand for distribution to independent merchants, mitigating brand conflict and significantly increasing Henrad's UK volumes (22.7 per cent. FY16 – FY19 CAGR).

In addition, the acquisition in 2018 of the Hudevad brand has further extended the Group's product range, already a key differentiator, and positions it well to pursue growth in the high value designer segment without compromising the identity of the existing brands.

Consolidated markets with high barriers to entry

Most of the Group's Core Geographies are characterised by high levels of consolidation with the top three players in each of these markets holding between 60 per cent. and 90 per cent. market share by volume. The market share of the leading radiator manufacturers in these markets has not been eroded by low price penetration strategies adopted by other competitors as they seek to gain market share. This is primarily because these competitors have been unable to compete with the combination of the brand strength of the leading players and the scale of stock and service requirements needed to satisfy market demand. Across all of its Core Geographies, the Group has an extremely comprehensive product offering, in terms of both product ranges and numbers of stock keeping units ("**SKUs**") resulting in a highly attractive customer proposition and product availability. In addition, any decision to switch brand by distributors is likely to result in an immediate and significant loss of volume with their contract customers (for example, house builders and contractors) switching to distributors who stock their specified brand. The combination of these factors has led to the Group having very long-standing relationships with its largest customers, with the top five customers, accounting for 35 per cent. of Group's sales value, having had a relationship with the Group for more than 20 years.

Cost leadership and operational flexibility

The Group operates three well invested manufacturing facilities in Turkey, UK and The Netherlands, with thirteen out of fifteen production lines being recently upgraded, offering a low-cost advantage over its peers. Use of a common core design for the standard panel, premium panel and LST products across its manufacturing facilities provides significant operational and production flexibility, allowing the Group to marry its substantial low cost manufacturing capacity with its premium European brands and distribution relationships.

To maximise the benefits of its manufacturing facilities, the Group's strategy is to continually optimise production with consolidation of capacity geographically, updating of production lines and automation.

In January 2021, a hybrid production line with capacity for up to 0.6 million units per annum was commissioned in Turkey and is now operational as a conventional horizontal line with the capability to make vertical radiators to be introduced towards the end of 2021. This will provide further manufacturing flexibility over the range of products that can be produced at the Group's lowest cost facility.

Business model

Highly attractive replacement dynamics

Demand for radiators in the Group's Core Geographies is driven substantially by the replacement market, reflecting a stable underlying building estate in Europe. For example, market demand for radiator volumes in the UK in 2020 was split 76 per cent. for replacement of existing radiators (including private housing, social housing and commercial developments) compared with 16 per cent. for new build installations (including private and social housing), with replacement accounting for 61 per cent. of volumes in Western European markets and 53 per cent. of the developing Turkish and Eastern European markets. The factors driving radiator sales volumes are typically non-cyclical in nature, with replacement radiators being non-discretionary when existing radiators reach the end of their useful life. Increasing property prices in many of the Group's Core Geographies has contributed to the trend towards a preference for home improvement activity over house moves, particularly during economic downturns. The Directors also believe that the ongoing trend towards greater adoption of more stylish, design led products increases the margin potential of sales to the replacement market with the breadth of products offered by the Group positioning it well to benefit from this trend.

Structural risk diversification

Whilst the Group is a leading player in the market for steel panel radiators in the UK, Europe and Turkey, it benefits from considerable structural risk diversification by selling its products to approximately 40 countries and holding top three positions in 11 of these. The UK represents the largest element of the Group's sales revenue at approximately 43 per cent. of the end markets to which products are sold. Although the Group sells to approximately 40 other countries, none of these countries represent more than 10 per cent. of the Group's sales revenue, and therefore, the Directors believe that the Group benefits from structural risk diversification. The risk of disruption to the supply chain is also mitigated by the versatility and geographic spread of the Group's manufacturing facilities which all make the same core product design and can therefore optimise production on a flexible basis.

Proven resilience of business model

The Group's business model has proven resilient, through the three major disruptive market events of the last 15 years, being the 2008 financial crisis, Brexit and COVID-19 pandemic. In particular, the Group's financial performance experienced only a limited impact from the COVID-19 pandemic. The Group's revenue for the year ended 31 December 2020 was 11 per cent. lower than budget, with the most significant reduction in sales volumes experienced in the UK during the restrictive lockdown period in Q2 2020. Since Q3 2020 there has been a significant recovery, particularly in the higher margin replacement sector, and the Group's EBITDA for the year ended 31 December 2020 significantly exceeded the Group's pre-COVID-19 budget.

The Group's largest plant in Turkey has a significant cost advantage over other Western European plants by virtue of scale and lower raw material and labour costs. The Group has historically benefited from rising steel prices through improving unit margins. The impact of short-term increases in steel prices is mitigated by steel and finished goods inventory levels (typically two months) and steel price supply mechanisms (including 3-6 month forward purchasing in Turkey).

Extensive distribution network

The Group's extensive distribution network is key to high levels of customer service and to secure market demand across Europe and Turkey. The Group has five strategically located distribution warehouses across Europe located in the UK, Turkey, The Netherlands, Poland and Denmark, the Mexborough and Nuth facilities are the largest radiator storage facilities in the UK and Continental Europe respectively, with capacities of circa 350,000 and circa 200,000 radiators.[74] Merchants and retailers generally have limited capacity to stock radiators, due to the large number of SKUs required and their bulky nature, and as a consequence having the ability to store significant volume of product at strategically located sites across Europe and Turkey is critical to be able to satisfy customer demand. The Group's has leveraged its in-house distribution capabilities and product availability to support constrained merchants and retailers and thereby achieves high levels of customer satisfaction and service with what the Directors believe to be best-in-class product availability and lead times.

Management and strategy

Highly experienced senior leadership team with long-standing commitment to the business

The Group's senior leadership team possess a wealth of industry experience and a long-standing commitment to the business. The Group's CEO and CFO joined the business in 2000 and 2003, respectively, and have in aggregate more than 60 years of experience in the sector, whilst the Group's Chair has served as a non-executive director of the business since 2009. The senior management team is supported by a lean corporate centre and by strong, loyal teams, structured across four business units with long service records with the Group.

74 Management belief based on knowledge of the heating market.

Focused product strategy and platform for continued innovation

The Group's sole focus on radiators is unique amongst major pan-European competitors and has enabled it to lead product innovation in the sector. Within this specific product category, the Group offers a wide variety of products with an extensive range of SKUs, including standard and premium steel panel radiators, LST, towel warmers and other designer radiators. The Group's extensive steel panel radiator range shares a common core design, providing product consistency alongside significant production flexibility and associated manufacturing cost advantages, as well as a platform for innovation that enables rapid and cost effective development of new products.

Management has a proven track record of commercial product innovation, delivering a strategy of driving improvement of product mix into higher margin premium product ranges, with sales values of premium steel panel radiators having increased from 12 per cent. to 18 per cent. of total Group's sales value between 2015 and 2020.

Highly effective channel management

The Group benefits from being at the core of the central heating supply chain across all of its Core Geographies, with customers placing a significant degree of reliance on the Group by virtue of the breadth of its product offering and the service levels which it is able to provide.

The Group has achieved consistent success in identifying the best routes to market in its core market sectors and securing partnerships with the key distributors that service these markets. Management's strategy of active repositioning of the price/value proposition has supported product mix improvement and unlocked growth in non-traditional channels.

For example, in 2015 the Group launched the Vita radiator range, having identified the opportunity to grow sales of premium steel panel radiators and other designer radiators. The Stelrad Vita Series (Vita Compact, Vita Deco, Vita Plan and Vita Ultra) provided a clear product hierarchy, dependent on the end customer needs, from affordable, efficient radiators, up to high value designer radiators with scaling price points in between. This approach facilitated upselling from "good" standard steel panel radiators, through "better" premium steel panel radiators to "best" high end premium steel panel radiators and other designer radiators. In the UK, Saint Gobain replaced its private label standard steel panel radiator brand with the Vita Series as its private replacement market offering in 2015. Also in 2015, Travis Perkins adopted Stelrad's Softline Series, based on the Vita Series commercial model. In 2017, the majority of Stelrad's independent merchant customers also adopted the Vita commercial model launched under the Henrad brand. This strategy successfully led to incremental sales, particularly of higher margin premium steel panel radiators with sales volumes in the UK increasing at a compound growth rate of 8.4 per cent. over the period from 2015 to 2020.

In the UK particularly, new build and social housing specifications heavily influence national merchants' stocking decisions. The Group has also been successful in building relationships with key specifiers through dedicated sales and account management teams, developing clear market leadership with new build developers. This ensures the Stelrad brand's presence through the supply of the significant majority of hydronic radiators to four of the largest national builders, generating nationwide distributor stocking and reinforcing its RMI market position.

Financial characteristics

Track record of growth, with sector leading margins and excellent cash generation

The Group has a track record of sales growth, having generated sales revenue of £197 million in 2020 and delivered 5.2 per cent. compound annual growth rate ("**CAGR**") in sales from 2015 to the end of 2019 (which rises to 6.8 per cent. when excluding sales to Turkey). The sales revenue CAGR from 2015 to 2020 was 2.9 per cent. which was supressed due to the impact of COVID-19 on the business in 2020. The Group has recovered well from the impact of the Q2 2020 COVID-19 lockdowns, with sales value rising to £243 million (unaudited) for the 12-month period ended 30 June 2021 which represents sales growth of 6.6 per cent. CAGR (unaudited) from year end 2015 to last twelve months period ended 30 June 2021, whilst delivering EBITDA of £35.7 million (as compared to £11.7 million for the year ended 31 December 2017), equivalent to an EBITDA Margin of 14.7 per cent. (as compared to 5.7 per cent. for the year ended 31 December 2017). EBITDA Margin for the years ended 2018 and 2019 were 7.5 per cent. and 8.2 per cent.

respectively. In 2020 the Group's EBITDA Margin increased to 12.0 per cent. and in the six months ended 30 June 2021, the Group's EBITDA Margin was 16 per cent. This performance reflects the Group's track record of delivering ahead of budget, with EBITDA exceeding annual targets in nine of the last ten years, by on average 12 per cent. (excluding the year ended 31 December 2018). The budget for the year ended 31 December 2018 was missed due to the impact of the financial crisis in Turkey.

The Group has enjoyed excellent cash generation in the period between 2015 and 2020, averaging approximately 103.8 per cent. cash flow from operations conversion. A six year £25 million incremental capital investment programme will be completed by the end of 2021, with capital expenditure budgeted to return to normal levels of approximately £6 million to £7 million per annum from 2022 which will have a significant positive impact on annual net cashflows.

Well positioned for future role in broader sector transformation

Positioning for decarbonisation

Decarbonisation of domestic home heating is expected to drive a transition from residential gas boilers to new heat source technologies. Emissions from domestic heating in the UK account for around 14 per cent. of total emissions and reducing this is of central importance to the government's net zero emissions target by 2050, as set out in the government's Future Homes Standard plan. The Directors believe changes will likely be gradual over the medium term, with the majority of government initiatives currently focused on new build in Western European markets. For example, the UK government is seeking to ban installation of gas boilers in new build housing from 2025. The Group's strong specifier relationships in the contract sector, in particular for social housing in the UK, positions it well in a sector that is already receiving government funding to drive adoption of low energy heating systems.

Whilst there is widespread expectation that the use of heat pump technology will increase in the short to medium term, all the indications point to the continued importance of hydronic heating systems which use water to move heat from the heat source, such as a gas boiler or a heat pump, through piping to heat emitters in each room. It is anticipated that whichever future heat source technology is used will likely provide lower temperature systems than traditional gas boilers. This will result in the need for either larger surface area heat emitters to provide equivalent home heating or increased insulation of the building fabric, or most likely, a combination of both. Underfloor heating is not expected to be a viable alternative to traditional radiators in many instances, particularly in the replacement market, given the difficulties in retro-fitting such systems and the constraints on installing underfloor heating in anything other than ground floor settings. The Directors believe the Group is well positioned to benefit from the expected increased adoption of heat pumps in the next decade through existing and planned product sets and the Group has been proactive in introducing and promoting compatible products. The use of a common core design in its panel radiators allows the Group to innovate and rapidly develop new products, positioning it well to react to market shifts resulting from the decarbonisation drive.

Ideally positioned to drive long term transformation

The Directors believe the Group is the standout platform of scale in the European heat emission market and a natural market consolidator as smaller competitors who lack the scale to compete are expected to struggle to adapt to anticipated changes in the market resulting in the Group increasing its overall market share. As well as being a market leader in heat emission, the Group has a pivotal position in European hydronic heating distribution channels due to its multi-brand strategy and high levels of specifier recognition. As a consequence, the Group is ideally placed to influence the direction of the market and is poised to play a significant role in the decarbonisation journey as it adapts in response to various governments' initiatives and benefit from the estimated additional £240 billion which needs to be spent annually renovating approximately 35 million buildings (approximately £7,000 per building) to reduce buildings' carbon emissions by at least 60 per cent. by 2030 as part of the EU Climate Target plans.

Strategy

The Group intends to maintain its leading market position, influence and drive sector change and lead sector consolidation by pursuing the following strategies:

Platform for organic growth

The Group has built a platform for continued organic growth, with key components already in place, such as strong and defensible market share, a focus on enhancing product mix and leadership in terms of both cost and profitability. The Group's strategy for organic growth builds upon the Group's leading market position to achieve further growth within existing product categories. This is to be achieved through increased penetration of existing geographies, further leveraging the Group's low cost base alongside ongoing product mix improvement, notably in premium steel panel radiators. The Group has been disproportionately successful in gaining market share from competitors who have withdrawn from its markets due to its market leading distribution capability and logistics infrastructure. This has enabled the Group to provide rapid product availability to customers denied supply from exiting manufacturers. The Directors believe that the Group will continue to benefit from market share growth as smaller competitors struggle to operate profitably through their lack of scale.

Extend strong market share positions

The Group is a top two European player in the steel panel radiator market_with number one positions in five markets (UK, Ireland, Netherlands, Belgium and Denmark), top three positions in a further six markets and a 16.6 per cent. share of the European steel panel radiator market in 2020. It intends to sustain and develop these leading positions. This is to be achieved by maintaining effective in-country distributor and specifier relationships, the development of new channels to market, and scaling positions in key strategic markets through volume and high levels of service. Outside of European markets, such as China, the Group will continue to position its brand as a premium European offering.

Effective channel positioning and brand marketing

Whilst the Group has excellent relationships with major national and independent merchants, it has also adapted quickly to less traditional, emerging routes to market, notably in the DIY/retail and online channels. For example, it has launched direct ecommerce sales from the Stelrad website and entered a distribution agreement with Screwfix in 2020. This agreement is strategically significant and has potential to drive volume growth in the UK, particularly in the one-off sector. The Group intends to continue to innovate around product marketing, brand positioning and digital transformation as part of its strategy of focusing on the higher margin premium steel panel and designer radiator segment. The Group's multi-brand strategy will remain an important competitive advantage in enabling it to respond to changing distribution models and capturing the demand shift towards premium products, whilst maintaining the Group's brand position with national and independent merchants and minimising channel conflict.

Focus on higher margin premium radiator segment

The Directors intend to continue to focus the Group's sales efforts in the higher margin premium radiator segment, such as premium steel panel, vertical and other designer radiators, particularly in key geographies with low premium product penetration which offer greater growth potential, notably the UK and Turkey. In the UK, premium panel radiators accounted for 3.3 per cent of sales volume for the year ended 31 December 2020 and 10 per cent. of sales value for the year ended 31 December 2020. This compares to premium panel volumes of 10 per cent. to 20 per cent in the Group's Western European markets, and 6.2 per cent. for the Group as a whole.

As the Group's largest market, under-penetration in the UK represents a highly attractive opportunity to improve product mix and drive gross margin accretion. In addition, the Group's sales strategy will focus on driving growth in the more profitable and stable private residential replacement sector and further leverage the expanding online and retail channels. The Group has demonstrated its ability to .develop its UK premium steel panel product strategy through its Vita Series range introduced in 2015. This has facilitated upselling from 'Good' standard steel panel radiators, through 'Better' premium steel panel radiators, to 'Best' high-end premium steel panel radiators and other designer products, helping to drive the proportion of Contribution from the sale of premium steel panel radiators to 29 per cent. in 2020 as compared to 22 per cent. in 2015.

Continue to optimise operational infrastructure

The Directors believe that opportunities exist to increase operational efficiencies across the Group's manufacturing facilities by capitalising on lower manufacturing costs to achieve production efficiencies and thereby increase profitability. This includes continued focus on utilisation of pan-European production capacity to meet pan-European demand at the lowest cost. Optimising production on this basis would result in the upgrade of under-utilised Western European lines and redeployment at the Group's facility in Çorlu where the Group benefits from lower raw material and labour costs, with the opportunity of adding a further circa. 1.3 million units to capacity. The Group is able to optimise its production footprint in part due to its standardised heat emitter design, which supports high levels of consistency and quality. across all its manufacturing facilities.

Positioning for decarbonisation

Despite the early stage of the residential heating transformation, the Group has been proactive in introducing products compatible with low carbon, low temperature heating systems. The Directors believe the Group is well positioned to benefit from adoption of heat pumps in the next decade through existing and planned product sets as demand for larger radiator sizes driven by adoption of low temperature systems provide a clear opportunity for higher sales values and increased profitability for the Group. Examples of product development targeted at benefiting from this trend include higher heat output "K3" three panel, three convector steel panel radiators and vertical steel panel radiators as well as hydronic convector radiators with electrical fan assistance to increase heat output. As decarbonisation initiatives vary by country based on regulation and preference of heat source, the Group will continue to develop its product portfolio.

Take advantage of adjacent product opportunities

Historically, the Group has been focused on a relatively narrow set of product categories and has developed strong brands to address its market sectors.

There are opportunities to use Stelrad's brand strength, channel access, logistics capability and customer relationships to extend its product offering into emerging and fast growing categories suitable for a low or zero carbon future, such as air management and heat recovery, hydronic convectors and electric heat emitters, alongside more conventional products such as water treatment, valves and controls.

- air management and heat recovery – UK and European legislation is expected to drive increased levels of insulation and airtightness for new builds. Increased airtightness will require mechanical ventilation to ensure acceptable air quality. The Directors believe that these more stringent insulation requirements will also extend the long term viability of conventional radiators, defending Stelrad's volume and share position, as well as offering Stelrad the opportunity to leverage its market leading access to UK new build specification, providing a complementary new build market offer with considerable growth potential.

- lower system temperatures - hydronic convectors represent a potentially important future product category as European initiatives to decarbonise home heating drive lower heating system temperatures, notably from heat pump sources. Hydronic convectors are particularly suitable for the replacement market where material changes to the fabric of the building are more difficult to achieve than in new construction. Leading brands and market access provide Stelrad with a potentially significant opportunity to develop this emerging product category, resulting in further expansion of its offering into the low and zero carbon heating system market of the future.

- electric heat emitters - opportunities also exist to expand Stelrad's product range into electric heat emitters which will allow Stelrad to offer new build specifiers a heat emitter solution irrespective of the heat source technology adopted, as well as enabling Stelrad to access additional routes to market as these products are also sold via electrical wholesalers.

- water treatment - water treatment products and services aim to maintain the long term health of a hydronic heating system. Offering water treatment products will provide Stelrad with potential synergies in terms of sales, marketing and logistics resources and provide the opportunity to leverage brand specification in the contract sector as well as developing a position in the one off / private residential replacement sector.

- valves and controls - thermostatic radiator valves ("**TRVs**") regulate radiator heating control and offer the potential for significant energy savings and comfort benefits through preventing overheating and through increased connectivity for smart homes. The Directors believe offering

TRVs and associated products is a logical and complementary extension of Stelrad's product range, with the possibility to offer Stelrad / Henrad branded products, suitable for marketing for online sales as part of a total radiator installation offering.

Adjacent products could be sourced from suppliers and sold under Stelrad brands or manufactured and vertically integrated via a business acquisition. The scale of the Group's distribution network and logistics infrastructure provides a robust platform for bringing potential new products to market quickly.

Inorganic growth opportunities

The Group's management team has recent experience of integrating acquisitions into the Group. For example, the 2018 acquisition of Hudevad's manufacturing assets and brand strengthened Stelrad's presence both in the Scandinavian radiator market and in higher margin product segments. Following the acquisition, the manufacturing and distribution capabilities of the business were rationalised and integrated into the existing network, Hudevad branded designer radiators are now supplied from an established Stelrad UK subcontractor after extensive re-engineering of all product ranges to leverage Stelrad's low cost core heat emitter platform, with core steel panel radiators supplied by either UK Radiators, Termo Teknik or Continental Radiators. The premium priced Hudevad designer radiator brand will now be developed across Stelrad's existing Core Geographies.

In addition, the Group gained Danish steel panel market leadership in 2020, following the acquisition, having secured business with three of the country's top four distributors.

The Group holds a position of strength in the radiator market and is a natural consolidator in a fragmented landscape of smaller players. The Directors believe that Stelrad has the opportunity to strengthen its market position in the heating sector through complementary acquisitions providing further product breadth and geographic expansion opportunities.

The Directors have identified air management and heat recovery, underfloor heating and water treatment as the most attractive adjacencies based on profitability and access to market. As the Group has no existing capability in these segments, entry to these markets would be acquisition-led. The Group continually monitors potential acquisition targets and as a leading player enjoys excellent visibility and regular dialogue in respect of new opportunities. In assessing potential inorganic growth opportunities, the Group will apply a disciplined acquisition strategy and focus on opportunities to:

(a) extend the range of products that could be sold across its existing sales and distribution network;

(b) provide access to new routes to market where the Group's existing presence in the channel could be strengthened; and

(c) acquire brands that are strong in markets where the Group currently has lower market share.

Products, Divisions and Brands

Products

The Group provides an extensive product offering, which is comprised of approximately 42,000 SKUs and 178 product ranges, with colour options available for most product ranges. The Group's products fall into the following categories:

- Standard steel panel radiators – accounting for approximately 80 per cent. of the market by volume and 50 per cent. by value. It is the most popular radiator category for both residential and commercial use. Some of the ranges in this product type include Stelrad Compact, Stelrad Elite, Softline Compact, Henrad Compact and Vita Compact. In the year ended 31 December 2020, standard steel panel radiators represented 91 per cent. of Radiator sales volume, 72 per cent. of Radiator sales value and 61 per cent. of Radiator Contribution. The Group's standard steel panel radiator offering comprises 54 ranges and 25,000 SKUs. The average selling price per unit was £31 and the average Contribution per unit was £9, in each case for the year ended 31 December 2020.

- Premium steel panel radiators – based on standard steel panel radiators, the Group's ranges of premium steel panel radiators were developed to offer a combination of design aesthetics, ease of installation and value for money, whilst retaining the cost leading core steel panel emitter as a platform. Having driven significant penetration in the market for premium steel panel radiators in Western Europe, the Group was the first major manufacturer and supplier of premium steel panel radiators in the UK. Some of the ranges in this product type include Compact with Style, Planar, Softline Silhouette and Vita Deco. In the year ended 31 December 2020, premium steel panel radiators represented 6 per cent. of Radiator sales volume, 19 per cent. of Radiator sales value and 29 per cent. of Radiator Contribution. The Group's premium steel panel radiator offering comprises 74 ranges and 15,000 SKUs. The average selling price per unit was £118 and the average Contribution per unit was £62, in each case for the year ended 31 December 2020.

- LST radiators – specific to the UK market, featuring a core steel panel heat emitter and designed to limit maximum surface temperature in safety critical, medical and care environments. Some of the ranges in this product type include LST iPlus and LST Standard.

- Towel warmers – an increasingly popular radiator category, demand is driven more by end-users than other categories. Some of the product types included in this range include Classic and Slimline Towel warmers and Henrad Verona.

- Other designer radiators – mainly used for commercial applications but this product category is also gaining traction in high-end residential developments and in the private residential replacement sector. Some of the product types included in this range include Concord, Caliente, Classic Column and Softline Column.

In the year ended 31 December 2020, LST radiators, Towel warmers and other designer radiators represented in aggregate 3 per cent. of Radiator sales volume, 9 per cent. of Radiator revenue value and 10 per cent. of Radiator Contribution. The Group's LST, Towel warmers and other designer radiators offering comprises 50 ranges and 2,000 SKUs. The average selling price per unit was £124 and the average Contribution per unit was £45, in each case for the year ended 31 December 2020.

The Group also sell non-radiator products, including accessories and boilers. In the year ended 31 December 2020, non-radiator products represented 2 per cent. of revenue and 3 per cent. of Contribution.

Divisions

The Group carries out its operations through four main business divisions:

- UK Radiators – predominantly produces Stelrad-branded standard steel panel radiators, including lower volume panel radiator SKUs required on short lead times. The business targets two main markets, the UK and the Republic of Ireland, where it ranks number one in both markets, based on market share of steel panel radiator volumes.

- Continental Radiators – produces both Stelrad-branded and Henrad-branded standard steel panel and premium steel panel radiators. The business targets four main European markets: The Netherlands, Belgium, France and Germany, in addition to generating sales across a number of smaller markets in Western and Eastern Europe. The Group ranks number one in both the Netherlands and Belgium markets based on market share of steel panel radiator volumes.

- Termo Teknik – Termo Teknik's head office is located in Istanbul, with the manufacturing facility based in Çorlu, Turkey. Historically, Termo Teknik had targeted both its domestic market and export markets, including UK, Poland, The Netherlands, China and several Eastern European countries. However, following the Group's management's strategic decision in 2018 to limit activity in the Turkish domestic market to reduce the Group's exposure to extended credit terms and consequent foreign exchange exposure, there has been greater focus on intercompany production to support growing demand in the UK Radiators and Continental Radiators businesses. Consequently, the expansion of the Çorlu facility, via the installation of the Hybrid production line in 2021, will provide the Termo Teknik business with the capability to increase output, enabling the two Western European business units to further leverage the low cost manufacturing benefits of production in Turkey.

- Hudevad – Hudevad was acquired in 2018 as a brand to be developed in the premium sector. The business targets UK and Denmark with its premium, designer products: and also sells standard and premium steel panel radiators into the Danish market. The business operates a warehouse in Denmark and sources its products both externally and from other Group businesses.

Brands

The Group has four main brands, each targeted at different geographies, channels and end sectors.

- Stelrad – The Stelrad brand is the Group's primary brand in most European markets, notably the UK, Ireland, The Netherlands and Germany and is sold throughout Western Europe and in Poland. Stelrad was the leading brand in Europe and the UK by volume in 2019.

- Henrad – The Henrad brand is the Group's major brand in Belgium and France and is sold throughout Western Europe. In the UK, the Henrad branded products are sold primarily via independent merchants to minimise channel conflict.

- Termo Teknik – The Termo Teknik brand is the Group's primary brand in Poland and Turkey and is mainly sold in Eastern Europe. The Directors believe that Termo Teknik is highly regarded as a credible, high quality and low cost brand.

- Hudevad – The Hudevad brand is primarily sold in Denmark and the UK.

- Supplied by Termo Teknik, the Group also produces private label products for a number of customers which are sold mainly in the UK and to a leading pan-European building products distributor.

The following table sets out the percentage of sales volumes generated by each of the Group's core brands and the dedicated customer brands it also produces for the twelve months to 30 June 2021:

Brands	**Percentage of sales volumes for the twelve months ended 30 June 2021**
	(unaudited)
Stelrad	45%
Henrad	20%
Termo Teknik	15%
Hudevad	<1%
Dedicated customer brands supplied by Termo Teknik	>19%
Total	**100%**

Innovation and new product development

The Group's research and development activities, including new product development and product improvement, prototyping, testing and benchmarking, product certification, product drawings and documentation, take place at the Group's facilities in Belgium. The Group has been proactive in introducing and promoting products compatible with low carbon, low temperature heating systems and has continued to expand its product range in line with developing customer needs within the hydronic radiator market.

One of the new products currently under evaluation by the Group is the hydronic convector radiator. The Group's objective is to source new Stelrad and Henrad branded ranges of hydronic convector radiators for the UK and other European markets, aiming to launch in the UK by 2023. Whilst initially hydronic convector radiators would be sourced from third party suppliers, the opportunity exists to bring manufacturing in house or for the Group to acquire a supplier in order to accelerate growth.

Other products the Group has developed recently include:

- Expanded K3 range – introduced into the UK in 2020, the Group's K3 range offers a range of radiators ready for low-temperature heating systems, with three panels and three fins, increasing the surface area of the radiator, without taking up more wall space.
- A completely redesigned and extensively value engineered Hudevad product portfolio, leveraging the Group's cost leading steel panel heat emitters but maintaining a premium price position, to reflect the Hudevad brand's architectural orientation.
- *Vertex & Vertex Plan E radiators* – introduced in 2018, the Group's Vertex & Vertex Plan E radiators are an electric version of Stelrad's market-leading Vertex range, which delivers heat quickly, takes up limited space and meets sustainability targets.
- Expanded Planar ranges and Hudevad Fionia / P5 – In 2020, the Group expanded the ECO, Compact, Style ECO and Compact Style Planar ranges.

Sales and Marketing

The Group's approach to sales and marketing is channel driven. Historically, the Group has employed highly successful strategies to manage distinct sales channels in its Core Geographies, securing partnerships with key distributors and employing a multi-brand strategy to minimise channel conflict.

Each of the Group's UK Radiators, Continental Radiators, Termo Teknik and Hudevad divisions employs a dedicated sales team committed to maximising access to specification and distribution channels.

In the UK, Stelrad is the main supplier of the significant majority of hydronic radiators to four of the largest national housebuilders and has entered into other contracts with leading specifiers. This ensures Stelrad's brand presence across a large proportion of new housing stock, which generates nationwide stocking by distributors thereby reinforcing its RMI market position. As channel mix evolves, Stelrad seeks to maintain leadership through its relationships with national, regional and independent distributors, distributor buying groups and other evolving routes to market, thereby driving sales in the Group's core territories. The strong brands Stelrad has built through its traditional channels have proved to be attractive to the emerging distributors and retailers as they develop new routes to market as well as offering Stelrad additional opportunities for direct online sales through the digital transformation of the market.

The Group has a very active marketing strategy and continues to pursue this in its Core Geographies, responding to changing dynamics in routes to market and investing in maximising product availability through all appropriate and profitable channels, including those new to the Group. The Group targets stakeholders at all levels of the value chain, through various marketing activities including social media, search engine optimisation, online advertising, loyalty schemes, conferences, trade events, accreditations, sponsorships, etc.

Product mix optimisation

The majority of the Group's sales volumes are standard steel panel radiators, reflecting historic market demand, particularly in the UK. The Directors believe that success in this product category gives the Group excellent access to specifiers, distributors and installers. The Group has leveraged its experience of higher premium panel penetration in Western European radiator markets to introduce premium steel panel radiators into the UK, at a significantly higher margin than standard steel panel radiators. Stelrad has successfully developed premium steel panel sales through brand and range innovation and leveraging channel relationships. The Group's competitive cost advantage has enabled it to expand the premium steel panel market without compromising the Contribution per unit of these premium products. As a result of the premium brand strategies across the Group in the last 5 years (2015 to 2020), the total share of Contribution delivered by premium steel panel and other designer products has increased from 25 per cent. to 32 per cent. The Directors believe that Stelrad's channel access, distribution capability and efficient manufacturing operations will provide the platform for further premium steel panel sales growth, particularly in the UK and other markets where penetration is currently low.

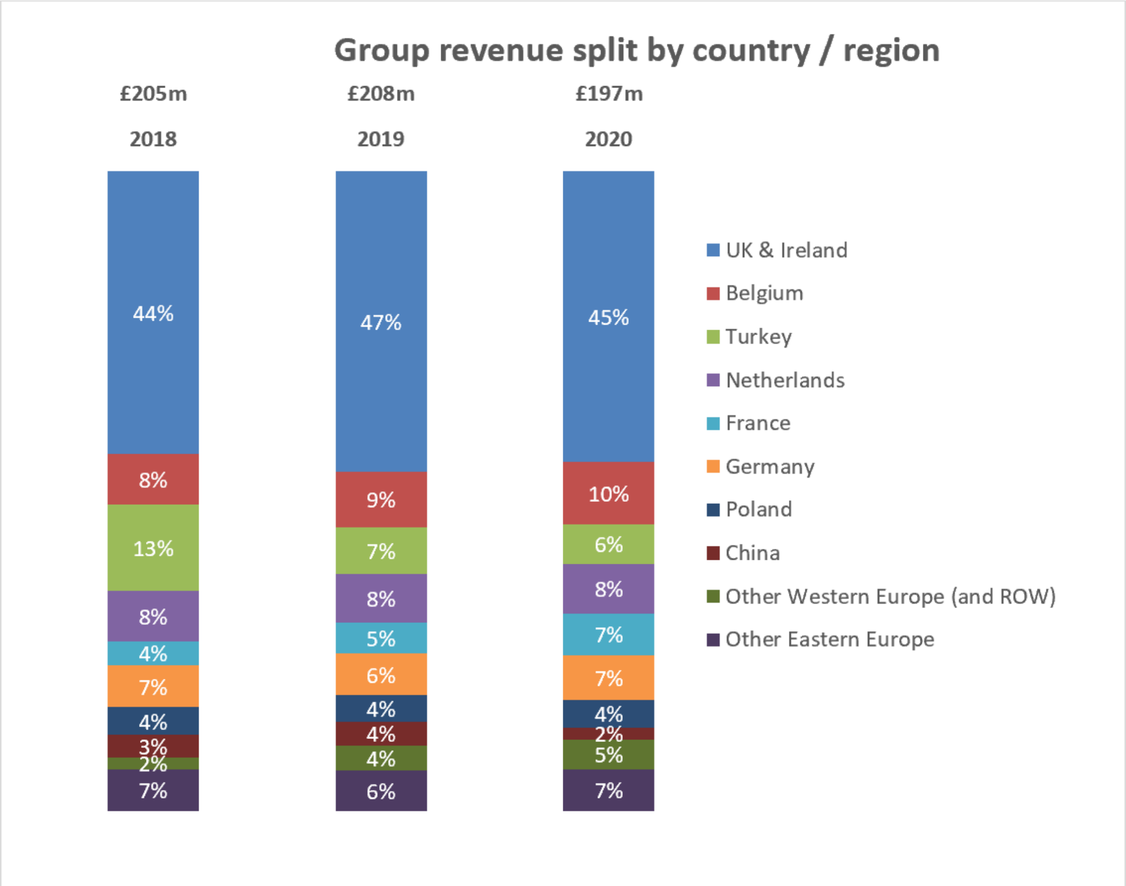
Sales by country

The Group has an extensive and loyal customer base providing a strong sales footprint across Europe. Sales demand is met by a combination of all three manufacturing sites and served through its network of logistics facilities. The UK & Ireland has been the largest sales region for a number of years, representing approximately 46 per cent. of the Group's sales value in 2020. All sales regions experienced growth from 2015 to 2019 with the exception of Turkey. In 2018, management made a strategic policy decision to limit sales to the Turkish domestic market and reduce the Group's debtor days and foreign exchange exposure. The following table sets out the CAGR for the period from 2015 to 2019 for the sales values of the Group in each of its geographies:

	CAGR 2019 versus 2015
UK & Ireland	4.4%
Belgium	7.6%
Netherlands	7.0%
Germany	6.1%
France	6.4%
Turkey*	(8.7%)
Poland	14.7%
China	33.6%
Others	10.6%
Total	**5.2%**

* In 2018, management made a strategic decision to reduce risk exposure to the Turkish domestic market and currency

The graph below shows the Group's sales by country for the three years ended 31 December 2020:



Sales overview by business unit

- *UK Radiators* – Products from the Group's UK Radiator division are sold in the UK and Ireland. Customer concentration is relatively high in the UK due to the share of large national merchants (Saint Gobain, Travis Perkins, Wolseley) and the formation of independent merchant buying groups (e.g. PHG). The Group's top customer accounted for approximately 32 per cent. of UK Radiators' revenue in 2020. The Group's customer relationships are deeply embedded, with many of the Group's largest customers typically having traded with the Group for between 20 to 40 years. In 2020, 43 per cent. of UK Radiators' sales were to the contract sector - new build, social housing and commercial segments while 57 per cent. of UK Radiators' 2020 sales were into the "one-off" sector, essentially private residential repair and maintenance activity. Sales made within the contract sector were split 84 per cent. to national merchants and 15 per cent. to independent merchants. Sales in the "one-off sector" were split 30 per cent. to independent merchants, 32 per cent. national merchants and 38 per cent. to new merchants and DIY retailers (B&Q, Screwfix, Toolstation). The contract sector typically attracts lower margins but heavily influences which brands distributors stock. The Group's strong relationships with specifiers in the contract sector ensures Stelrad products are stocked by all major merchant organisations. Premium steel panel radiators represent a growing product category, with market penetration still low compared to mainland Western Europe, offering clear profit growth opportunities both in the one-off and the contract sectors.

- *Continental Radiators* – Product from the Group's Continental Radiators division are sold primarily across eight Western European and three Eastern European countries. Customer concentration is lower than in the Group's UK Radiators division as sales are spread across several countries and European countries tend to have a more regional distribution model. The Group's Continental Radiators division enjoys longstanding customer relationships with its similar to the UK Radiators division. The sales mix of the Continental Radiator division is weighted more towards premium steel panel radiators, as market penetration is much higher than in the UK for these products. The Continental Radiators division deploys both Stelrad and Henrad brands to optimise distribution coverage and minimise channel conflict.

- *Termo Teknik* – The Termo Teknik division's revenue are primarily into the UK, Eastern Europe (notably Poland), Turkey and other international markets, including China. Sales to UK customers are focussed in the one-off sector with a range of private label offers. Sales are diversified across the customer base due to a regional distribution model operated by a high number of independent merchants. Standard steel panel is the dominant product category as Termo Teknik's end markets are typically less mature and more price sensitive. Following the Group management's strategic decision to reduce Turkish domestic market sales in 2018, 47 per cent. of Termo Teknik's sales volumes in the year ended 31 December 2020 were intercompany sales to the UK Radiators and Continental Radiators divisions, providing cost leadership for the Group in all key markets and optimising local manufacturing efficiencies. As markets mature, the Directors believe the Group is well positioned to capitalise on its expertise for developing premium steel panel sales as has been recently achieved in Poland.

- *Hudevad* - The Hudevad division has two product areas of focus: Sales of Stelrad steel panel radiators and sales of Hudevad branded design radiators. Sales of Stelrad branded standard and premium steel panel radiators are made primarily into the Danish domestic market. The Group is now market leader in the Danish steel panel radiator market having established strong relationships with three of the four main distributors in the country following the acquisition of Hudevad, leveraging Stelrad's leading pan-European position coupled with local sales and logistics operations. Hudevad branded radiators represent high-end Danish design with the Hudevad brand favoured by architects and interior designers, in the Danish and UK markets. Having completely reengineered the Hudevad product range over the last 18 months to maintain the best of Danish radiator design with Stelrad's low cost core heat emitters, the Directors believe the Group will now be able to develop profitable sales at premium prices across its core territories.

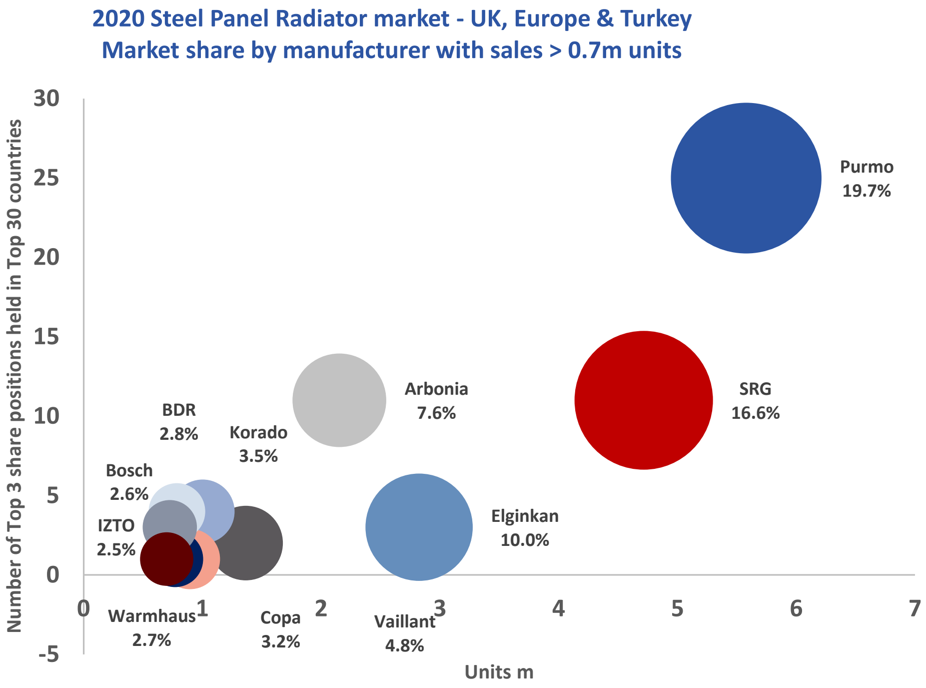
Customers and Markets

The Group has more than 500 customers spread across approximately 40 countries, with a top 3 market position in 11 of these countries. The Group's top three customers across all Core Geographies have largely remained unchanged over many years demonstrating the strength of relationships with top customers and minimal customer churn.

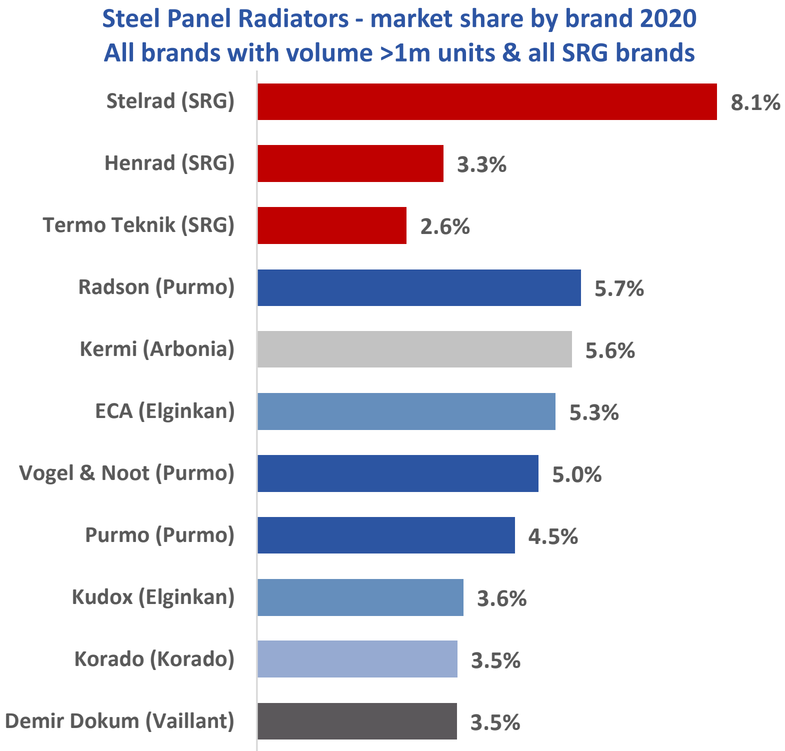
In the UK, the Group's top three customers in 2020 accounted for approximately 56 per cent. of the Group's UK revenue, a reduction of 18 per cent. from the previous year, following the divestment of one of the top customer's businesses. The divested business remains a customer under new ownership. In Belgium, the Group's customer concentration is lower than in the UK but the top three customers still accounted for 52 per cent. of Group's revenue in Belgium in 2020. In Germany and France, Stelrad has fewer customers resulting in a higher customer concentration, with the top three customers accounting for 83 per cent. and 87 per cent. of the Group's revenues in these countries in 2020, respectively.

Competition

The steel panel radiator market is served by a small number of large players and a long tail of smaller players with market shares below five per cent. The Group is one of the two leading players in European steel panel radiator market by volume, with an aggregate market share of 36.3 per cent. in 2020, of which the Group's share was 16.6 per cent. The market share of the third largest player in 2020 was 10.0 per cent. The following chart shows the market share by manufacturer with sales over 0.7 million units in UK, Europe & Turkey for 2020:



The Group enjoys high brand recognition, with Stelrad, the leading brand by volume in the UK, Europe and Turkey combined, enabled by investment in product range, availability and channel management. The Directors believe that brand awareness drives trust amongst installers who "pull" radiators off the limited merchant shelf space available. The graph below shows the breakdown of market share for steel panel radiators by volume in 2020, with the Group holding the number one brand, with 8.1 per cent. market share compared with the number 2 brand (Radson) holding 5.7 per cent.:

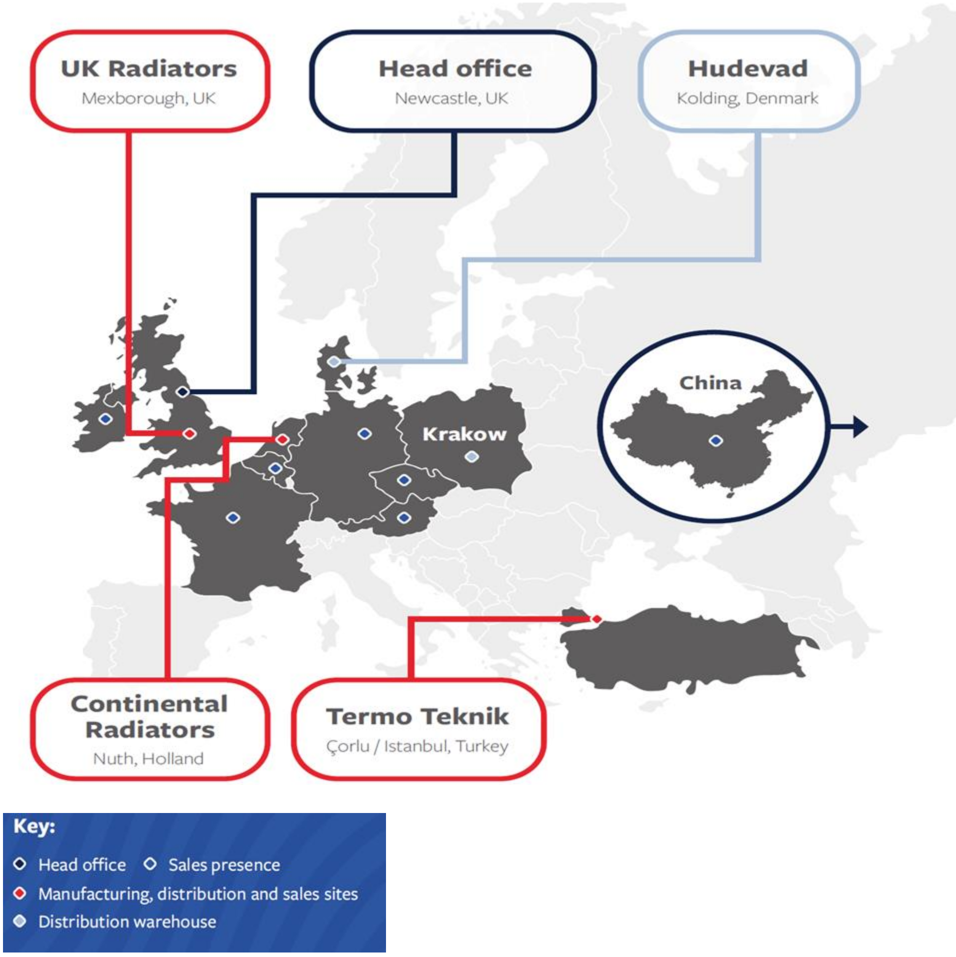


The Group has strong relationships with specifiers, merchants and installers. Specifiers often dictate to installers which brand of radiator is to be used on projects. The Group's strong specification relationships have encouraged distributors to stock Stelrad to take advantage of specification fulfilment orders, thereby "pushing" Stelrad products onto distributors' shelves. For example, Stelrad has commercial agreements with four of the largest UK national housebuilders, which drives the stocking policies of national merchants. At the same time, the Group has built strong brand awareness among installers, generating "pull" demand. The Group has recently started to build brand awareness among homeowners through direct online sales channels, search engine optimisation strategies, and public marketing campaigns.

Manufacturing Facilities and Logistics

Facilities overview

The Group has developed three highly efficient manufacturing facilities offering operational flexibility and a presence in lower cost economies, resulting in a low cost advantage over peers. In addition, each of the Group's manufacturing facilities have an on-site or proximate distribution facility. The Group also has mainland European distribution warehouses in Kolding, Denmark and Krakow, Poland. The map below indicates the Group's manufacturing facilities, distribution warehouses, head office and sales presence:



UK

The Group's UK site is located in Mexborough, South Yorkshire and was established in 1969. The site has strong transportation links throughout the UK and Ireland, coordinating an advanced production and distribution operation that spans a 15 acre site, which the Directors believe to be the largest radiator distribution facility in the UK. With four manufacturing lines, the Mexborough site predominantly manufactures the Stelrad brand for the UK market, as well as providing a central national distribution centre to deliver to all UK merchant branches on a weekly basis. In 2020, the site produced 0.7 million units. The site also receives and warehouses products from the Group's Çorlu facility for distribution to customers in the UK and Ireland. The recent incremental capital expenditure programme at the Mexborough site will be completed in 2021. Two high speed lines were comprehensively upgraded and two new panel presses and nine robotic devices were installed. Overall, the site has four high speed 6 metre per minute lines supplied by Schlatter with 650t Lauffer panel presses.

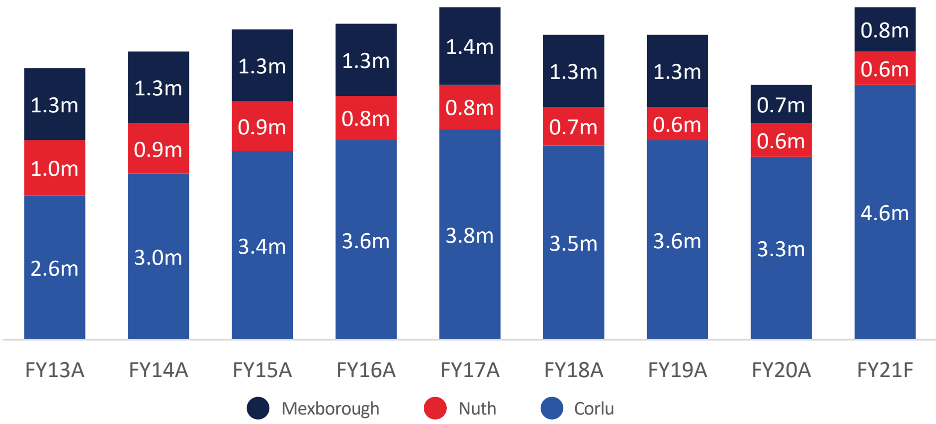
The Netherlands

The Group's Netherlands site is located in Nuth, in the south of the country near the German border. Established in 1960 it is the oldest of the Group's three manufacturing facilities. The Nuth site, which spans over 20 acres, is ideally located for ease of distribution to the more regional merchant network across Western Europe. With four manufacturing lines, the facilities produce premium panel and coloured radiators, made to order, to serve the larger premium market sector in Europe. In 2020, the Nuth site produced 0.6 million units. Each of the four lines is a high speed 6 metre per minute line supplied by Schlatter and/or Leas, three have 650t Lauffer panel presses and one has a 800t Winter press. The Group's European distribution facility in The Netherlands is located in Heerlen, near the Nuth site, with close links to customers throughout Western Europe. The Heerlen site has a storage capacity of 25,000m^3 and a radiator capacity of 200,000 units.

Turkey

The Group's Çorlu site in Turkey, provides the largest manufacturing capacity in the Group, producing 71.1 per cent. of 2020 production volumes, excluding Hudevad. The facility supplies significant intercompany volumes to UK and Europe to supplement local manufacturing from the Group's other facilities. With seven manufacturing lines, the Çorlu site primarily manufactures radiators for export to the UK, European and other international markets. Radiators supplied to the domestic Turkish residential market accounted for approximately 12 per cent. of the production of the Çorlu site in 2020. The Group has made significant investment in the Çorlu facilities in recent years, with all existing lines having been upgraded and a new hybrid line added to further improve flexibility and increase the product range that can be manufactured at low cost. Transferring lines from other Group sites to Çorlu has delivered significant capacity increases over recent years. In the six months ended 30 June 2021, the Çorlu site produced 2.3 million units, without the full benefit of the recently commissioned hybrid line (2020:3.3 million units), but with recent investment the facilities have the capacity to produce approximately 4.6 million units per annum. Three of the sites regular lines are high speed 6 metre per minute lines and four are high speed 6 metre per minute lines supplied by Schlatter or Leas all of which are supplied either Schlatter or Leas and have 650t presses supplied by Dirinler. The hybrid line is supplied by Schlatter and has a 650t press supplied by Grabener.

The following chart sets out the number of units produced annually by each of the Group's manufacturing facilities from 2013 onwards (including an estimated number for 2021):



Production strategy

Stelrad has established processes to deliver high quality manufacturing, with advanced capabilities to optimise production capacity levels and associated costs in a flexible manner. The Group's management continuously optimises production to improve efficiency and reduce costs and has demonstrated the ability to move production to lower cost operations, whilst maintaining high quality control. For example, in 2014, the Group closed its manufacturing facility in Belgium and transferred production to the Nuth and Çorlu facilities. It also integrated a smaller Belgian facility, located in Strepy, into the Nuth facility in 2019. A similar approach was also taken following the acquisition of Hudevad in 2018 with the facility in Ribe, Denmark closed in 2020 and production transferred to an existing UK supplier. As part of the incremental capital expenditure investment programme, there is now further manufacturing capacity headroom in Çorlu as a result of a new hybrid production line commissioned in January 2021 with scope to increase production in Turkey further.

Capital Investment Programme

Since 2015, the Group has successfully implemented a long-term manufacturing investment plan with approximately £25 million of incremental capital expenditure invested in the Group's three manufacturing facilities. This investment has a strong emphasis on health and safety, product quality and continuous operational improvement providing flexibility to manage changing markets, as well as improving capacity and productivity. Of the total amount spent on the facilities upgrade, approximately £9 million related to investment at Mexborough, £14 million at Çorlu and £2 million in Nuth. Included in the investment plan was the commissioning of 44 robotic devices in all areas of the manufacturing process, with the opportunity to develop this programme further. As a result, Stelrad has created a well-invested, efficient, and low cost manufacturing platform which can effectively leverage the benefits of its low cost Turkish operations across the entire European radiator market through consistency of its core design.

Supply Chain

In the UK, the Group sells direct to national and independent merchants. An emerging channel in online sales direct to construction companies/installers and homeowners has developed in the last few years. Specified product sales are distributed to installers through merchants. The Mexborough site has a storage capacity of 16,000m^3 and a radiator capacity of 350,000 units with a typical delivery lead time of between one and seven days which the Directors believe be best in class based on the Group's management's knowledge of the market. In 2020, approximately, 2.2 million radiators were distributed from the facility. The maintenance capital expenditure for the site is approximately £50,000 a year.

In the Netherlands, the Heerlen site has a storage capacity of 25,000m^3 and a radiator capacity of 200,000 units. with a typical delivery lead time of between one and two weeks which the Directors believe to be best in class based on the Group's management's knowledge of the market. The maintenance capital expenditure for the site is approximately £25,000 a year. In mature historically steel panel radiator orientated countries like Germany, The Netherlands and Belgium, the replacement market share typically represent approximately 60 to 80 per cent. of total volumes. New housing represents 19 per cent. of Belgian steel panel volumes. There is a lower share of steel panel radiators in new housing in Germany and The Netherlands, accounting for 14 per cent. and 9 per cent. respectively, due to greater market penetration by alternative heat emitter types. In the commercial sector, steel panel volume share is highest in Germany at 12 per cent., with Belgium and The Netherlands at 11 per cent. and France lowest at 6 per cent.

In France, a smaller installed base of steel panel radiators result in a relatively low replacement market share of 20 per cent., whereas new housing volumes account for 71 per cent. of the total. This reflects a shift to steel panel technology relative to previous new build installations, which were more orientated to electric heat emitters.

In these established Western European markets, radiators are mainly supplied by distributors and wholesalers (such as Verhelst, Saint-Gobain, Technische Unie), although direct sales to construction companies/installers represent an emerging route to market. Use of online channels to research product specifications and pricing is also increasing. In Belgium, the distribution landscape is fragmented, consisting of both national and regional players and with separation between specialist heating, ventilation and air conditioning ("**HVAC**") distributors and merchants selling a combination of HVAC and sanitary ware products through showroom outlets. Due to the climate differences between the north and south of the country, the French market is also highly regionalised, with smaller merchant players forming powerful buying groups (such as Algorel). Price sensitivity means that DIY channels (Leroy Merlin, Brico, Intergamma) are more popular in France than in other European markets. Largely due to the strength of the social housing sector, The Netherlands has a traditional distribution structure, with the majority of radiators sold through national merchants. DIY sales remain modest but online sales channels are growing in popularity. Generally, Germany uses a traditional distribution model, with radiators being supplied by both national and regional distributors. Direct sales to installers represent a smaller route to market and DIY and online sales are gradually developing.

In Turkey, Stelrad sells direct to wholesalers and distributors which are more regionally focused. As such, limited stock is held in the distribution system, with manufactures bearing the ultimate responsibility for distribution. Direct sales to installation companies/installers is an emerging channel.

Raw Materials and Inputs

Steel is the key raw material used in the production of radiators. The sourcing of steel varies by division, with UK Radiators and Continental Radiators predominantly sourcing steel from UK and Western European suppliers and Termo Teknik sourcing steel either from domestic manufacturers or importing steel from Russia and Asia.

Information Technology

The Group has sophisticated information technology systems. Each of the Group's divisions operates an enterprise resource planning system, with associated programmes, which enables them to manage their day to day operations. UK Radiators and Termo Teknik have implemented SAP while Continental Radiators and Hudevad have implemented Microsoft Navision software.

The Group has also developed a bespoke production management software, used for production control and packaging and labelling of its products.

Intellectual Property

As at 31 December 2020, the Group had registered 168 trademarks across its various business divisions. These trademarks primarily relate to the Group's brand names and logos as well as certain other trademarks. The Group has also registered 164 domain names across all divisions as well as 38 patents, patent applications and designs.

Employees

As at 31 December 2020, the Group employed 1,325 employees (actual heads including temporary and agency workers), operating across a highly efficient manufacturing and logistics operation. The average full time equivalent number of employees for the end 31 December 2020 was 1,244.[75] The following table sets forth the number of heads employed by division covering the past three year ends.

Function	At 31 December 2020(1)	At 31 December 2019	At 31 December 2018
UK Radiators	226	321	306
Continental Radiators	263	264	270
Termo Teknik	807	714	702
Hudevad	21	45	44
Head Office	8	8	8
Total	**1,325**	**1,352**	**1,330**

(1) Reduction in employees in the year ended 31 December 2020 was due to a restructuring programme which was undertaken in the UK to move more production in Turkey.

The Group also hires temporary and agency workers to give flexibility to seasonal demands on a low cost basis. As at 31 December 2020, the Group engaged 153 temporary and agency workers. More than 80 per cent. of Group employees are engaged in the core operational activities of production and distribution of the Group's products and consistent with the Group's manufacturing footprint, the majority of employees are located in Turkey.

The Group maintains strong relationships at local level with the statutory works councils for Belgium and The Netherlands. In the UK, the Group has constructive relationships with the Community trade union. There have been no recent history of industrial actions by employees in any of the countries in which the Group operates. In Turkey, Termo Teknik maintains strong relationships with the trade union "Özçelik İş" and adheres to nationwide agreements of the metal sector.

Corporate Social Responsibility

Environmental and Social and Governance ("ESG")

The Group has long since recognised that the integration of ESG into its everyday operations makes sound business sense and adds value to all stakeholders. The Chief Executive Officer has overall responsibility for setting policy and strategy in relation to ESG. Following an internal ESG strategy review in 2021, a Group-wide ESG workgroup was established to develop, and manage, a roadmap for the Group's future ESG strategy and will report progress to the Chief Executive Officer and the Board.

The Group's ESG journey is summarised below:

Year	Event
2001	Mexborough gains ISO 14001 & Join Valpak scheme
2009	Mexborough achieve zero waste to landfill (excluding occasional special waste)
2011	Social, Charity & Community Forum established

75 This excludes the agency workers employed by Termo Teknik.

Year	Event
	Çorlu gain ISO 14001 & OHSAS 18001
2013	Mexborough gain OHSAS 18001
	Mexborough join the CCA
2015	Group develops policy & targets
	Major Shareholder sets minimum ESG standards
2016	Mexborough gain ISO 50001
2017	Nuth gain ISO 14001
	Use of High Strength Steel in mainstream production
2018	Mexborough uses 100% renewable electricity
	Nuth gain ISO 45001
2019	Mexborough and Çorlu Join SEDEX ethical supply chain
2020	First scope 1 & 2 Streamlined Energy & Carbon Reporting produced
	UK energy rebate used to commence carbon offsetting
2021	Mexborough migrate to ISO 45001
	Çorlu gain ISO 50001 and migrate to ISO 45001
	Group joins EcoVadis sustainability rating system
	ESG Strategy Review

The Group's ESG Vision

The Group is committed to expanding its ESG record and has developed a vision for its business to help achieve this goal. In respect of environmental matters, the Group aims to reduce its own impact on the environment and contribute to the wider resolution of environmental issues by becoming a carbon neutral business. The Group will look to develop solutions to reduce its carbon footprint by better understanding the lifecycle of its products and by working with its suppliers and customers in order to implement such solutions, for instance in relation to its product packaging and the production of the steel it uses. The Group also plans on contributing to the wider attainment of governmental decarbonisation targets through the provision of products which are compatible with gas boiler replacement technologies.

The Group's vision also aims to ensure that its workplaces are safe, inclusive and great to work at, allowing employees to be at their best. The Group will always look to prioritize the safety of its employees and contractors and create a great workplace for all employees, where they feel empowered to be the best they can be and one which promotes equality, diversity, inclusion, health and wellbeing.

Environmental

All of the Group's facilities operate in accordance with established best practices. The Group's manufacturing sites have been certified in accordance with ISO 14001 and ISO 45001, in relation to establishing and applying an environmental, occupational health and safety management system for the production of radiators. The Mexborough and Çorlu sites are also ISO 50001 Energy Management Standard certified. The Mexborough site is also certified under the Valpak Packaging compliance scheme.

The Group's facilities are working towards using a higher proportion of renewable electricity. The Mexborough site switched all electricity supplies to renewable source electricity with effect from 1 October 2018. The Continental Radiators warehouse in Heerlen switched to 100 per cent. renewable energy on 1 August 2021. Upgrades were also carried out at the Mexborough and Nuth sites, in 2017 and 2016 respectively, in order to reduce energy usage and emissions which involved the installation of integrated compressor management systems and a sub-metering project has commenced at each site in order to improve energy measurement and reporting. A change to the paint plant process at the Çorlu site was also implemented in 2017 which eliminated the need to heat paint pre-treatment tanks to 60 degrees Celsius. An external review carried out at the Çorlu site also identified 31 further energy savings projects. The Group has also transitioned 100 per cent. of the UK car fleet to sub 50 g/km hybrid and electric vehicles and has a clear goal to complete this transition, in other parts of the Group, by 2025 ahead of moving to a fully electric fleet by 2030.

All three manufacturing sites are zero waste to landfill from operations (excluding occasional special waste), which has been achieved in recent years and has now allowed the Group to focus on product life-cycle assessments, development of a pathway to increase the proportion of recycled and recyclable material in its packaging and to provide detailed recycling information on its products. The Directors expect these steps to further limit the Group's impact on its value chain, to be completed by 2030.

The Group regularly participates in carbon offsetting initiatives. For example, the Termo Teknik employees have been participating in Çorlu reforestation project since 2015 and UK Radiators participate in an ongoing carbon offsetting programme using energy rebates in 2020 to participate in a woodland partnership under the UK Forest Carbon project.

Social

The Group has for many years recognised the importance of continuously improving and managing its relations with the people and environments that are affected by its operations. Each of the Group's business is expected to build initiatives around the principles of continuous improvement.

The Group operates and complies with a suite of human resources policies across its operational jurisdictions, including a group wide anti-bribery and corruption policy (under which training is provided to employees), a Modern Slavery Act policy and GDPR policies. The Group recognises the importance of developing an inclusive and supportive culture across its business and is a "Disability Confident" employer and implements supportive occupational health arrangements at all of its major sites. The Group also recognises its employees' right to join a trade union and apply collective bargaining agreements where applicable.

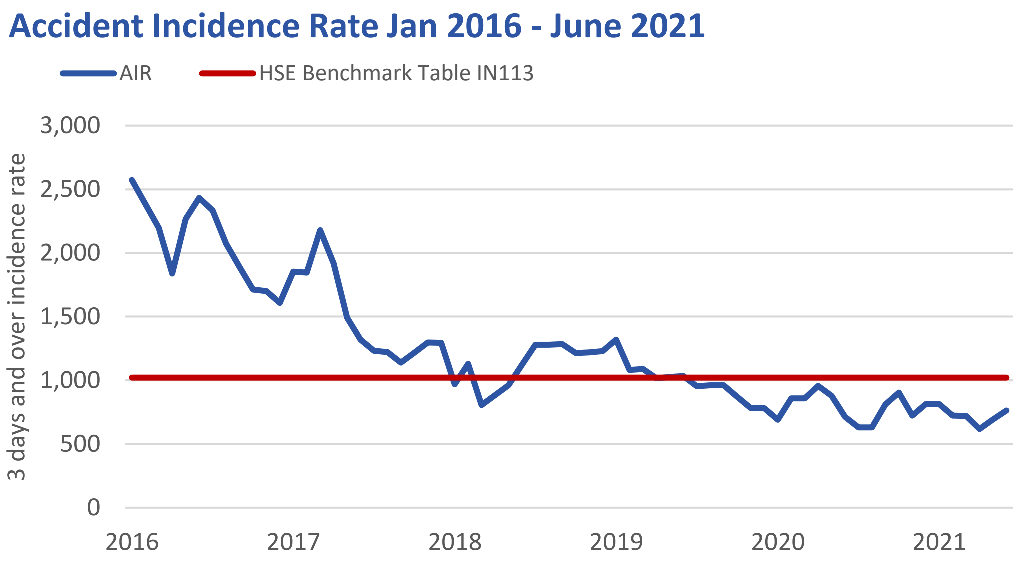
The Group supports local community organisations and charities and UK Radiators received the 2019 NVR Community Spirit Award, for its commitment to corporate social responsibility. As part of its community support initiatives, the UK Radiators business donated a playing field and sponsored the Mexborough Juniors soccer team. It also is a perennial sponsor of the Montague Cup, a football event which raises money for a local hospital. The Group liaises with local schools and colleges and promotes work experience and apprenticeship opportunities. The Group's UK based employees have led several fundraising initiatives for charitable causes raising over £44,000 for charities (including Help for Heroes, Bluebell Wood Children's Hospice and Cancer Research for Kids). The Nuth site hosts work opportunity events for young and disadvantaged persons and sponsored Kika, a children's cancer foundation, in their recent participation in the Mongol Rally. Termo Teknik employees participate in range of community initiatives including visits to local care homes for both the elderly and children, making donations to the Foundation of Children with Leukaemia and providing support at a collection event, and hosting a careers Q&A session at a local technical college.

Health and safety

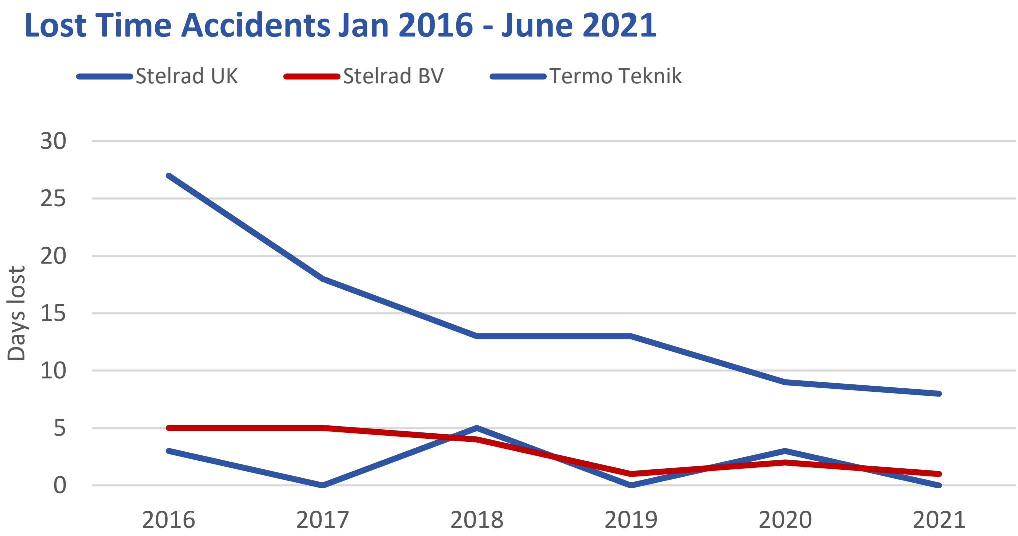
The Group is committed to ensuring the safety of all its employees, contractors and visitors across all of its operations and places a significant focus on health and safety training and development, with all three of its manufacturing sites having successfully transitioned to ISO 45001.

The Group operates on the basic premise that "Every employee has the right to go home in the same condition that they arrived". The Board carries out monthly reviews of the Group's health and safety performance. Monthly reports include a traffic light compliance planning table to help ensure that statutory obligations are satisfied on time. All accidents and near misses are thoroughly investigated in order to identify root causes and preventative measures. Each manufacturing site is resourced with HSE professionals and all have built established relationships with specialist consultancies to supplement competence and to work towards best practice. The Group's HSE team have established an effective and collaborative network and are regularly in contact to share knowledge through a dedicated intranet site and intercompany visits.

The Group's UK, Continental and Turkish manufacturing facilities' accident incident rates (3 days and over absences) comfortably meet HSE benchmark accident rates for the sector as shown in the following chart:



The following chart shows the number of days lost due to accidents for the Group's three manufacturing facilities for recent years up until 30 June 2021:



Whilst good progress has been made in reducing accidents across the Group, the Mexborough site achieved one year without a lost time accident on 30 July 2021 and is working towards its previous record of 929 days, the Group is working hard to reach its ultimate aim of zero accidents.

Recent steps made by the Group in order to improve health and safety include:

- a €1 million upgrade of Çorlu fire systems to protect people, plant and continuity of supply;
- a comprehensive set of machine safety standards has been developed and rolled out across the Group to ensure a harmonious approach to machine guarding;
- the extensive introduction of robotics at Nuth and Çorlu to reduce manual handling risk;
- a full audit of vibratory tools at Mexborough resulting in changes to the purchasing of replacement tools and the implementation of a training programme;

- the installation of new equipment at Mexborough in order to enhance welding fume extraction and comply with best practice; and

- the installation of a roof working protection system at Çorlu.

Going forward

As part of its 2021 ESG strategy review, the Group has developed a series of aims and is examining the feasibility of these aspirations with a view to firming up targets and developing a roadmap for its ESG strategy over the next year. The Group will ensure that its Taskforce on Climate Related Financial Disclosures are met in good time for inclusion in its 2021 Annual Report and Accounts.

Insurance

The Group maintains levels of cover that it considers prudent and sensible for the primary risks applicable to the Group and the countries that it operates within. These policies provide insurance cover for property damage and business interruption, computers, employers' liability, and public and product liability, engineering inspection, engineering insurance, contractors' plant, motor fleet and marine liability in addition to standard corporate insurances including crime, cyber, directors and officers liability. The Group's insurance coverage is placed by Aon UK Limited from the United Kingdom utilising assistance from their overseas local offices. In certain territories local policies are issued and sit below the applicable global master policies placed within the UK. The Directors believe that the Group's insurance coverage is sufficient for the risks associated with its operations and that its policies are in accordance with customary industry practices.

Regulation

The Group's operations and properties are subject to environmental and occupational health and safety laws and regulations in each of the jurisdictions in which it operates. The Nuth facility is subject to various legislation relating to the REACH-regulation (EC/1907/2000) and the CLP-regulation (EC/1272/2008) and energy efficiency directive EU/2012/27 (the "**EED**"). The Mexborough site is subject to the Health and Safety at Work etc Act and the Modern Slavery Act 2015. The Çorlu site is subject to the Turkish Occupational Health & Safety Law No 6331 2012 ("**İş Sağlığı ve Güvenliği**") and the Environment Law no 2872 1983 and subsequent related legislation. The Directors believe that the Group is currently in substantial compliance with all applicable environmental and occupational health and safety requirement.

The Group is subject to various data protection laws and regulations including the Data Protection Act 2018, General Data Protection Regulation, and the Turkish Data Protection Law, Kişisel Verilerin Korunması Kanunu ("**KVKK**"). The Group has introduced several data protection policies to ensure compliance with its obligations under data protection laws.

PART III
DIRECTORS AND CORPORATE GOVERNANCE

Directors

The Company's Directors, who are also those considered relevant to establishing that the Company has the appropriate expertise and experience for the management of its business, are:

Name	Age	Position	Date appointed to Board	Notice Period
Robert Ellis	70	Chair	8 October 2021	3 months
Trevor Harvey	64	Chief Executive Officer	8 October 2021	12 months
George Letham.............	64	Chief Financial Officer	8 October 2021	6 months
Edmund Lazarus...........	53	Non-Executive Director	8 October 2021	3 months
Nicholas Armstrong	35	Non-Executive Director	8 October 2021	3 months
Terry Miller O.B.E	69	Senior Independent Non-Executive Director	22 October 2021	3 months
Nicola Bruce	52	Independent Non-Executive Director	22 October 2021	3 months
Martin Payne................	56	Independent Non-Executive Director	22 October 2021	3 months

The business address of each of the Directors (in such capacity) is 69-75 Side, Newcastle Upon Tyne, Tyne And Wear, NE1 3JE, United Kingdom.

The management expertise and experience of each of the Directors is set out below:

Robert Ellis, Chair

Robert Ellis is a Director and the Chair of the Board and joined the Group in August 2009. Mr Ellis has a strong financial background with significant experience in operational restructurings and has also worked with various companies with private equity ownership, across a number of sectors, including the retail, manufacturing and construction sectors. Mr Ellis currently holds directorships on the board of Whittan Group as chair of the board, remuneration and audit committees, the board of Reconomy as Chair of the board and, remuneration and audit committees and is also a director and chair of the audit, finance and risk committee of Parexel International. Mr Ellis was also recently appointed as board advisor to Perceptive eClinical Limited, a medical technology company. Since he became Chair of the Board in 2013, his role at the Group has been focused on ensuring that the Board is effective in its role of setting and implementing the company's direction and strategy. Mr Ellis has been variously the chair, CEO, CFO and a director of public companies listed in the UK, USA and Australia and has a BEd from London University is a fellow of both the Chartered Institute of Management Accountants and the Institute for Turnaround.

Trevor Harvey, Chief Executive Officer

Trevor Harvey is the Chief Executive Officer of the Group and joined the Group in January 2000 as a Director. Mr Harvey is also currently a director of ISG Boiler Holdings Ltd, a holding company whose subsidiaries are engaged in the manufacture and distribution of boilers and has held this position since January 2002. Prior to joining the Group, Mr Harvey held management positions as Managing Director of Myson Radiators and Managing Director of Myson Heat Emitters, both of which operate within the radiator and heat emitter sector. Trevor studied at the University of Newcastle upon Tyne and graduated with a BSc (Hons) in Mechanical Engineering.

George Letham, Chief Financial Officer

George Letham is a Director and the Chief Financial Officer of the Group having joined the Group in January 2003. He has over 40 years of finance experience and has held multiple senior finance roles before joining the Group, including at Price Waterhouse Hong Kong and Blue Circle Industries PLC. Mr Letham recently joined the board of The Rangers Football Club Ltd as a non-executive Director in January 2021. Mr Letham is a member of the Institute of Chartered Accountants of Scotland.

Edmund Lazarus, Non-Executive Director

Edmund Lazarus is a Non-Executive Director and joined the Group in November 2014. Mr Lazarus is also Managing Partner and Founder of EMK Capital. Prior to EMK Capital, Mr. Lazarus was Managing Partner of Bregal Capital which he co-founded in 2002. He has been in senior private equity positions for over 20 years. Mr. Lazarus' prior career was as a strategic consultant with Bain & Co and as an M&A and Corporate Finance adviser with SG Warburg and Merrill Lynch before entering the private equity industry with Morgan Stanley Capital Partners. Mr. Lazarus is committed to public service alongside his professional career and served from 1992 to 2002 on Westminster Council, the City Government for Central London, latterly as Chairman of Finance and Deputy Leader, as Chairman of Finance of the London Development Agency from 2008 to 2012 and as Chairman of the London Green Fund from 2012 to 2016 (the latter positions nominated by the Mayor of London). Mr. Lazarus graduated with a first-class degree in Politics, Philosophy and Economics from Oxford University where he was also elected president of the Oxford Union in 1989.

Nicholas Armstrong, Non-Executive Director

Nicholas Armstrong is a Non-Executive Director and joined the Group in November 2015. Mr. Armstrong is a Partner and member of the founding team at EMK Capital. Prior to EMK, Mr. Armstrong was part of the Bregal Capital team from mid-2014 and worked extensively across a number of portfolio companies including Stelrad Group. Prior to joining Bregal, Mr. Armstrong worked in Nomura's UK M&A team in London and Nomura's Australian M&A team in Sydney. He graduated from the University of Sydney with a Bachelor and Master of Commerce.

Terry Miller O.B.E., Senior Independent Non-Executive Director

Terry Miller is a Non-Executive Director and joined the Group in October 2021. Ms Miller is a non-executive director of Goldman Sachs International and Goldman Sachs International Bank, part of the multinational Goldman Sachs Group of financial services businesses. Ms Miller is also a non-executive director of Rothesay Life plc, and the Senior Independent Director of Galliford Try Holdings plc. As well as her significant non-executive board experience, Ms Miller has also previously held senior executive positions as General Counsel for the London Organising Committee of the Olympic Games and Paralympic Games and prior to her LOCOG appointment as a partner and International General Counsel for Goldman Sachs. She has also served as a director of the British Olympic Association and a Trustee of the Invictus Games Foundation. Ms Miller holds an L.L.M. from Georgetown University, a J.D. from University of Dayton and a B.A. from University of Michigan.

Nicola Bruce, Independent Non-Executive Director

Nicola Bruce is a Non-Executive Director and joined the Group in October 2021. She is currently a non-executive director of OFWAT, the UK water regulator, and Senior Independent Director and Chair of Remuneration Committee at the Anchor Hanover Group. Ms Bruce has previously held the roles of non-executive director at CS Healthcare Ltd, where she chaired the Remuneration Committee, and at the Money Advice Service, where she chaired the Investment Committee. During her executive career, she was a Partner at the Monitor Group (now Deloitte) and Group Director of Strategy at De La Rue plc. Ms Bruce is a Chartered Management Accountant and holds both an M.B.A. from INSEAD and a Master of Arts (Hons) in Politics, Philosophy and Economics from the University of Oxford.

Martin Payne, Independent Non-Executive Director

Martin Payne is a Non-Executive Director and joined the Group in October 2021. Mr Payne is an experienced Chief Executive Officer and is currently Chief Executive of Genuit Group plc, a UK FTSE250 company which serves the construction industry by providing sustainable water and climate management solutions. Mr Payne previously held the roles of Group Financial Director at Norcros plc and Group Financial Controller at JCB Group. He also has experience as a non-executive director of the Construction Products Association, where he is currently Chairman. Mr Payne is qualified accountant, a Fellow of the Chartered Institute of Management Accountants and holds a B.A. (Hons) in Economics from Durham University.

Senior Managers

The Chief Executive Officer and the Chief Financial Officer are considered relevant to establishing that the Company has the appropriate experience and expertise for the management of its business.

Corporate Governance

The board of directors of the Company (the "**Board**") is committed to the highest standards of corporate governance. Save as set out below, as at the date of this document and on and following Admission, the Board complies and will comply with the UK Corporate Governance Code published by the Financial Reporting Council in July 2018, as amended from time to time (the "**Corporate Governance Code**"). The Company will report to its shareholders on its compliance with the Corporate Governance Code in accordance with the Listing Rules.

The Board

On Admission, the Board will be composed of 8 members, consisting of the Chief Executive Officer, Trevor Harvey, the Chief Financial Officer, George Letham, (the "**Executive Directors**"), and Robert Ellis, the Chair, Edmund Lazarus, Nicholas Armstrong, Terry Miller O.B.E., Nicola Bruce and Martin Payne (the "**Non-Executive Directors**"). The Directors regard Terry Miller O.B.E., Nicola Bruce and Martin Payne as being independent.

At Admission, the Company will therefore not comply with the Corporate Governance Code recommendations on the number of independent non-executive directors on the board of a company with a premium listing on the Official List, as at least half the Board, excluding the Chair, will not be considered independent. The Board expects the number of Non-Executive Directors on the Board who are not considered to be independent to reduce over time.

The Corporate Governance Code also recommends that directors should be subject to annual re-election. The Company intends to comply with this recommendation.

The Chair

The Corporate Governance Code recommends that the chair of a company with a premium listing on the Official List should be independent on appointment when assessed against the circumstances set out in the Corporate Governance Code. The Chair, Robert Ellis, has in the past held, and continues to hold, various positions with portfolio companies owned by affiliates of The Bregal Fund III L.P. acting by its general partner Bregal General Partner III Jersey LP acting by its general partner Bregal Capital General Partner Jersey Limited (the "**Major Shareholder**"), the Company's major shareholder, and was initially appointed as a non-executive director of the Group in 2009. By virtue of holding these positions with portfolio companies owned by affiliates of the Major Shareholder and taking into account Mr. Ellis's tenure as a non-executive director, the Board does not consider that the Chair should be viewed as being independent on appointment by reference to the independence criteria set out in the Corporate Governance Code. However, in view of the Chair's involvement with the Group over the last twelve years, and as Chair since 2013, the Board considers that he has made a major contribution to the Group's growth and success and is unanimously of the opinion that his continued involvement as chair will help to ensure the ongoing success of the Company following Admission.

The Senior Independent Director

The Corporate Governance Code recommends that the board of directors of a company with a premium listing on the Official List should appoint one of the independent non-executive directors to be the senior independent director to provide a sounding board for the chair and serve as an intermediary for the other directors and shareholders. Terry Miller O.B.E. has been appointed as Senior Independent Non-Executive Director (the "**Senior Independent Director**") with effect from Admission. The Senior Independent Director will be available to shareholders if they have concerns, which contact through the normal channels of chair or executive Directors has failed to resolve or for which such contact is inappropriate.

Relationship Agreement

The Company entered into the Relationship Agreement with the Major Shareholder on 5 November 2021 to ensure that it is capable of carrying on its business independently of its controlling shareholder (as defined in the Listing Rules) and their Associates.

Pursuant to the Relationship Agreement, the Major Shareholder will be able to appoint two directors to the Board for so long as it (together with any of its Associates) holds 20 per cent. or more of the voting rights of the Ordinary Shares, and will be able to appoint one director to the Board, and a board observer, for so long as it (together with any of its Associates) holds 10 per cent. or more, but less than 20 per cent., of the voting rights of the Ordinary Shares. In addition, for so long as the Major Shareholder (together with any of its Associates) holds 20 per cent. or more of the voting rights of the Ordinary Shares, the Major Shareholder is entitled to nominate a representative director to be a member of the Nomination Committee and for so long as it holds 10 per cent. or more of the voting rights of the Ordinary Shares (together with any of its Associates) it is entitled to appoint an observer to each of the Nomination Committee, Audit and Risk Committee and Remuneration Committee. The Major Shareholder will not appoint an observer to the Nomination Committee whilst a representative director is a member of such committee. The Major Shareholder's first appointed representative directors are Edmund Lazarus and Nicholas Armstrong.

For a more detailed description of the Relationship Agreement, see paragraph 18.2 "*Relationship Agreement*" of *Part X* "*Additional Information*".

Committees of the Board

As envisaged by the Corporate Governance Code, the Board has established an Audit and Risk Committee, a Nomination Committee and a Remuneration Committee (the "**Committees**"), each with formally delegated duties and responsibilities with written terms of references. If the need should arise, the Board may set up additional committees as appropriate.

Nomination Committee

The Nomination Committee assists the Board in discharging its responsibilities relating to the composition and make-up of the Board and any committees of the Board. It is also responsible for periodically reviewing the Board's structure and identifying potential candidates to be appointed as directors or committee members as the need may arise. The Nomination Committee also assists the Board in the consideration and development of appropriate corporate governance principles, including, among other things, those relating to potential related party transactions. The Nomination Committee is responsible for evaluating the balance of skills, knowledge and experience and the size, structure and composition of the Board and committees of the Board, and retirements and appointments of additional and replacement directors and committee members, and will make appropriate recommendations to the Board on such matters. The Nomination Committee will meet not less than twice a year. From Admission, it is intended that the chair of the Nomination Committee will be available at annual general meetings of the Company to respond to questions from shareholders on the activities of the Nomination Committee.

The Corporate Governance Code recommends that a majority of the members of a nomination committee should be independent non-executive directors, and that the chair of the board should not chair the committee when it is dealing with the appointment of a successor to the chairship. Pursuant to the Relationship Agreement, for so long as the Major Shareholder (together with any of its Associates) holds 20 per cent. or more of the voting rights of the Ordinary Shares, the Major Shareholder is entitled to nominate one representative director to be a member of the Nomination Committee. In addition, pursuant to the Relationship Agreement, for so long as the Major Shareholder (together with any of its Associates) holds 10 per cent. or more of the voting rights of the Ordinary Shares, the Major Shareholder is entitled to nominate an observer to the Nomination Committee. The Major Shareholder will not appoint an observer to the Nomination Committee whilst a representative director is a member of such committee. At Admission, the Nomination Committee will be chaired by Terry Miller O.B.E. and its other members will be Nicola Bruce, Martin Payne and Edmund Lazarus (acting as a representative director of the Major Shareholder).

The Directors consider that the Company complies with the requirements of the Corporate Governance Code in respect of nomination committees.

Remuneration Committee

The Remuneration Committee assists the Board in determining its responsibilities in relation to directors' remuneration, including making recommendations to the Board on the Company's policy on executive remuneration, including setting the over-arching principles, parameters and governance framework of the Group's remuneration policy and determining the individual remuneration and benefits package of each of the Executive Directors, the Chair and members of the executive management team (being the first layer of management below the level of the Board and reporting to the CEO, including the Company Secretary). The Remuneration Committee will give due regard to the provisions and recommendations in the Corporate Governance Code when determining the remuneration policy. The Remuneration Committee will meet not less than three times a year. From Admission, it is intended that the chair of the Remuneration Committee will be available at annual general meetings of the Company to respond to questions from shareholders on the activities of the Remuneration Committee.

The Corporate Governance Code recommends that a remuneration committee should comprise at least three members and that all members should be independent non-executive directors. The chair of the board should only be a member if he was independent on appointment, and cannot chair the committee. The chair of the remuneration committee should have served on a remuneration committee for at least 12 months prior to his or her appointment as such. At Admission, the Remuneration Committee will be chaired by Nicola Bruce and its other members will be Terry Miller O.B.E. and Martin Payne. In addition, pursuant to the Relationship Agreement, for so long as the Major Shareholder (together with any of its Associates) holds 10 per cent. or more of the voting rights of the Ordinary Shares, the Major Shareholder is entitled to nominate an observer to the Remuneration Committee.

The Directors consider that the Company complies with the requirements of the Corporate Governance Code in respect of remuneration committees.

Audit and Risk Committee

The Audit and Risk Committee assists the Board in discharging its responsibilities with regard to financial reporting, external and internal audits and controls, including reviewing and monitoring the integrity of the Group's annual and interim financial statements, reviewing and monitoring the extent of the non-audit work undertaken by external auditors, advising on the appointment of external auditors, overseeing the Group's relationship with its external auditors, reviewing the effectiveness of the external audit process, and reviewing the effectiveness of the Group's internal audit, internal controls, whistleblowing and fraud systems. The ultimate responsibility for reviewing and approving the annual report and accounts and the half-yearly reports remains with the Board. The Audit and Risk Committee will give due consideration to laws and regulations, the provisions of the Corporate Governance Code and the requirements of the Listing Rules and the Disclosure Guidance and Transparency Rules. The Audit and Risk Committee is also responsible for (i) advising the Board on the Company's risk strategy, risk policies and current risk exposures; (ii) overseeing the implementation and maintenance of the overall risk management framework and systems; and (iii) reviewing the Company's risk assessment processes and capability to identify and manage new risks. When appropriate, the Audit and Risk Committee will meet without members of the executive management team in attendance. The Audit and Risk Committee will meet not less than three times a year, at least one of which will be without management present. From Admission, it is intended that the chair of the Audit and Risk Committee will be available at annual general meetings of the Company to respond to questions from shareholders on the activities of the Audit and Risk Committee.

The Corporate Governance Code recommends that an audit committee should comprise at least three members, that all members should be independent non-executive directors, that at least one member should have recent and relevant financial experience and that the committee as a whole should have competence relevant to the sector in which the company operates. The chair of the board should not be a member. At Admission, the Audit and Risk Committee will be chaired by Martin Payne and its other members will be

Terry Miller O.B.E. and Nicola Bruce. In addition, pursuant to the Relationship Agreement, for so long as the Major Shareholder (together with any of its Associates) holds 10 per cent. or more of the voting rights of the Ordinary Shares, the Major Shareholder is entitled to nominate an observer to the Audit and Risk Committee.

The Directors consider that Martin Payne has recent and relevant financial experience and that the Audit and Risk Committee as a whole has competence relevant to the sector in which the Group operates, in accordance with the requirements of the Corporate Governance Code, and that the Company complies with the requirements of the Corporate Governance Code in respect of audit committees.

The Audit and Risk Committee has taken appropriate steps to ensure that the Auditor is independent of the Company and obtained written confirmation from the Auditor that it complies with guidelines on independence issued by the relevant accountancy and auditing bodies.

Share Dealing Code

The Company has adopted, with effect from Admission, a code of securities dealings in relation to the Ordinary Shares which is based on the requirements of the UK Market Abuse Regulation. The code adopted will apply to the Directors and other relevant employees of the Group.

PART IV
CAPITALISATION AND INDEBTEDNESS STATEMENT

Indebtedness

The following table sets out the indebtedness of the Group as at 31 August 2021. The indebtedness information has been extracted without material adjustment from the Group's unaudited management accounts and accounting books and records, and has been prepared on the same basis as the Historical Financial Information.

	As at 31 August 2021
	(unaudited)
	(£) 000
Total current debt	
Guaranteed	-
Secured[(1)]	1,708
Unguaranteed/unsecured[(2)]	1,568
Total non-current debt (excluding current portion of long-term debt)	
Guaranteed	-
Secured[(3)]	6,297
Unguaranteed/unsecured[(4)]	82,590
Total	**92,163**

There has been no material change to Group's total indebtedness since 31 August 2021.

[(1)] Current secured debt comprises £556,000 relating to the ABFF Term Loan Facility and £1,187,000 relating to the Lombard Facility, which are secured on the land and buildings in the UK and the plant and machinery in the UK and the Netherlands, and £13,000 relating to lease liabilities, which are secured on the assets to which they relate. The debt is shown net of unamortised debt issue costs of £48,000.
[(2)] Current unguaranteed/unsecured debt comprises £1,568,000 lease liabilities.
[(3)] Non-current secured debt comprises £3,466,000 relating to the ABFF Term Loan Facility and £12,000 relating to the Revolving Credit Facility, in addition to £2,835,000 drawn on the Lombard Facility. The ABFF Term Loan Facility and the Lombard Facility are secured on the land and buildings in the UK and the plant and machinery in the UK and the Netherlands. The Revolving Credit Facility is secured on inventory and receivables in the UK, the Netherlands and Belgium. The debt is shown net of unamortised debt issue costs of £16,000.
[(4)] Non-current unguaranteed/unsecured debt comprises £8,022,000 lease liabilities, £62,806,000 ultimate shareholder loans, £11,560,000 immediate parent company loan and £202,000 deferred consideration related to the sale of a former subsidiary.

Capitalisation

The following table sets out the capitalisation of Group as at 30 June 2021. The information has been extracted without material adjustment from the Historical Financial Information included in *Part VII* "*Historical Financial Information*".

	As at 30 June 2021
	(£) 000
Shareholders' equity	
Share capital	250
Merger reserve	940
Total	**1,190**

There has been no material change to Group's total capitalisation since 30 June 2021.

Net Indebtedness

The following table sets out the net indebtedness of the Group as at 31 August 2021. The information has been extracted without material adjustment from the Group's unaudited management accounts and accounting books and records, and has been prepared on the same basis as the Historical Financial Information.

	As at 31 August 2021
	(unaudited)
	(£) 000
Cash	25,607
Cash equivalent	-

	As at 31 August 2021
	(unaudited)
	(£) 000
Trading securities	-
Liquidity	**25,607**
Current financial receivable	**-**
Current bank debt[(1)]	1,695
Current portion of non-current debt	-
Other current financial debt[(2)]	1,581
Current financial debt	**3,276**
Net current financial indebtedness	**(22,331)**
Non-current bank loans[(3)]	6,297
Bonds issued	-
Other non-current loans[(4)]	82,590
Non-current financial indebtedness	**88,887**
Net financial indebtedness	**66,556**

[(1)] Current bank debt comprises £556,000 relating to the ABFF Term Loan Facility and £1,187,000 relating to the Lombard Facility. The debt is shown net of unamortised debt issue costs of £48,000.
[(2)] Other current financial debt comprises £1,581,000 lease liabilities.
[(3)] Non-current secured debt comprises £3,466,000 relating to the ABFF Term Loan Facility and £12,000 relating to the Revolving Credit Facility, in addition to £2,835,000 drawn on the Lombard Facility. The debt is shown net of unamortised debt issue costs of £16,000.
[(4)] Other non-current loans comprise £8,022,000 lease liabilities, £62,806,000 ultimate shareholder loans, £11,560,000 immediate parent company loan and £202,000 deferred consideration related to the sale of a former subsidiary.

The Group does not have any indirect or contingent indebtedness.

PART V
SELECTED FINANCIAL INFORMATION

Set forth below is selected financial information for the Group for the periods indicated. The financial information for the Group as at and for each of the years ended 31 December 2020, 31 December 2019 and 31 December 2018 and the six months ended 30 June 2021 and 30 June 2020, prepared in accordance with IFRS, has been extracted without material adjustment from *Part VII* "*Historical Financial Information*". This should be read in conjunction with the paragraph headed "*Presentation of Financial Information*" in the "*Important Information*" section, *Part VI* "*Operating and Financial Review*" and *Part VII* "*Historical Financial Information*" appearing elsewhere in this document.

Consolidated Income Statement

	Six months ended 30 June		Year ended 31 December		
	2021	**2020**	**2020**	**2019**	**2018**
		(unaudited)			
			(£) 000		
Continuing operations					
Revenue	**127,925**	**83,026**	**196,565**	**208,581**	**205,207**
Cost of sales	(88,717)	(59,363)	(139,372)	(154,166)	(155,810)
Gross profit	**39,208**	**23,663**	**57,193**	**54,415**	**49,397**
Selling and distribution expenses	(17,276)	(14,391)	(31,265)	(32,253)	(28,497)
Administrative expenses	(5,331)	(5,302)	(11,741)	(12,644)	(10,870)
Other operating income	2,811	1,945	5,356	2,302	1,340
Other operating expenses	(1,496)	(25)	(19)	(84)	(3,133)
Operating profit	**17,916**	**5,890**	**19,524**	**11,736**	**8,237**
Finance income	103	19	68	74	76
Finance costs	(5,602)	(5,058)	(10,405)	(9,348)	(8,069)
Profit before tax from continuing operations	**12,417**	**851**	**9,187**	**2,462**	**244**
Income tax expense	(3,575)	(761)	(488)	(613)	(435)
Profit for the year attributable to owners of the parent	**8,842**	**90**	**8,699**	**1,849**	**(191)**
Earnings per share:					
Basic earnings per share (pence per share)	3,538.56	36.02	3,481.33	739.97	(76.44)
Diluted earnings per share (pence per share)	3,538.56	36.02	3,481.33	739.97	(76.44)

Consolidated Statement of Comprehensive Income

	Six months ended 30 June		Year ended 31 December		
	2021	**2020**	**2020**	**2019**	**2018**
		(unaudited)			
			(£) 000		
Profit/(loss) for the period	**8,842**	**90**	**8,699**	**1,849**	**(191)**
Other comprehensive income/(expense)					
Other comprehensive income/(expense) that may be reclassified to profit or loss in subsequent periods:					
Net gain on monetary items forming part of net investment in foreign operations and qualifying hedges of net investments in foreign operations	645	607	1,337	557	51
Income tax effect	(137)	(129)	(286)	(51)	(29)
Exchange differences on translation of foreign operations	(8,346)	(709)	(8,890)	(7,300)	(8,553)
Net other comprehensive expense that may be reclassified to profit or loss in subsequent periods	**(7,838)**	**(231)**	**(7,839)**	**(6,794)**	**(8,531)**
Other comprehensive expense not to be reclassified to profit or loss in subsequent periods:					
Re-measurement losses on defined benefit plans	(100)	-	(317)	(245)	(348)
Income tax effect	22	-	70	54	77
Net other comprehensive expense not to be reclassified to profit or loss in subsequent periods	**(78)**	**-**	**(247)**	**(191)**	**(271)**
Other comprehensive expense for the period, net of tax	**(7,916)**	**(231)**	**(8,086)**	**(6,985)**	**(8,802)**
Total comprehensive income / (expense) for the period, net of tax attributable to owners of the parent	**926**	**(141)**	**613**	**(5,136)**	**(8,993)**

Consolidated Balance Sheet

	30 June	31 December		
	2021	2020	2019	2018
		(£) 000		
Assets				
Non-current assets				
Property, plant and equipment	56,861	61,024	61,403	51,643
Trade and other receivables	14	17	22	26
Deferred tax assets	3,487	4,342	3,292	3,421
	60,362	65,383	64,717	55,090
Current assets				
Inventories	41,039	30,986	35,896	34,575
Trade and other receivables	50,906	39,024	35,128	34,273
Income tax receivable	24	70	26	25
Other current financial assets	140	-	-	-
Cash and cash equivalents	27,901	20,070	15,217	17,683
	120,010	90,150	86,267	86,556
Total assets	**180,372**	**155,533**	**150,984**	**141,646**
Equity and liabilities				
Equity				
Issued capital	250	250	250	250
Merger reserve	940	940	940	940
Retained earnings	52,024	43,260	34,808	33,491
Foreign currency reserve	(42,900)	(35,062)	(27,223)	(20,770)
Total equity attributable to owners of the parent	**10,314**	**9,388**	**8,775**	**13,911**
Non-current liabilities				
Interest-bearing loans and borrowings	87,473	85,785	82,624	67,764
Provisions	225	203	273	289
Net employee defined benefit liabilities	2,326	2,529	2,535	2,478
Deferred tax liabilities	-	-	-	289
	90,024	88,517	85,432	70,820
Current liabilities				
Trade and other payables	75,099	53,658	51,728	52,884
Interest-bearing loans and borrowings	3,205	3,347	4,303	3,505
Other current financial liabilities	-	-	38	-
Income tax payable	1,507	431	486	284
Provisions	223	192	222	242
	80,034	**57,628**	**56,777**	**56,915**
Total liabilities	**170,058**	**146,145**	**142,209**	**127,735**
Total equity and liabilities	**180,372**	**155,533**	**150,984**	**141,646**

Consolidated Statement of Changes in Equity

	Attributable to the owners of the parent				
	Issued share capital	Merger reserve	Retained earnings	Foreign currency	Total
			(£) 000		
As at 1 January 2018	**250**	**940**	**33,953**	**(12,239)**	**22,904**
Loss for the year	-	-	(191)	-	(191)
Other comprehensive expense for the year	-	-	(271)	(8,531)	(8,802)
Total comprehensive expense	-	-	(462)	(8,531)	(8,993)
As at 31 December 2018	**250**	**940**	**33,491**	**(20,770)**	**13,911**
Profit for the year	-	-	1,849	-	1,849
Other comprehensive expense for the year	-	-	(191)	(6,794)	(6,985)
Transfer of losses on disposal of foreign operations	-	-	(341)	341	-
Total comprehensive expense	-	-	1,317	(6,453)	(5,136)
As at 31 December 2019	**250**	**940**	**34,808**	**(27,223)**	**8,775**
Profit for the year	-	-	8,699	-	8,699
Other comprehensive expense for the year	-	-	(247)	(7,839)	(8,086)
Total comprehensive income	-	-	8,452	(7,839)	613
As at 31 December 2020	**250**	**940**	**43,260**	**(35,062)**	**9,388**
Profit for the period	-	-	8,842	-	8,842
Other comprehensive expense for the period	-	-	(78)	(7,838)	(7,916)
Total comprehensive income	**-**	**-**	**8,764**	**(7,838)**	**926**
As at 30 June 2021	**250**	**940**	**52,024**	**(42,900)**	**10,314**

Consolidated Statement of Cash Flows

	Six months ended 30 June		Year ended 31 December		
	2021	2020	2020	2019	2018
		(unaudited)			
			(£) 000		
Operating activities:					
Profit before tax from continuing operations	12,417	851	9,187	2,462	244
Adjustments to reconcile profit before tax to net cash flows:					
Depreciation of property, plant and equipment	3,784	3,795	7,921	7,443	5,106
Gain on disposal of property, plant and equipment	(182)	(110)	(142)	(260)	(127)
Negative goodwill amortisation	-	-	-	-	(89)
Finance income	(103)	(19)	(68)	(74)	(76)
Finance costs	5,602	5,058	10,405	9,348	8,069
Working capital adjustments:					
(Increase) / decrease in trade and other receivables	(14,277)	9,211	(6,373)	(3,098)	784
(Increase) / decrease in inventories	(12,083)	(7,505)	3,681	(3,234)	(2,278)
Increase / (decrease) in trade and other payables	23,631	(14,937)	3,549	821	3,471
Increase / (decrease) in provisions	121	(3)	8	41	5
Movement in other financial assets and liabilities	(151)	(1)	(33)	41	(10)
Decrease in other pension provisions	(43)	(20)	(39)	(66)	(57)
Difference between pension charge and cash contributions	(18)	8	5	(15)	(224)
	18,698	(3,672)	28,101	13,409	14,818
Income tax paid	(1,771)	(811)	(1,927)	(767)	(794)
Interest received	103	19	68	74	76
Net cash flows from / (used in) operating activities	**17,030**	**(4,464)**	**26,242**	**12,716**	**14,100**
Investing activities:					
Proceeds from sale of property, plant and equipment	400	222	474	1,713	180
Purchase of property, plant and equipment	(2,920)	(2,632)	(8,640)	(9,366)	(10,413)
Acquisition of subsidiary	-	-	-	-	(1,664)
Net cash flows used in investing activities	**(2,520)**	**(2,410)**	**(8,166)**	**(7,653)**	**(11,897)**
Financing activities:					
Transaction costs related to refinancing	-	(153)	(153)	(54)	-
Proceeds from external borrowings	-	6,217	-	3,774	7,729
Repayment of external borrowings	(2,633)	-	(6,999)	(6,640)	(3,206)
Payment of lease liabilities	(851)	(853)	(1,723)	(1,602)	(41)
Interest paid	(323)	(275)	(684)	(827)	(783)
Net cash flows (used in) / from financing activities	**(3,807)**	**4,936**	**(9,559)**	**(5,349)**	**3,699**
Net increase / (decrease) in cash and cash equivalents	10,703	(1,938)	8,517	(286)	5,902
Net foreign exchange difference	(2,872)	(665)	(3,664)	(2,180)	(3,081)
Cash and cash equivalents at 1 January	20,070	15,217	15,217	17,683	14,862
Cash and cash equivalents at 30 June / 31 December	**27,901**	**12,614**	**20,070**	**15,217**	**17,683**

PART VI
OPERATING AND FINANCIAL REVIEW

The following discussion and analysis of the Group's results of operations and financial condition for the years ended and as at 31 December 2020, 31 December 2019 and 31 December 2018 and the six months ended and as at 30 June 2021 and 30 June 2020 should be read in conjunction with the whole of this document, including the Group's historical financial information and the related notes included in Section B "Historical Financial Information" of Part VII "Historical Financial Information", and should not just rely on the key or summarised information contained in this Part VI "Operating and Financial Review" and the "Risk Factors" section. The Group's historical financial information was prepared in accordance with IFRS. The financial information in this Part VI "Operating and Financial Review" has either been extracted without material adjustment from Part VII "Historical Financial Information" of this document, or has been extracted without material adjustment from the Group's accounting records. The Group's historical financial information for the years ended and as at 31 December 2020, 31 December 2019 and 31 December 2018 and six months ended and as at 30 June 2021 and 30 June 2020, set out in Section B "Historical Financial Information" of Part VII "Historical Financial Information", is reported on in the accountants' report from PwC included in Section A "Accountants' Report on the Historical Financial Information" of Part VII "Historical Financial Information", which was prepared in accordance with the Standards for Investment Reporting issued by the FRC. Any other financial information which has been extracted from the Group's accounting records has not been audited or reported on. For an explanation on how the Group calculated its financial information for the twelve months ended 30 June 2021, see the paragraph headed "Presentation of Financial Information" in the "Important Information" section.

The following discussion contains "forward-looking statements". Those statements are subject to risks, uncertainties and other factors that could cause the Group's future results of operations or financial condition to differ materially from the results of operations or financial condition expressed or implied in such forward-looking statements. Factors that may cause such a difference include, but are not limited to, those discussed in the "Risk Factors" section and the "Important Information" section of this document.

1. Overview

The Group is a leading specialist manufacturer and distributor of steel panel radiators in the UK, Europe and Turkey, selling an extensive range of standard and premium steel panel radiators, LST radiators, towel warmers, and other designer radiators to more than 500 customers annually. The Group enjoys long established commercial relationships with many of its customers, having served each of its top five customers, representing 35 per cent. of its revenue for the year ended 31 December 2020, for over twenty years. The Group focuses on a number of strong, established brands and has a well invested, low-cost manufacturing base, supported by extensive distribution facilities. The Group is headquartered in the United Kingdom and has been a leading supplier across Europe for over twenty years, with manufacturing and distribution facilities in the United Kingdom, Netherlands and Turkey, additional distribution facilities in Poland and Denmark and sales personnel in seven other countries, including China.

Whilst the Group operates its business through four main business divisions, in accordance with the requirements of IFRS 8, the Group reports its financial results on a geographic basis in order to facilitate an assessment of the Group's business and financial performance (including intercompany margins). The Group's three geographic operating segments are UK & Ireland, Europe and Turkey & International. The Group's four mains business divisions are:

- UK Radiators – predominantly manufactures Stelrad-branded standard steel panel radiators, delivered from its UK distribution warehouse. The business targets two main markets, the UK and the Republic of Ireland, where it ranks number one in both markets, based on market share of steel panel radiator volumes.

- Continental Radiators – manufactures both Stelrad-branded and Henrad-branded standard steel panel and premium steel panel radiators delivered from its European distribution warehouse in the Netherlands. The business targets four main European markets: Netherlands, Belgium, France and Germany, in addition to generating sales across a number of smaller markets in Western and Eastern Europe. The Group ranks number one in both the Netherlands and Belgium markets based on market share of steel panel radiator volumes.

- Termo Teknik – Termo Teknik's head office is located in Istanbul, with the manufacturing facility based in Çorlu, Turkey. Historically, Termo Teknik had targeted both its domestic market and export markets, including UK, Poland, Netherlands, China and several Eastern European countries. However, following the Group management's strategic decision in 2018 to limit activity in the Turkish domestic market to reduce the Group's exposure to extended credit terms and consequent foreign exchange exposure, there has been greater focus on intercompany production to support growing demand in the UK Radiators and Continental Radiators businesses. The expansion of the Çorlu facility, via the installation of a hybrid production line in 2021, will provide the Group with the capability to increase production output enabling the two Western European business units to further leverage the low-cost manufacturing benefits of production in Turkey. The business sells both Stelrad-branded and Termo Teknik-branded standard steel panel radiators and primarily distributes its products directly from its Çorlu warehouse, supplemented by an additional distribution facility in Poland.

- Hudevad – Hudevad was acquired in 2018 as a brand to be developed in the premium sector. The business targets UK and Denmark with its premium, designer, products, and also sells standard and premium steel panel radiators into the Danish market. The business operates a warehouse in Denmark and sources its products both externally and from other Group businesses.

The relationship between the Group's business units and financial reporting geographical operating segments is as follows:

Business units	**Geographical operating segments**
UK Radiators	UK & Ireland
Continental Radiators	Europe
Termo Teknik	UK & Ireland
	Europe
	Turkey & International
Hudevad	UK & Ireland
	Europe

The split of the total sales volumes for each business unit, by geographical market and intercompany for 2020 is outlined below:

	Total sales volumes by geographical segment (Financial Year 2020)			
	UK Radiators	**Continental Radiators**	**Termo Teknik**	**Hudevad**
UK & Ireland	100%	0%	18%	3%
Europe	0%	95%	20%	97%
Turkey & International	0%	1%	15%	0%
Intercompany	0%	4%	47%	0%
	100%	**100%**	**100%**	**100%**

2. **Key performance indicators ("KPIs")**

Management considers a variety of financial and non-financial measures and metrics when analysing the Group's performance, and the Directors believe that each of these measures provides useful information with respect to the Group's business and operations. With the exception of revenue, these are non-IFRS financial measures and metrics that are not audited. These non-IFRS financial measures and metrics are not meant to be considered in isolation, nor as a substitute for measures of financial performance reported in accordance with IFRS. Moreover, these non-IFRS financial measures and metrics may be defined or calculated differently by other companies, and as a result the Group's KPIs may not be comparable to similar measures and metrics calculated by its peers.

	Six months ended 30 June		Year ended 31 December		
	2021	2020	2020	2019	2018
		(*unaudited*)			
Revenue (£ thousands)	127,925	83,026	196,565	208,581	205,207
EBITDA (£ thousands)	20,553	8,732	23,544	17,189	15,431
Total Radiator volumes sold (000)*	3,091	2,055	4,969	5,483	5,603
Total premium panel radiator volumes sold (000)*	174	147	307	282	260
Contribution per Radiator (£)*	13.1	13.3	13.2	11.2	10.0
Cash Flow from Operations Conversion (%)	91	(42)	119	78	96
Free cash flow (£ thousands)	13,659	(7,727)	16,353	3,461	2,162
Return on Capital Employed (%)	47.2**	19.0**	21.0	12.6	16.0

* These figures are unaudited
** Annualised

A description of the above KPIs is set out below:

Revenue

See the paragraph "*Description of key line items – Revenue*" of this *Part VI* "*Operating and Financial Review*" below.

EBITDA

See the paragraph "*Description of key line items – Non-IFRS Measures* **-** *EBITDA*" of this *Part VI* "*Operating and Financial Review*" below.

Total Radiator volumes sold (000 units)

The sales volumes of Radiators across all geographical segments in the reporting period.

Total Premium panel radiator volumes sold (000 units)

The sales volumes of premium panel radiators sold across all geographical segments in the reporting period. Premium panel radiators include vertical radiators and are differentiated from standard steel panel radiators by their design.

Contribution per Radiator (£)

Contribution per Radiator is (a) the total 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; divided by (b) total Radiator volumes sold.

Cash Flow from Operations Conversion %

Cash Flow from Operations Conversion % is: (a) Net cash flows from operating activities before income tax paid and interest received, divided by (b) EBITDA plus or minus foreign exchange differences.

Free cash flow

Free Cash Flow is net cash flows from operating activities less net cash flows used in investing activities less the payment of lease liabilities.

Return on Capital Employed %

Return on Capital Employed % is: (a) EBITDA less depreciation and amortisation; divided by (b) Business capital employed. Business capital employed being the sum of property, plant and equipment, trade and other receivables, inventories, other current financial assets, provisions, net employees defined benefit liabilities, trade and other payables and other current financial liabilities.

In addition to the Group's key performance indicators in the Historical Financial Information, the Group has also prepared certain key performance indicators for the twelve months ended 30 June 2021 on the basis that they are important for an understanding of the Group’s performance. For an explanation on how the Group calculated its financial information for the twelve months ended 30 June 2021, see the paragraph headed "*Presentation of Financial Information*" in the "*Important Information*" section. The key performance indicators for the twelve months ended 30 June 2021 are as follows:

	Twelve months ended 30 June 2021
	(unaudited)
Revenue (£ thousands)	242,508
EBITDA (£ thousands)	35,745
Total Radiator volumes sold (‘000)	6,005
Total premium panel radiator volumes sold (‘000)	333
Contribution per Radiator (£)	13.2
Cash Flow from Operations Conversion (%)	140
Free cash flow (£ thousands)	37,219
Return on Capital Employed (%)	39.1

The table below also sets out the Group's revenue for the three year period ended 31 December 2017 which predates the information included in the Historical Financial Information.

	Year ended 31 December		
	2017	**2016**	**2015**
Revenue (£ thousands)	205,208	178,699	170,545

In addition, the table below sets out the additional information for the year ended 31 December 2017 which predates the information included in the Historical Financial Information.

	Twelve months ended 31 December 2017
	(unaudited)
Revenue (£ thousands)	205,208
EBITDA (£ thousands)	11,748
Total Radiator volumes sold (000)	5,999
Total premium panel radiator volumes sold (000)	254
Contribution per Radiator (£)	8.9
Cash Flow from Operations Conversion (%)	144
Free cash flow (£ thousands)	4,974
Return on Capital Employed (%)	10.4

3. Current Trading and Prospects

The Group has continued to trade in line with the Directors’ expectations since 30 June 2021. Revenue for the three months ended 30 September 2021 increased by 30.5 per cent. compared with the same period in the prior year. In addition, EBITDA before exceptional items was in line with the Directors’ expectations and was 32.7 per cent. above the same period in the prior year. This trading performance reflects an increase of 3.8 per cent. of volume of radiators sold by the Group for the three months ended 30 September 2021 as compared with the same period in 2020 as well as a continuing strong pricing environment and a more favourable product mix. The Directors are confident about the prospects of the Group and the outturn for the current financial year.

4. Factors affecting the Results of Operations

RMI and new build construction activity levels

Demand for the Group's products is closely correlated with the level of new residential construction and RMI activities in the UK, Continental Europe and Turkey.

In the RMI sector, which accounts for the largest proportion of the Group's sales volumes, key drivers of demand for the Group's products include an ongoing need to replace or upgrade radiators as they come to the end of their useful life, as well as additional demand created by the desire and ability of new owners and occupiers to refurbish or extend their properties. Factors such as the availability and cost of mortgage financing directly impact the ability of homeowners to undertake RMI projects. The demand for the Group's products in residential new build is directly impacted by the level of new house completions.

The level of activity in the residential construction industry is cyclical in nature and the Group's performance has historically reflected gross domestic product development. It is also sensitive to changes in population, unemployment levels, inflation, interest rates, the cost of financing and other macroeconomic factors, including the COVID-19 pandemic. In addition, political instability or changes in fiscal or other government policies has affected and may continue to affect the construction industry.

Impact of COVID-19 on construction industry and the Group's business.

The Group was significantly impacted by the COVID-19 pandemic, albeit to differing degrees across its three operating segments. UK & Ireland was most significantly impacted due to national merchants initially closing for a period and housebuilders ceasing to work on construction sites resulting in a significant drop in demand for the Group's products in the second quarter of the year ended 31 December 2020. The reduction in UK demand also had an effect on Termo Teknik due to their intercompany supply to UK Radiators as well as direct sales to the UK market. Turkey & International markets were also adversely impacted including Turkey and China. European demand proved more resilient which reflected the differing rules adopted by national governments to lockdowns. The Group revenue recovered to exceed prior year levels in the second half of the year ended 31 December 2020. In the six months ended 30 June 2021 Group revenue was 33 per cent. higher than the same period in 2019.

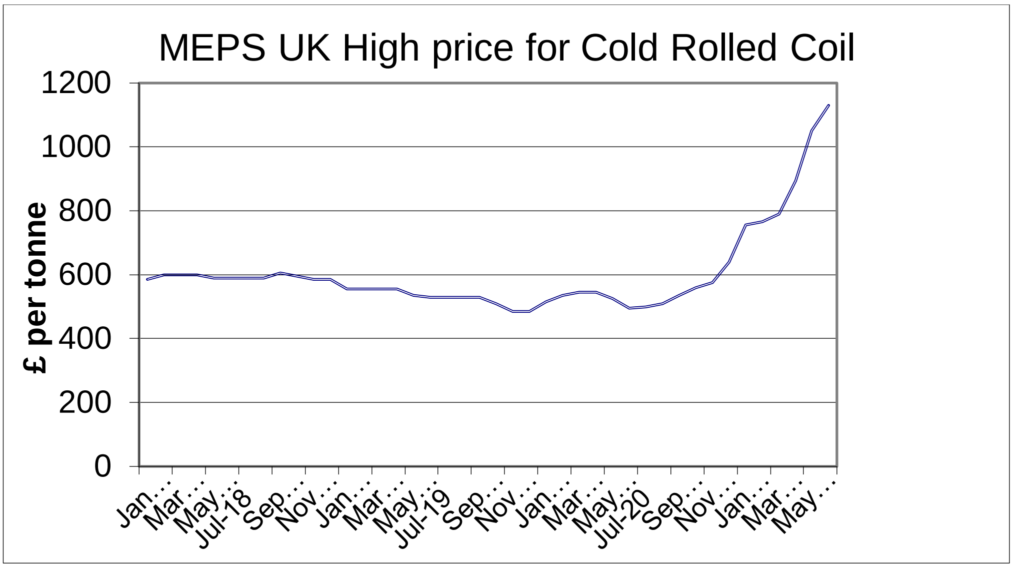
UK Radiators, in response to the reduction in demand caused by the COVID-19 pandemic, opted to furlough an average of 98 FTE employees between April and October 2020 under the UK Government Coronavirus Job Retention Scheme. UK Radiators received a total of £1.3 million from the Job Retention Scheme over this period.

Fluctuations in the price of steel and management's assessment of future price movements

Cold rolled coil steel is the core material used in the Group's manufacturing process, representing 36 per cent., 40 per cent. and 43 per cent. of the Group's cost of sales for the years ended 31 December 2020, 2019 and 2018, respectively and made up approximately 39 per cent of the Group's cost of sales in the period from the beginning of the year ending 31 December 2015 until the end of the year ending December 2020. During the three-year period ended 31 December 2020 there was a year on year decline in average steel prices albeit with some in year fluctuations. Since 1 January 2021, the Group has experienced significant steel price rises due to an imbalance of supply and demand, post the COVID-19 pandemic, with steel prices doubling over the course of 2021 to record levels but the Directors expect prices to fall in the future. Because of steel price movements, the Group largely assess business performance on a contribution per unit basis rather than a contribution percentage.

The Group currently buys approximately150,000 tonnes of steel per annum, which equates to a cost of £144 million based on the Group's steel prices for the three month period ending 31 December 2021, with the split by currency approximately 75 per cent. in US dollars, 15 per cent. in Euros and 10 per cent. in Sterling.

The chart below shows the movement in the price per tonne in cold rolled coil steel in the UK during the period under review (source: MEPS International Limited ("**MEPS**")):



The Group manages increases in the price of steel largely through selling price list increases based on management's assessment of future price trends. The Group has up to six months of steel price forward visibility and operates a purchasing strategy of ordering steel against its short term supply requirements. In addition to ordering steel up to six months in advance in Termo Teknik, UK Radiators and Continental Radiators benefit from indexed prices which typically provide two months' notice of price increases, and the Group also carries on average two months of inventory. The time lag between an increase in steel prices and an impact on the Group, allows management to implement selling price increases taking into account their assessment of future price movements. As the vast majority of sales made by the Group are on a spot basis, with direct and indirect rebates set as a percentage of gross list price, management normally reflect the trend in steel prices through annual price list increases (although the rapidly rising prices experienced by the Group in the six month period ended 30 June 2021 resulted in several increases, with at least two increases in prices in certain markets being announced in this period). Housebuilders and some other large customers in the UK negotiate one or two year fixed price agreements subject to steel price adjustments based on MEPS index movements. The Group has therefore been able to protect and enhance its margins from the increases in the price of steel experienced during the six month period ended 30 June 2021.

Each of the business divisions is responsible for purchasing steel used in their manufacturing processes, with UK Radiators and Continental Radiators procuring through two major suppliers. Termo Teknik takes a broader approach to steel purchasing as the division has access to both local steel mills and suppliers in Eastern Europe and South Asia. Pricing of steel is negotiated on an order by order basis with Termo Teknik typically having forward order cover for up to six months. Historically, Termo Teknik has benefitted from greater than 10 per cent. lower steel prices than those achieved by UK Radiators and Continental Radiators.

During the years ended 31 December 2019 and 31 December 2020, the Group implemented annual selling price increases early in each of the financial years despite steel prices weakening in the second half of the year ended 31 December 2019 and this weakening continuing throughout 2020. The increased selling prices combined with the weakened steel price led to improved margins in the year ended 31 December 2020. During the six months ended 30 June 2021, additional selling price increases has sustained the improved margins, despite the rapid increase in steel prices. The Directors believe that steel price movements will continue to present an opportunity to improve margins, with a 1 per cent. margin improvement delivering an average improvement in Contribution of 40 pence per unit, based on the Group's sales figures for the twelve month period ended 30 June 2021.

Over the historical period from 1 January 2015 to 30 June 2021 the Group's ability to manage steel prices has been demonstrated by the relationship between indexed average selling prices and indexed average steel cost of sales prices with there being a strong correlation between the two. Historically, the only period where average selling prices did not directly follow a movement in the average steel cost of sales prices was when the business experienced competitive pressure from Quinn Radiators Limited. Subsequent to Quinn Radiators Limited entering into administration, the Group has been able to apply selling price increases that are in excess of the average steel cost of sales price rises.

Rebates

The Group maintains gross price lists which are updated for periodic price rises. Against these list prices rebates are agreed with the customer base. The highest discounts and rebates are offered to customers in the UK and are incurred by UK Radiators in the UK & Ireland segment. Rebates provided by UK Radiators accounted for £53.3 million or 70 per cent. of overall discounts for the year ended 31 December 2020. This high proportion reflects not just the scale of the UK Radiators business but also the high level of rebates relative to gross revenue which was 42 per cent. for the year ended 31 December 2020 as compared to 15 per cent. for Continental Radiators and 4 per cent. for Termo Teknik. The high percentage in the UK reflects the desire of national merchant customers to maintain gross pricing for their branches with rebates taken centrally and indirect rebates/contract support offered to their installer customers.

The Group offers the following type of rebates:

- Direct rebates refers to a number of discounts which relate directly to invoice values based on annual commercial arrangements agreed with customers. These are applicable at an SKU level and include guaranteed product discounts, "nil returns" rebates and promotional rebates in relation to marketing campaigns run throughout the year. Direct rebates are typically fixed as a percentage of list price, with no minimum order volumes or thresholds, however in the event that sales volumes are below management's expectations, the Group maintains the right to review future rebate levels.

- Contract support or indirect rebates refers to rebates offered to end users and installers by the Group. The largest of the end users are UK national housebuilders. This type of discount is predominantly evident in UK Radiators, where relationships exist with large installers and with four of the largest national housebuilders. These end users do not buy directly from the Group, instead, they buy products from the large merchant customers. The two main products sold that attract indirect rebates are the Elite and Compact radiators, comprising 52 per cent. of total UK sales volumes for the year ended 31 December 2020.

UK housebuilders receive plottage rebates based on radiator installations where they report housing completions to the Group. These rebates differ from other rebates as they are not based on a percentage of list price, but on an agreed value per plot. The contract period (up to two years) for housebuilders means that there is an indexation adjustment to amend the fixed plottage rebate for any steel price movements from the steel price ruling at the date of the contract. The plottage rebate is in addition to the percentage rebate provided to the merchant from whom the housebuilder procures the radiators.

Direct rebates are accrued as soon as invoices are raised as they are direct with customers based on pre-agreed rates. Contract support rebates are accrued monthly on an estimated basis, as they are based on indirect sales to installers and housebuilders.

Direct rebates are typically settled approximately two months after being agreed, via credit notes and are offset against debtors. Contract support rebates are either monthly credits to merchants or payments to installers and end users with frequency varying between a monthly and annual basis. Indirect rebates are recorded within Other Creditors prior to settlement.

During the years ended 31 December 2018 and 2019, rebates as a percentage of gross revenue increased, partly due to increased sales in the UK and some rebates being negotiated by customers against a backdrop of decreasing steel prices and competition faced by the Group in the UK. For further information on the competition faced by the Group, see "*Competitive pressure*" below. The percentage declined during the year ended 31 December 2020 because one national merchant moved to a net pricing model during the year. House builder and national merchant sales also declined in the UK (for further information on this decline, see "*Impact of COVID-19 on construction industry and the Group's business*" above).

Competitive pressure

The Group's results of operations are occasionally subject to pressures arising from exceptional actions of competitors. From the first half of the year ended 31 December 2016, the Group experienced significant downward pricing pressure in the UK as a result of a competitor, Quinn Radiators Limited, deciding to offer increased discounts on its products in an attempt to gain market share in the contract sector. The Group opted to compete by lowering its prices in the contract sector in order to protect its market share.

In the second half of 2016 and first half of 2017, steel prices increased significantly but no selling price increases were applied and margins were reduced. The Group was subsequently able to increase its selling prices early in the year ended 31 December 2018 to recover steel prices and after the competitor entered into insolvency in June 2019 the Group applied further selling price increases The Group has also been successful in taking market share when competitors have exited the market. In the case of Quinn Radiators Limited’s exit from the UK market following its administration in 2019, the Group gained more than 50 per cent. of sales volumes previously supplied by this competitor.

As a result of the competitive pressure from Quinn Radiators Limited faced by the Group in the years ended 31 December 2016 and 2017, the Group's selling price increases were temporarily deferred in the UK. Selling price increases were subsequently applied by the Group to approximately 2.5 million radiators from 1 January 2018 up until 30 June 2021 resulting in an increase in operating profit of £5.1 million and a £5.1 million increase in EBITDA over the same period.

Foreign currency fluctuations

The Group's reporting currency is Sterling but the functional currency of Continental Radiators and the Termo Teknik statutory entity are Euros and Turkish Lira respectively. As a result, the Group's results of operations are affected by exchange rate translations between Sterling and each of Euro and Turkish Lira, in addition to other transactional currency fluctuations.

The exposure to currency varies by business unit:

- UK Radiators predominantly have Sterling revenues and costs;
- Continental Radiators undertake almost all of their transactions in Euros; and
- Termo Teknik have multiple currency transaction flows with revenues in Sterling, Euros, Turkish Lira, and Polish Zlotty. The Termo Teknik business purchases the vast majority of its steel in US dollars, and therefore incurs a significant proportion of its costs of sales in US Dollars in addition to costs in Turkish Lira, Euros, Sterling and Polish Zlotty. Turkish Lira revenues are hedged with Turkish Lira costs exceeding revenues, Termo Teknik are long in Sterling and Euros and short in US Dollars.

The Group typically applies sales price increases to its products on an annual basis, although it has the ability to reset prices more frequently if required, for example where the US dollar strengthens and increases costs. If there is a significant weakening of the currency, in which revenue is generated, between the sale and cash collection dates, then margins may be reduced.

Over the three years ended 31 December 2020, management has reduced the exposure of the Group to Turkish Lira revenue, in particular the associated long credit terms, by limiting sales to the Turkish domestic market, given the ongoing devaluation of the currency against hard currencies. The volumes of radiators sold in Turkey declined from a high of approximately 1.2 million in 2017 to 0.4 million in 2020. Income and expenditure in Turkish Lira are naturally hedged based on current sales volumes. Ongoing devaluation of the Turkish Lira against hard currencies improves the Group's low cost manufacturing position and generates currency gains as net hard currency assets are retranslated at higher exchange rates, though these benefits are partially offset as there is a lower profit translation from Turkish Lira into Sterling.

The Group currency map for the twelve months ended 30 June 2021 was as follows:

Group (£m)	Sterling	Euros	US dollars	Turkish Lira	Other	Total
Sales	111.527	95.548	0.000	15.027	20.405	242.508
Variable Costs	31.942	57.662	51.830	19.054	2.682	163.170
Fixed Costs	17.483	13.987	0.000	7.188	2.837	41.495

The Group manages the impact of foreign currency movements using a number of methods, including: ensuring where possible there is a natural hedge between currency income and expenses; entering into forward contracts to sell pound sterling and purchase US dollars; and reflecting any increases in costs by raising selling prices.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised within 'other operating income' or 'other operating expenses', except when recognised in other comprehensive income as qualifying net investment hedges or because the monetary asset or liability forms part of the net investment in the foreign operation.

The Group assesses business performance primarily using EBITDA which the Group calculates before taking account of foreign exchange gains or losses arising from the retranslation of monetary assets and liabilities.

Where foreign currency movements change the functional currency value of income or costs this is reflected in the relevant financial statement line item. Similarly, a change in the exchange rate between one of the Group’s functional currencies and the Group's reporting currency will be reflected in the relevant financial statement line item.

Product mix

The Group has been steadily improving its product mix by increasing the proportion of sales of higher margin premium panel radiator sales compared to standard steel panel radiator sales. Total premium panel sales volumes in the year ended 31 December 2020 grew 8.7 per cent. to 306,500 units, relative to total sales volumes in the period of 4,969,000.

The Group makes a higher average contribution per radiator on premium panel radiator sales than it does on standard panel radiator sales, the average contribution for premium panel and standard panel radiators for the year ending 31 December 2020 was £62 and £9, respectively. The proportion of Contribution generated by premium panel radiator sales was 29 per cent. in the year ended 31 December 2020 compared to 22 per cent. in the year ended 31 December 2015. The penetration of premium products differs considerably by country, the premium panel radiator sales volumes by geographical segment is set out below:

Premium panel radiator volumes	Six months ended 30 June		Year ended 31 December		
	2021	2020	2020	2019	2018
			'000		
UK & Ireland	51.9	36.2	90.8	98.2	85.9
Europe	120.3	104.5	205.2	176.0	159.4
Turkey & International	2.1	6.6	10.5	7.7	15.0
Total	**174.3**	**147.3**	**306.5**	**281.9**	**260.3**

Premium panel radiator volumes have been growing over the Historical Financial Information period following successful strategies to promote sales of premium panel products, particularly with growth in Europe where the market for premium panel radiators is more mature. Volumes in UK & Ireland, have been growing, though they fell in 2020, due to COVID-19, before recovering in the six months ended 30 June 2021, with 51,900 units in the period and 106,500 units in the twelve months ended 30 June 2021. The market for premium panel radiators in Turkey is less developed and is linked to building projects and as such the demand for these products can fluctuate.

Since the end of the year ended 31 December 2017, the Group has sold an additional 112,000 higher margin radiators (being radiators other than standard steel panel radiators) with a margin of approximately £50 per radiator resulting in an increase in operating profit of £5.7 million and increase of £5.7 million increase in EBITDA over the period from 1 January 2018 up until 30 June 2021.

Country mix

The Group makes sales to a wide range of countries that sit within its three geographical segments, with the profitability of products varying by country. Dependent on the country of sale, for the year ended 31 December 2020, the Contribution of a standard steel panel radiator typically varies between £5 and £15, with the average being £9. Additionally, dependent on the country of sale, for the year ended 31 December 2020, the Contribution of non-standard steel panel radiators typically varies between £25 and £100, with the average being £56.

By way of example, the 774,000 Radiators sold in the Turkish market in the year ended 31 December 2017 have since been substituted by sales to other European markets at improved margins of approximately £8.50 per Radiator resulting in an increase in operating profit of £6.6 million and a £6.6 million increase in EBITDA over the period from 1 January 2018 up until 30 June 2021.

Impact of moving production to Termo Teknik

The Group has been manufacturing a greater proportion of its production requirements at Termo Teknik's manufacturing facility in Turkey in light of its lower cost base as compared to Group facilities in the UK and the Netherlands. During the three year period ended 31 December 2020 the percentage of the Group's overall production, excluding Hudevad, manufactured by Termo Teknik increased from 64.1 per cent. to 71.1 per cent. - the majority of the increase being transferred from the Group's UK production operations which manufactures higher volume more price sensitive Compact and Elite radiators. The transfer of production from the UK to Turkey culminated in a one-off restructuring programme in UK Radiators in 2020. This trend continued during the six month period ended 30 June 2021, with increased production by Termo Teknik for both UK Radiators and Continental Radiators. The Çorlu facility produces more than 6 times the volume of each of the other group facilities and therefore has a significant scale advantage as well as benefiting from lower raw material and labour costs.

Since the beginning of the year ended 31 December 2018 up until 30 June 2021, 650,000 units of production have been transferred from the Group's factories in the UK and the Netherlands to the Group's facility in Turkey, with a cost benefit of approximately £6 per radiator resulting in an increase in operating profit of £4.1 million and a £4.1 million increase in EBITDA for the Group over the same period. These increases in operating profit and EBITDA, together with those set out in "*Competitive pressure*", "*Product mix*" and "*Country mix*" contributed to the Group's operating profit and EBITDA growing from £7.838 million and £11.748 million in the year ended 31 December 2017 to £31.991 million and £35.735 million respectively in the twelve months ended 30 June 2021, during which time Radiator volumes sold only grew by 6,000 units, from 5,999,000 in the year ended 31 December 2017 to 6,005,000 units in the twelve months ended 30 June 2021.

For an explanation on how the Group calculated its financial information for the twelve months ended 30 June 2021, see the paragraph headed "*Presentation of Financial Information*" in the "*Important Information*" section.

5. **Description of Key Line Items**

The following is a description of the principal components of the Group's consolidated income statement.

Revenue

The Group generates revenue from three operating segments: the UK & Ireland, Europe and Turkey & International. In accordance with IFRS 15, Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. Revenue represents the gross invoiced sales less credits notes and rebates.

Cost of sales

The Group's raw materials account for a significant proportion of the Group's cost of sales, with the remaining significant cost elements relating to direct labour costs, other variable production costs, fixed production overheads (including depreciation) and costs of R&D. Costs associated with raw materials relate significantly to the cost of steel, other materials used in production and also the cost of factored goods.

Cost of sales breakdown for the periods under review is as follows:

	Six months ended 30 June		Year ended 31 December		
	2021	**2020**	**2020**	**2019**	**2018**
			(£) 000		
Direct materials*	(68,279)	(40,874)	(98,388)	(113,475)	(117,287)
Payroll costs*	(11,600)	(10,669)	(23,737)	(23,779)	(22,552)
Other manufacturing costs*	(6,226)	(5,282)	(11,854)	(11,817)	(11,935)
Depreciation*	(2,612)	(2,538)	(5,393)	(5,095)	(4,036)
Cost of sales	**(88,717)**	**(59,363)***	**(139,372)**	**(154,166)**	**(155,810)**

* These figures are unaudited

Selling and distribution expenses

The Group's selling and distribution expenses represent the costs relating to sales and the distribution of the Group's products to customers, including costs relating to warehouses, transportation, fuel and sales and marketing costs. The Group outsources the vast majority of carriage and shipping requirements to third parties.

Administrative expenses

The Group's administrative expenses represent the costs of central administration departments such as finance, human resources, IT and purchasing costs.

Other operating income

Other operating income includes income from net gain on disposal of property, plant and equipment, income from foreign currency gains, income from sundry other income, income from negative goodwill amortisation, income from net gains on forward derivative contracts and income from government grants.

Other operating expenses

Other operating expenses mainly include: foreign currency losses, sundry other expenses and one off costs.

Exceptional costs

Exceptional costs are disclosed by virtue of their nature, size or incidence to allow a better understanding of our underlying trading performance.

Finance income

Finance income includes interest on cash deposits.

Finance costs

Finance costs is the sum of financial costs and income and primarily includes: (i) interest on bank loans, (ii) interest on ultimate shareholder loans, (iii) interest on immediate parent company loans, (iv) amortisation of loan issue costs, (v) the interest expense on defined benefit liabilities and (vi) other finance charges.

Income tax expense

Income tax expense includes current income and deferred tax expense. The tax rates and tax laws used to compute current income taxes are those that are enacted in the countries where the respective Group companies operate and generate taxable income.

Non-IFRS Measures

EBITDA

EBITDA is profit after tax after adding back interest, taxation, depreciation, amortisation and foreign exchange differences.

The following table shows how EBITDA is reconciled to the operating profit number in the Income Statement:

EBITDA by geographical market	**Twelve months ended 30 June**	**Six months ended 30 June**		**Year ended 31 December**		
	2021	**2021**	**2020**	**2020**	**2019**	**2018**
	(unaudited)		*(unaudited)*			
			(£) 000			
UK and Ireland	20,115	11,753	3,636	11,821	8,717	6,940
Europe	17,013	8,879	6,270	14,230	10,699	8,110
Turkey and international	2,802	1,611	366	1,527	1,992	3,297
Corporate costs	(4,185)	(1,690)	(1,540)	(4,034)	(4,219)	(2,916)
EBITDA	**35,745**	**20,553**	**8,732**	**23,544**	**17,189**	**15,431**
Exceptional costs	(1,446)	(1,446)	-	-	-	-
EBITDA post Exceptional items	**34,299**	**19,107**	**8,732**	**23,544**	**17,189**	**15,431**
Depreciation	(7,940)	(3,784)	(3,795)	(7,921)	(7,443)	(5,106)
Negative goodwill amortisation	-	-	-	-	-	89
Foreign exchange differences	5,632	2,593	953	3,901	1,990	(2,177)
Operating profit	**31,991**	**17,916**	**5,890**	**19,524**	**11,736**	**8,237**

6. Analysis of Results of Operations

The following table summarises the Group's results of operations for year ended 31 December 2020, 31 December 2019 and 31 December 2018 and six months ended 30 June 2021 and 30 June 2020.

	Twelve months ended 30 June	**Six months ended 30 June**		**Year ended 31 December**		
	2021	**2021**	**2020**	**2020**	**2019**	**2018**
	(unaudited)		*(unaudited)*			
			(£) 000			
Continuing operations						
Revenue	242,508	127,925	83,026	196,565	208,581	205,207
Cost of sales	(169,221)	(88,717)	(59,363)	(139,372)	(154,166)	(155,810)
Gross profit	**73,286**	**39,208**	**23,663**	**57,193**	**54,415**	**49,397**
Selling and distribution expenses	(34,318)	(17,276)	(14,391)	(31,265)	(32,253)	(28,497)
Administrative expenses	(11,804)	(5,331)	(5,302)	(11,741)	(12,644)	(10,870)
Other operating income	6,297	2,811	1,945	5,356	2,302	1,340
Other operating expenses	(1,470)	(1,496)	(25)	(19)	(84)	(3,133)
Operating profit	**31,991**	**17,916**	**5,890**	**19,524**	**11,736**	**8,237**
Finance income	152	103	19	68	74	76
Finance costs	(10,954)	(5,602)	(5,058)	(10,405)	(9,348)	(8,069)

	Twelve months ended 30 June	Six months ended 30 June		Year ended 31 December		
	2021	2021	2020	2020	2019	2018
	(unaudited)		*(unaudited)*			
			(£) 000			
Profit before tax from continuing operations	**21,189**	**12,417**	**851**	**9,187**	**2,462**	**244**
Income tax expense	(3,385)	(3,575)	(761)	(488)	(613)	(435)
Profit for the period attributable to owners of the parent	**17,804**	**8,842**	**90**	**8,699**	**1,849**	**(191)**

Analysis of trading on the twelve months ended 30 June 2021

In addition to an analysis of the performance of the Group presented in the Historical Financial Information, the Group has also prepared a headline analysis of the performance of the business in the twelve months ended 30 June 2021 all of which is unaudited.

In the twelve months ended 30 June 2021, the Group's revenue grew to £242.508 million, which is an increase of £45.943 million, or 23.4 per cent, compared to £196.565 million in the year ended 31 December 2020. This was principally as a result of increased sales volumes which were lower in the six months ended 30 June 2020 due to the COVID-19 pandemic and selling price rises in the six months ended 30 June 2021 following an increase in steel prices.

In the twelve months ended 30 June 2021, the Group's operating profit grew to £31.991 million, which is an increase of £12.467 million, or 63.9 per cent, compared to £19.524 million in the year ended 31 December 2020. This was principally as a result of an increase in sales volumes, increased production at lower cost facilities and the benefit of increased selling prices partially offset by the impact of steel price rises.

In the twelve months ended 30 June 2021, the Group's EBITDA grew to £35.745 million, which is an increase of £12.201 million, or 51.8 per cent, compared to £23.544 million in the year ended 31 December 2020. This was principally as a result of an increase in sales volumes, increased production at lower cost facilities and the benefit of increased selling prices partially offset by the impact of steel price rises.

For an explanation on how the Group calculated its financial information for the twelve months ended 30 June 2021, see the paragraph headed "*Presentation of Financial Information*" in the "*Important Information*" section.

Comparison of results of operations for the six months ended 30 June 2021 and 30 June 2020

Group Revenue

The Group's revenue for the six months ended 30 June 2021 was £127.925 million, an increase of £44.899 million, or 54.1 per cent., compared to £83.026 million in the six months ended 30 June 2020. This was principally as a result of increased sales volumes which were lower in the six months ended 30 June 2020 due to the COVID-19 pandemic and selling price rises in the six months ended 30 June 2021 following an increase in steel prices.

Revenue by operating segments

The table below sets out the Group's revenue by operating segments.

Revenue by operating segments	**Six months ended 30 June**	
	2021	**2020**
		(unaudited)
	(£) 000	
UK & Ireland	63,220	34,955
Europe	54,886	41,771
Turkey & International	9,819	6,300
Total	**127,925**	**83,026**

UK & Ireland

The Group's revenue in UK & Ireland for the six months ended 30 June 2021 was £63.220 million, an increase of £28.265 million, or 80.9 per cent., compared to £34.955 million in the six months ended 30 June 2020. This was principally as a result of increased sales volumes which were lower in the six months ended 30 June 2020 due to the impact of COVID-19 pandemic on UK Radiators' business and two selling price rises in 2021 following an increase in steel prices.

Europe

The Group's revenue in Europe for the six months ended 30 June 2021 was £54.886 million, an increase of £13.115 million, or 31.4 per cent., compared to £41.771 million in the six months ended 30 June 2020. This was principally as a result of growth in sales volumes with existing customers and two selling price rises in the six months ended 30 June 2021 due to increasing steel prices.

Turkey & International

The Group's revenue in Turkey & International for the six months ended 30 June 2021 was £9.819 million, an increase of £3.519 million, or 55.9 per cent., compared to £6.300 million in the six months ended 30 June 2020. This was principally as a result of increased sales volumes which were lower in the six months ended 30 June 2020 due to the COVID-19 pandemic and selling price rises in 2021 following an increase in steel prices.

Cost of sales

The Group's cost of sales for the year ended 30 June 2021 was £88.717 million, an increase of £29.354 million, or 49.4 per cent., as compared to £59.363 million in the year ended 30 June 2020. The increases were primarily due to increased sales volumes and an increase in steel prices. Increased sales volumes led not only to higher variable material costs but also to an increase in production employee numbers.

Gross profit

The Group's gross profit for the year ended 30 June 2021 was £39.208 million, an increase of £15.545 million, or 65.7 per cent., compared to £23.663 million in the year ended 30 June 2020. This was principally as a result of an increase in sales volumes, increased production at lower cost facilities and the benefit of increased selling prices partially offset by the impact of steel price rises.

Selling and distribution expenses

The Group's selling and distribution expenses for the year ended 30 June 2021 were £17.276 million, an increase of £2.885 million, or 20.0 per cent., as compared to £14.391 million in the year ended 30 June 2020. The increase was primarily due to rising sales volumes and an increase in shipping costs due to international market conditions.

Administrative expenses

The Group's administrative expenses for the year ended 30 June 2021 were £5.331 million, an increase of £0.029 million, or 0.5 per cent., as compared to £5.302 million in the year ended 30 June 2020. The amounts are consistent period on period.

Other operating income

The Group's other operating income for the year ended 30 June 2021 was £2.811 million, an increase of £0.866 million, or 44.52 per cent., compared to £1.945 million in the year ended 30 June 2020. This was principally as a result of an increase in foreign exchange gains partially offset by the absence of government grant income from the UK Coronavirus Job Retention Scheme with the scheme no longer used after October 2020.

Other operating expenses

The Group's other operating expenses for the year ended 30 June 2021 were £1.496 million, an increase of £1.471 million, as compared to £0.025 million in the year ended 30 June 2020. The increase was primarily due to one off exceptional costs during 2021 relating to IPO and M&A advisers.

Operating profit

The Group's operating profit for the year ended 30 June 2021 was £17.916 million, an increase of £12.026 million, or 204.2 per cent., compared to £5.890 million in the year ended 30 June 2020. This was principally as a result of increased gross profit and foreign currency gains partially offset by one off exceptional costs and the loss of government grant income from the UK Coronavirus Job Retention Scheme.

EBITDA

The Group's EBITDA for the six months ended 30 June 2021 was £20.553 million, an increase of £11.821 million, or 135.4 per cent., compared to £8.732 million in the six months ended 30 June 2020. This was principally as a result of an increase in sales volumes, the transfer of production to lower cost facilities and the benefit of increased selling prices partially offset by the impact of steel price rises.

EBITDA by operating segment

The table below sets out the Group's EBITDA by operating segments.

EBITDA by operating segments	**Six months ended 30 June**	
	2021	**2020**
		(unaudited)
	(£) 000	
UK & Ireland	11,753	3,636
Europe	8,879	6,270
Turkey & International	1,611	366
Corporate head office costs	(1,690)	(1,540)
Total	**20,553**	**8,732**

UK & Ireland

The Group's EBITDA in UK & Ireland for the six months ended 30 June 2021 was £11.753 million, an increase of £8.117 million, or 223.2 per cent., compared to £3.636 million in the six months ended 30 June 2020. This was principally as a result of an increase in sales volumes post the initial impact of the COVID-19 pandemic on UK Radiators' business, the transfer of production to lower cost facilities and the benefit of increased selling prices partially offset by the impact of steel price rises and the absence of government grant income from the Coronavirus Job Retention Scheme.

Europe

The Group's EBITDA in Europe for the six months ended 30 June 2021 was £8.879 million, an increase of £2.609 million, or 41.6 per cent., compared to £6.270 million in the six months ended 30 June 2020. This was principally as a result of an increase in sales volumes, the transfer of production to lower cost facilities and the benefit of increased selling prices partially offset by the impact of steel price rises.

Turkey & International

The Group's EBITDA in Turkey & International for the six months ended 30 June 2021 was £1.611 million, an increase of £1.245 million, or 340.2 per cent., compared to £0.366 million in the six months ended 30 June 2020. This was principally as a result of an increase in sales volumes post the initial impact of the COVID-19 pandemic on Termo Teknik's business (particularly in China) and the benefit of increased selling prices partially offset by the impact of steel price rises.

Corporate head office costs

The Group's EBITDA arising from Corporate head office costs for the six months ended 30 June 2021 was a loss of £1.690 million, an increase of £0.150 million, or 9.7 per cent., compared to a loss of £1.540 million in the six months ended 30 June 2020. This was principally as a result of an increase in the year on year provision for bonuses, partially offset by cost savings in travel and subsistence expenditure.

Finance income

The Group's finance income for the year ended 30 June 2021 was £0.103 million, an increase of £0.084 million, or 442.1 per cent., compared to £0.019 million in the year ended 30 June 2020. This was principally as a result of higher cash balances held.

Finance costs

The Group's finance costs for the year ended 30 June 2021 were £5.602 million, a £0.544 million, or 10.8 per cent. increase as compared to £5.058 million in the year ended 30 June 2020. The increase was primarily due to the impact of rolled-up interest on the shareholder loans partially offset by a reduction in interest payable on external loans due to a lower average Revolving Credit Facility usage and the benefit of ongoing repayments on the Group's term loans.

Profit before tax from continuing operations

The Group's profit before tax from continuing operations for the year ended 30 June 2021 was £12.417 million, an increase of £11.566 million, or 1,359.1 per cent., compared to £0.851 million in the year ended 30 June 2020. This was principally as a result of the increased operating profit of the Group partially offset by an increase in finance costs.

Income tax expense

The Group's income tax expense for the year ended 30 June 2021 was £3.575 million, an increase of £2.814 million, or 369.8 per cent., as compared to £0.761 million in the year ended 30 June 2020. The increase was primarily due to an increase in profits chargeable to taxation and an increase in overseas tax rates with the Turkish tax rate increasing from 22 per cent. to 25 per cent.

Profit for the year attributable to owners of the parent

The Group's profit for the year attributable to owners of the parent for the year ended 30 June 2021 was £8.842 million, an increase of £8.752 million, compared to £0.090 million in the year ended 30 June 2020.

Comparison of results of operations for year ended 31 December 2020 and 31 December 2019

Group Revenue

The Group's revenue for the year ended 31 December 2020 was £196.565 million, a decrease of £12.016 million, or 5.8 per cent., compared to £208.581 million in the year ended 31 December 2019. The decline in revenue was principally as a result of lower sales volumes in quarter 2 of 2020 due to the impact of the COVID-19 pandemic. Overall sales volumes were 9 per cent. lower in year ended 31 December 2020 compared to the previous year with most of this shortfall experienced in quarter 2, 2020.

Revenue by operating segments

The table below sets out the Group's revenue by operating segments.

Revenue by operating segments	Year ended 31 December	
	2020	**2019**
	(£) 000	
UK & Ireland	89,430	98,125
Europe	90,566	86,380
Turkey & International	16,569	24,076
Total	**196,565**	**208,581**

UK & Ireland

The Group's revenue in UK & Ireland for the year ended 31 December 2020 was £89.430 million, a decrease of £8.695 million, or 8.9 per cent., compared to £98.125 million in the year ended 31 December 2019. This was principally as a result of lower sales volumes in the second quarter of the year ended 31 December 2020 due to the impact of the COVID-19 pandemic.

Europe

The Group's revenue in Europe for the year ended 31 December 2020 was £90.566 million, an increase of £4.186 million, or 4.8 per cent., compared to £86.380 million in the year ended 31 December 2019. This was principally as a result of new distributor customers in Belgium and France and the growth of sales volumes with existing customers.

Turkey & International

The Group's revenue in Turkey & International for the year ended 31 December 2020 was £16.569 million, a decrease of £7.507 million, or 31.2 per cent., compared to £24.076 million in the year ended 31 December 2019. This was principally as a result of a decline in sales volumes to China and Turkey due to the impact of the COVID-19 pandemic.

Cost of sales

The Group's cost of sales for the year ended 31 December 2020 was £139.372 million, a decrease of £14.794 million, or 9.6 per cent., as compared to £154.166 million in the year ended 31 December 2019. The decreases were primarily due to lower sales volumes and lower steel prices.

Gross profit

The Group's gross profit for the year ended 31 December 2020 was £57.193 million, an increase of £2.778 million, or 5.1 per cent., compared to £54.415 million in the year ended 31 December 2019. This was principally as a result of improved margins on lower sales volumes.

Selling and distribution expenses

The Group's selling and distribution expenses for the year ended 31 December 2020 were £31.265 million, a decrease of £0.988 million, or 3.1 per cent., as compared to £32.253 million in the year ended 31 December 2019. The decrease was primarily due to lower sales volumes and selling expenses in the UK both impacted by the COVID pandemic.

Administrative expenses

The Group's administrative expenses for the year ended 31 December 2020 were £11.741 million, a decrease of £0.903 million, or 7.1 per cent., as compared to £12.644 million in the year ended 31 December 2019. The decrease was primarily due to cost savings implemented in the UK to mitigate against the negative impact of the COVID pandemic.

Other operating income

The Group's other operating income for the year ended 31 December 2020 was £5.356 million, an increase of £3.054 million, or 132.7 per cent., compared to £2.302 million in the year ended 31 December 2019. This was principally as a result of increased currency gains due to the devaluation of the Turkish Lira and the receipt of government grant income from the Coronavirus Job Retention Scheme.

Other operating expenses

The Group's other operating expenses for the year ended 31 December 2020 were £0.019 million, a decrease of £0.065 million, or 77.4 per cent., as compared to £0.084 million in the year ended 31 December 2019.

Operating profit

The Group's operating profit for the year ended 31 December 2020 was £19.524 million, an increase of £7.788 million or 66.4 per cent., compared to £11.736 million in the year ended 31 December 2019. This was principally as a result of a significant improvement in margins arising from decreasing steel prices and improved product mix mitigating the impact of volume losses caused by the COVID pandemic.

EBITDA

The Group's EBITDA for the year ended 31 December 2020 was £23.544 million, an increase of £6.355 million, or 37.0 per cent., compared to £17.189 million in the year ended 31 December 2019.

EBITDA by operating segment

The table below sets out the Group's EBITDA by operating segments.

EBITDA by operating segments	**Year ended 31 December**	
	2020	**2019**
	(£) 000	
UK & Ireland	11,821	8,717
Europe	14,230	10,699
Turkey & International	1,527	1,992
Corporate head office costs	(4,034)	(4,219)
Total	**23,544**	**17,189**

UK & Ireland

The Group's EBITDA in UK & Ireland for the year ended 31 December 2020 was £11.821 million, an increase of £3.104 million, or 35.6 per cent., compared to £8.717 million in the year ended 31 December 2019. This was principally as a result of higher margins with improved product mix of premium panel radiators, lower production costs due to increased production volume from Turkey, and increased selling prices.

Europe

The Group's EBITDA in Europe for the year ended 31 December 2020 was £14.230 million, an increase of £3.531 million, or 33.0 per cent., compared to £10.699 million in the year ended 31 December 2019. This was principally as a result of increased sales volumes and lower production costs due to increased production volume from Turkey.

Turkey & International

The Group's EBITDA in Turkey & International for the year ended 31 December 2020 was £1.527 million, a decrease of £0.465 million, or 23.3 per cent., compared to £1.992 million in the year ended 31 December 2019. This was principally as a result of lower sales volumes in countries negatively impacted by the Covid pandemic.

Corporate head office costs

The Group's EBITDA arising from Corporate head office costs for the for the year ended 31 December 2020 was a loss of £4.034 million, a decrease of £0.185 million, or 4.4 per cent., compared to a loss of £4.219 million in the year ended 31 December 2019. This was principally as a result of one-off costs associated with an aborted acquisition in the year ended 31 December 2019 partially offset by an increase in wages and salaries due to a year on year increase in bonus provisions.

Finance income

The Group's finance income for the year ended 31 December 2020 was £0.068 million, a decrease of £0.006 million, or 8.1 per cent., compared to £0.074 million in the year ended 31 December 2019.

Finance costs

The Group's finance costs for the year ended 31 December 2020 were £10.405 million, a £1.057 million, or 11.3 per cent. increase, as compared to £9.348 million in the year ended 31 December 2019. The increase was primarily due to the increase in shareholder loans as interest is compounded and not paid.

Profit before tax from continuing operations

The Group's profit before tax from continuing operations for the year ended 31 December 2020 was £9.187 million, an increase of £6.725 million, or 273.2 per cent., compared to £2.462 million in the year ended 31 December 2019. This was principally as a result of the increased operating profit of the Group partially offset by an increase in finance costs.

Income tax expense

The Group's income tax expense for the year ended 31 December 2020 was £0.488 million, a decrease of £0.125 million, or 20.4 per cent., as compared to a £0.613 million in the year ended 31 December 2019. The decrease was primarily due to an increase in profits chargeable to taxation offset by the recognition of previously unrecognised tax assets.

Profit for the year attributable to owners of the parent

The Group's profit for the year attributable to owners of the parent for the year ended 31 December 2020 was £8.699 million, an increase of £6.850 million, or 370.5 per cent., compared to £1.849 million in the year ended 31 December 2019.

Comparison of results of operations for year ended 31 December 2019 and 31 December 2018

Group Revenue

The Group's revenue for the year ended 31 December 2019 was £208.581 million, an increase of £3.374 million, or 1.6 per cent., compared to £205.207 million in the year ended 31 December 2018. This was principally as a result of increases in revenue in UK, Ireland, Belgium and France offsetting lower sales in Turkey (see below).

Revenue by operating segments

The table below sets out the Group's revenue by operating segments.

Revenue by operating segments	**Year ended 31 December**	
	2019	**2018**
	(£) 000	
UK & Ireland	98,125	90,679
Europe	86,380	78,895
Turkey & International	24,076	35,633
Total	**208,581**	**205,207**

UK & Ireland

The Group's revenue for the year ended 31 December 2019 was £98.125 million, an increase of £7.446 million, or 8.2 per cent., compared to £90.679 million in the year ended 31 December 2018.

This was principally as a result of increased market share following the bankruptcy of a major competitor in the year ended 31 December 2019.

Europe

The Group's revenue for the year ended 31 December 2019 was £86.380 million, an increase of £7.485 million, or 9.5 per cent., compared to £78.895 million in the year ended 31 December 2018. This was principally as a result of acquiring new customers in France and Belgium.

Turkey & International

The Group's revenue for the year ended 31 December 2019 was £24.076 million, a decrease of £11.557 million, or 32.4 per cent., compared to £35.633 million in the year ended 31 December 2018. This was principally as a result of a strategic decision to limit sales revenue in Turkey from August 2018 in order to reduce the Group's exposure to extended credit terms and consequent currency exposure and released volume to support sales growth in UK and Western Europe.

Cost of sales

The Group's cost of sales for the year ended 31 December 2019 was £154.166 million, a decrease of £1.644 million, or 1.1 per cent., as compared to £155.810 million in the year ended 31 December 2018. The decreases were primarily due to lower sales volumes and decreasing steel prices.

Gross profit

The Group's gross profit for the year ended 31 December 2019 was £54.415 million, an increase of £5.018 million, or 10.2 per cent., compared to £49.397 million in the year ended 31 December 2018. This was principally as a result of improved product and geographical mix and higher selling prices.

Selling and distribution expenses

The Group's selling and distribution expenses for the year ended 31 December 2019 were £32.253 million, a £3.756 million, or 13.2 per cent. increase, as compared to £28.497 million in the year ended 31 December 2018. The increase was primarily due to the full year effect of Hudevad trading, additional distribution expenses associated with Termo Teknik increasing export sales and an investment in the selling cost base in the UK.

Administrative expenses

The Group's administrative expenses for the year ended 31 December 2019 were £12.644 million, a £1.774 million, or 16.3 per cent. increase, as compared to £10.870 million in the year ended 31 December 2018. The increase was primarily due to higher management bonuses payable in 2019.

Other operating income

The Group's other operating income for the year ended 31 December 2019 was £2.302 million, an increase of £0.962 million, or 71.8 per cent., compared to £1.340 million in the year ended 31 December 2018. This was principally as a result of increased currency gains related to the weakening of Turkish Lira.

Other operating expenses

The Group's other operating expenses for the year ended 31 December 2019 were £0.084 million, a decrease of £3.049 million, or 97.3 per cent., as compared to expenses of £3.133 million in the year ended 31 December 2018. The decrease was primarily due to a currency loss experienced in 2018 related to the devaluation of the Turkish Lira.

Operating profit

The Group's operating profit for the year ended 31 December 2019 was £11.736 million, an increase of £3.499 million, or 42.5 per cent., compared to £8.237 million in the year ended 31

December 2018. This was principally as a result of a currency gain experienced in 2019 compared to a currency loss experienced in 2018.

EBITDA

The Group's EBITDA for the year ended 31 December 2019 was £17.189 million, an increase of £1.758 million, or 11.4 per cent., compared to £15.431 million in the year ended 31 December 2018.

EBITDA by operating segments

The table below sets out the Group's EBITDA by operating segments.

EBITDA by operating segments	**Year ended 31 December**	
	2019	**2018**
	(£) 000	
UK & Ireland	8,717	6,940
Europe	10,699	8,110
Turkey & International	1,992	3,297
Corporate head office costs	(4,219)	(2,916)
Total	**17,189**	**15,431**

UK & Ireland

The Group's EBITDA in UK & Ireland for the year ended 31 December 2019 was £8.717 million, an increase of £1.777 million, or 25.6 per cent., compared to £6.940 million in the year ended 31 December 2018. This was principally as a result of increased sales volumes, product mix improvements and higher selling prices.

Europe

The Group's EBITDA in Europe for the year ended 31 December 2019 was £10.699 million, an increase of £2.589 million, or 31.9 per cent., compared to £8.110 million in the year ended 31 December 2018. This was principally as a result of increased sales volumes, product mix improvements and lower production costs.

Turkey & International

The Group's EBITDA in Turkey & International for the year ended 31 December 2019 was £1.992 million, a decrease of £1.305 million, or 39.6 per cent., compared to £3.297 million in the year ended 31 December 2018. This was principally as a result of the Group decision to significantly reduce sales volumes to the Turkish market to limit credit and currency exposure.

Corporate head office costs

The Group's EBITDA arising from Corporate head office costs for the for the year ended 31 December 2019 was a loss of £4.219 million, an increase of £1.303 million, or 44.7 per cent., compared to a loss of £2.916 million in the year ended 31 December 2018. This was principally as a result of an increase in wages and salaries due to a year on year increase in bonus provisions and one off costs associated with an aborted acquisition in the year ended 31 December 2019.

Finance income

The Group's finance income for the year ended 31 December 2019 was £0.074 million, a decrease of £0.002 million, or 2.6 per cent., compared to £0.076 million in the year ended 31 December 2018.

Finance costs

The Group's finance costs for the year ended 31 December 2019 were £9.348 million, a £1.279 million, or 15.9 per cent. increase, as compared to £8.069 million in the year ended 31 December

2018. The decrease was primarily due to. the increase in shareholder loans as interest is compounded and not paid.

Profit before tax from continuing operations

The Group's profit before tax from continuing operations for the year ended 31 December 2019 was £2.462 million, an increase of £2.218 million, or 909 per cent., compared to £0.244 million in the year ended 31 December 2018. This was principally as a result of the increased operating profit of the Group partially offset by an increase in finance costs.

Income tax expense

The Group's income tax expense for the year ended 31 December 2019 was £0.613 million, a £0.178 million, or 40.9 per cent. increase, as compared to £0.435 million in the year ended 31 December 2018. The increase was primarily due to an increase in the profitability of the Group offset by the benefit of overseas investment tax incentives.

Profit for the year attributable to owners of the parent

The Group's profit for the year attributable to owners of the parent for the year ended 31 December 2019 was £1.849 million, an increase of £2.040 million, as compared to a loss of £0.191 million in the year ended 31 December 2018.

7. Liquidity and Capital Resources

Overview

During the periods under review, the Group's primary sources of funds were cash from operations, borrowings under bank facilities and long-term funding from shareholders, in the form of the Shareholder Loan Notes.

The Shareholder Loan Notes have been in place since 2014 and during the period under review there have been no cash movements in this debt, only the accrual of interest due.

The Group's external bank facilities consist of the Revolving Credit Facility with a £28 million drawdown limit, which is dependent on loan availability derived from levels of receivables and inventory at any given time and several term loans that exist across the Group’s subsidiaries, the terms of this debt is outlined in "*Capitalisation - Borrowings*" below. As at the date of this document, the total drawn under the Revolving Credit Facility is £nil.

Following Admission, the Group’s primary sources of liquidity will be cash generated from operations and borrowings under bank facilities.

In preparation for the Offer, the Group is putting in place a New RCF Agreement which will become effective automatically on Admission at which point all existing facilities, including the Shareholder Loan Notes, will be repaid using a combination of drawings on the New RCF (as defined below), excess cash within the business and the net proceeds of the Offer. On Admission, the Group will have approximately £30.0 million of unused commitments which are available under the New RCF. On Admission, the Directors expect the Group to have approximately £50.0 million of outstanding indebtedness under the New RCF.

During the periods under review, the primary uses of cash generated and the Revolving Credit Facility were funding the Group's long term capital investment programme, the acquisition of the trade and assets of Hudevad, repayment and service of indebtedness and managing movements in working capital.

During the year ended 31 December 2018, the Group made a net drawing of external debt of £4.523 million. The proceeds from borrowings was £7.729 million being a £4.500 million draw down on the Lombard Facility, an additional drawdown of £0.368 million on the ABFF Term Loan Facility and a net drawdown on the Revolving Credit Facility of £2.861 million. The repayments of borrowings of £3.206 million relates to repayments due under existing and new term loan agreements.

During the year ended 31 December 2019, the Group made a net repayment of external debt of £2.866 million. The proceeds from borrowings was £3.774 million being a £2.035 million draw down on the Lombard Facility and an additional drawdown of £1.739 million on the ABFF Term Loan Facility. The repayments of borrowings of £6.640 million relates to repayments due under term loan agreements and a net repayment on the Revolving Credit Facility.

During the year ended 31 December 2020 and the six months ended 30 June 2021, the Group has not drawn any debt and has only made repayments due under existing term loan agreements and a net repayment on the Revolving Credit Facility.

As of 30 June 2021, the Group's financial debt (non-current interest-bearing loans and borrowings plus current interest-bearing loans and borrowings) was £90.7 million, with cash and short-term deposits totalling £27.9 million. The Group aims to hold a minimum of £7.0 million of cash and short-term deposits at all times and manages cash proactively against forecasts to ensure there is always sufficient cash to meet obligations (under both normal and stressed conditions).

The Group's business is cash generative and requires a relatively low level of ongoing capital expenditure to implement the Group's strategy. The Directors expect that any future requirements would be funded from a combination of cash generated from operations, equity raised and new banking facilities. Following Admission and the completion of the Refinancing, the Directors expect the Group's net debt: EBITDA ratio to be approximately 1.25 times and over the mid-term, the Group is targeting a leverage ratio of less than 1.0 times EBITDA.

Cash flows

The following table summarises the Group's cash flow for the years ended 31 December 2020, 31 December 2019 and 31 December 2018 and the six months ended 30 June 2021 and 30 June 2020, which have been extracted without material adjustment from the historical financial information set out in *Section B* "*Historical Financial Information*" of *Part VII* "*Historical Financial Information*".

	Six months ended 30 June		**Year ended 31 December**		
	2021	**2020**	**2020**	**2019**	**2018**
		(unaudited)			
			(£) 000		
Net cash flows from / (used in) operating activities	17,030	(4,464)	26,242	12,716	14,100
Net cash flows used in investing activities	(2,520)	(2,410)	(8,166)	(7,653)	(11,897)
Net cash flows (used in) / from financing activities	(3,807)	4,936	(9,559)	(5,349)	3,699
Net foreign exchange difference	(2,872)	(665)	(3,664)	(2,180)	(3,081)
Cash and cash equivalents at 1 January	20,070	15,217	15,217	17,683	14,862
Cash and cash equivalents at 30 June / 31 December	**27,901**	**12,614**	**20,070**	**15,217**	**17,683**

Net cash flows from operating activities

The Group's net cash flows from operating activities for the six months ended 30 June 2021 was £17.030 million, an increase of £21.494 million, compared to cash used in operating activities of £4.464 million in the six months ended 30 June 2020. This was principally as a result of an increase in the profitability of the Group and a short-term increase in working capital with rising inventories and lower receivables and payables in the six months ended 30 June 2020 due to the COVID-19 pandemic.

The Group's net cash flows from operating activities for the year ended 31 December 2020 was £26.242 million, an increase of £13.526 million, or 106.4 per cent., compared to £12.716 million in the year ended 31 December 2019. This was principally as a result of an increase in the profitability of the Group and a year on year reduction in working capital due to exceptionally low inventories at 31 December 2020.

The Group's net cash flows from operating activities for the year ended 31 December 2019 was £12.716 million, a decrease of £1.384 million, or 9.8 per cent., compared to £14.100 million in the year ended 31 December 2018. This was principally as a result of a year on year increase in working capital partially offset by increased profitability.

Historical capital investment programme

Between the beginning of 2015 and the end of the six month period ended 30 June 2021, approximately £25 million of incremental capex has been invested in production lines across all three plants to provide flexibility and improve quality, capacity and productivity. The result of the programme is a well-invested, efficient, and low cost manufacturing platform which can effectively leverage the benefits of its low cost Turkish asset base across the entire European market through consistency of its core design. As the investment programme has been running throughout the period covering the Historical Financial Information, the net cash flows used in investing activities have been higher than the normal underlying level required to maintain equipment. Following the conclusion of the capital investment programme, the Directors expect that the operating cash flow of the Group (being net cash flows from operating activities before income tax paid and interest received less net cash flows used in investing activities less the payment of lease liabilities) will exceed £30 million per annum.

Net cash flows used in investing activities

The Group's net cash flows used in investing activities for the six months ended 30 June 2021 were £2.520 million, a £0.110 million, or 4.6 per cent. increase, as compared to £2.410 million in the six months ended 30 June 2020.

The Group's net cash flows used in investing activities for the year ended 31 December 2020 was £8.166 million, a £0.513 million, or 6.7 per cent. increase, as compared to £7.653 million in the year ended 31 December 2019. The increase was primarily due to one-off proceeds from the sale of a former production facility during 2019.

The Group's net cash flows used in investing activities for the year ended 31 December 2019 was £7.653 million, a decrease of £4.244 million, or 35.7 per cent., as compared to £11.897 million in the year ended 31 December 2018. The decrease was primarily due to the one-off acquisition of the brand and assets of Hudevad in the year ended 31 December 2018.

Net cash flows used in financing activities

The Group's net cash flows used in financing activities for the six months ended 30 June 2021 was £3.807 million, a £8.743 million decrease, as compared to the net cash flows from financing activities of £4.936 million in the six months ended 30 June 2020. The decrease was primarily due to the movement in the Revolving Credit Facility.

The Group's net cash flows used in financing activities for the year ended 31 December 2020 was £9.559 million, a £4.210 million, or 78.7 per cent. increase, as compared to £5.349 million in the year ended 31 December 2019. The increase was primarily due to additional cash generated in the year ended 31 December 2020 allowing term loans and the Revolving Credit Facility to be repaid whereas additional term loans were received in the year ended 31 December 2019.

The Group's net cash flows used in financing activities for the year ended 31 December 2019 was £5.349 million, a £9.048 million increase, as compared to net cash flows from financing activities of £3.699 million in the year ended 31 December 2018. The increase was primarily due to term loans received during the year ended 31 December 2018.

8. Capitalisation

The following table summarises the Group's statement of financial position as at 30 June 2021.

	30 June 2021
	(£) 000
Assets	
Non-current assets	
Property, plant and equipment	56,861
Trade and other receivables	14
Deferred tax assets	3,487
	60,362
Current assets	
Inventories	41,039
Trade and other receivables	50,906
Income tax receivable	24
Other current financial assets	140
Cash and cash equivalents	27,901
	120,010
Total assets	**180,372**
Equity and liabilities	
Equity	
Issued capital	250
Merger reserve	940
Retained earnings	52,024
Foreign currency reserve	(42,900)
Total equity attributable to owners of the parent	**10,314**
Non-current liabilities	
Interest-bearing loans and borrowings	87,473
Provisions	225
Net employee defined benefit liabilities	2,326
Deferred tax liabilities	-
	90,024
Current liabilities	
Trade and other payables	75,099
Interest-bearing loans and borrowings	3,205
Other current financial liabilities	-
Income tax payable	1,507
Provisions	223
	80,034
Total liabilities	**170,058**
Total equity and liabilities	**180,372**

Borrowings

ABF Facility

On 18 December 2019, the Group entered into a £32.9m asset based finance facility with RBS Invoice Finance Limited (the "**ABF Facility**"), consisting of a £28 million revolving credit facility (the "**Revolving Credit Facility**") and a £4.9m term loan facility (the "**ABFF Term Loan Facility**"). The ABF Facility is a cross collateral agreement secured on specific assets of certain members of the Group. Certain members of the Group that are party to the agreement are able to draw borrowings that are secured on assets of other members of the Group.

The Revolving Credit Facility matures on 18 December 2022 with an effective interest rate of LIBOR / EURIBOR + 1.5 per cent. dependent on which entity draws the facility.

The ABFF Term Loan Facility matures on 18 December 2022 with an effective interest rate of LIBOR / EURIBOR + 2.25 per cent. dependent on which entity draws the facility.

The Group will repay any amounts outstanding under the ABF Facility (and cancel the loan facilities thereunder) shortly after Admission pursuant to the Refinancing using the net proceeds of the Offer, together with drawings under the New RCF and existing available cash. For further information, see *Section B* "*Unaudited Pro Forma Financial Information*" of *Part VIII* "*Unaudited*

Pro Forma Financial Information" and the paragraph headed "*Reasons for the Offer and Use of Proceeds*" in *Part IX* "*Details of the Offer*".

For further information on the terms of the ABF Facility, see paragraph 18.3 "*ABF Facility Agreement*" in *Part X* "*Additional Information*".

The Lombard Facility

The Group entered into a term loan facility with Lombard North Central PLC ("**Lombard**") in July 2019 with a loan amount of £5.9 million (the "**Lombard Facility**").

The Lombard Facility is secured on the plant and machinery of certain members of the Group. The Lombard Facility matures in January 2025 and has two parts, one with an effective interest rate of LIBOR + 2.50 per cent and the second with an effective interest rate of LIBOR + 2.25 per cent.

The Group will repay any amounts outstanding under the Lombard Facility (and cancel the loan facilities thereunder) shortly after Admission pursuant to the Refinancing using the net proceeds of the Offer, together with drawings under the New RCF and existing available cash. For further information, see *Section B* "*Unaudited Pro Forma Financial Information*" of *Part VIII* "*Unaudited Pro Forma Financial Information*" and the paragraph headed "*Reasons for the Offer and Use of Proceeds*" in *Part IX* "*Details of the Offer*".

For further information on the terms of the Lombard Facility, see paragraph 18.4 "*Lombard Agreements*" in *Part X* "*Additional Information*"

Turkish loan facility

Termo Teknik Ticaret ve Sanayi A.S entered into a €10m unsecured term loan facility drawn in June 2015 which was fully repaid in June 2020. The loan had an effective interest rate of EURIBOR + 3.20 per cent.

Shareholder Loan Notes

The Shareholder Loan Notes consist of (i) £23.182 million of loan notes funded by the ultimate controlling party of the Group, the Major Shareholder. dated 1 December 2014 and (ii) £4.266 million of loan notes funded by Noosa, which in turn is funded by Management dated 1 December 2014. The loan notes issued to the Major Shareholder. are listed on The International Stock Exchange.

The loans have effective interest rate of 15 per cent., with unpaid interest compounded on a quarterly basis and have a maturity date of 25 September 2033.

As at the date of this document, approximately £76.4 million (including unpaid interest) was drawn under the Shareholder Loan Notes. The Group will repay all amounts outstanding under the Shareholder Loan Notes (and will then cancel the notes) shortly after Admission pursuant to the Refinancing using the net proceeds of the Offer, together with drawings under the New RCF and existing available cash. For further information, see *Section B* "*Unaudited Pro Forma Financial Information*" of *Part VIII* "*Unaudited Pro Forma Financial Information*" and the paragraph headed "*Reasons for the Offer and Use of Proceeds*" in *Part IX* "*Details of the Offer*".

For further information on the terms of the Shareholder Loan Notes, see paragraph 18.5 "*Shareholder Loan Notes*" in *Part X* "*Additional Information*".

New RCF

In preparation for the Offer, Stelrad Radiator Holdings Limited, the Company, Stelrad Limited and certain other members of the Group entered into a revolving credit facility agreement (the "**New RCF Agreement**") with Barclays Bank plc and National Westminster Bank plc on 2 November 2021.

Under the New RCF Agreement, a revolving credit facility in an aggregate amount of up to £80 million (the "**New RCF**") will be made available to Stelrad Radiator Holdings Limited, the

Company and Stelrad Limited and any other member of the Group which accedes to the New RCF Agreement as a borrower (subject to the terms of the New RCF Agreement). The New RCF will be available to be drawn in Sterling and Euros (with the potential for drawings in other currencies with lender consent). The New RCF Agreement features an accordion option allowing the size of the New RCF to be increased by up to an additional £40 million, subject to certain conditions.

The following are conditions to initial utilisation under the RCF (in addition to other customary conditions precedent):

- evidence of Admission with £8.6 million or more of net proceeds and confirmation of closing date leverage of no greater than 1.75:1.00; and

- evidence that the Group's existing indebtedness has or will be repaid simultaneously with first utilisation.

Utilisations under the New RCF will be available for application towards the general corporate and working capital purposes of the Group (including refinancing of certain existing debt, the funding of permitted acquisitions and permitted joint ventures and the financing of the costs and expenses associated with the Offer).

Each loan made under the New RCF will be repayable on the last day of its interest period. The termination date of the New RCF will be the date which falls three years after the closing date; an extension option will be included allowing the termination date to be extended by one year on up to two occasions (such that the maximum tenor will be five years).

Interest will be payable under the New RCF Agreement at a percentage rate per annum which is the aggregate of the margin and a reference rate (in most circumstances calculated on the basis of SONIA or, in the case of drawdowns in Euro, EURIBOR), subject to the terms of the New RCF Agreement.

The New RCF Agreement will, initially, be guaranteed by a number of Group members, including, but not limited to, the Company, Stelrad Radiator Group Limited, Stelrad Radiator Holdings Limited, Stelrad Limited, Henrad N.V., Caradon Stelrad B.V., Termo Teknik Holdings Limited, Hudevad Radiator Design A/S and Caradon Polska sp zoo (which are original parties to the New RCF Agreement or will accede as guarantors shortly after closing). An ongoing guarantor coverage test will apply, including the following requirements (and Group members will be required to accede to the New RCF Facility Agreement as guarantors as necessary, to ensure that this test is satisfied) (subject to limited exceptions):

(a) the New RCF guarantors, taken together, must represent at least 90 per cent. of EBITDA, gross assets and revenues of the Group (but excluding the Turkish business of the Group) and at least 40 per cent. of the aggregate EBITDA, gross assets and revenues of the Group; and

(b) all Material Companies must be guarantors (a "Material Company" including, but not limited to, each subsidiary of the Company (i) representing 2.5 per cent. or more (or, in the case of Chinese subsidiaries, 5 per cent. or more) of consolidated EBITDA, consolidated gross assets or consolidated revenues (but excluding the Turkish business of the Group); or (ii) that holds shares in a borrower or a guarantor.

Subject to any limitations arising under local law, as well as customary principles as to cost and feasibility, each borrower and guarantor will grant security over all or substantially all of its assets (including bank accounts, receivables and certain shares) in respect of the obligations arising under or in connection with the New RCF. Security will also be granted in respect of the issued share capital of certain Group members, including each borrower (other than the Company) and guarantor.

The New RCF Agreement includes financial covenants (measured semi-annually on a rolling 12-month basis) requiring that, on each test date:

- the ratio of total net debt to EBITDA (adjusted in connection with acquisitions and disposals in the relevant calculation period) is not greater than 3.00:1.00; and

- the ratio of EBITDA to net finance charges is no less than 4.00:1.00.

For further information on the terms of the New RCF, see paragraph 18.6 "*New RCF Agreement*" in *Part X* "*Additional Information*".

Capital expenditures

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

	June 2021	December 2020	December 2019	December 2018
		(£) 000		
Freehold land and buildings	176	997	514	1,000
Leasehold buildings	107	523	9,221	0
Assets under construction[1]	545	(1,448)	4	(1,810)
Plant and equipment	1,888	8,758	9,539	9,426
Fixtures and fittings	527	733	397	1,921
Total	**3,243**	**9,563**	**19,675**	**10,537**

[1] The significant parts of the assets under construction relate to plant and equipment.

Since the beginning of the year ended 31 December 2018 up until 30 June 2021, approximately £15 million of development capital expenditure has been invested by the Group in an incremental programme across all three of its manufacturing plants to provide flexibility and improve quality, capacity and productivity. The incremental capex programme will be completed in the current financial year, details of this are as follows:

- In UK Radiators, two existing production lines have been extensively upgraded and optimised since 2018, with increased automation to provide efficiency gains. Two further lines have been maintained to sustain output without major capital expenditure. In addition, investments in warehouse facilities have been made to increase storage capacity to 350,000 radiators.

- In Termo Teknik, existing production lines were upgraded and optimised between 2018 and 2020, with increased automation to provide efficiency gains and a new hybrid line was added in the first quarter of the year ending 31 December 2021 to further improve flexibility in terms of the product range that can be produced at low cost, increasing capacity by 600,000 radiators.

- In Continental Radiators, the vertical production line was upgraded and optimised in 2019 and 2020 and there was a significant adoption of robots throughout the manufacturing process to provide efficiency gains. An investment was made in fitting out the new leased distribution centre which opened in early 2019, enabling the business to double storage capacity to approximately 200,000 radiators.

In addition to the incremental capex items outlined above additional key spends were as follows:

- The new Continental Distribution centre, leased for a period of 10 years, was capitalised as a right to use asset in 2019.

- The trade and assets of Hudevad were acquired in 2018.

9. Contractual obligations

Pensions and other post-employment plans

	June 2021	December 2020	December 2019	December 2018
		(£) 000		
Net employee defined benefit liability				
Turkish scheme	2,235	2,390	2,364	2,229

	June 2021	December 2020	December 2019	December 2018
		(£) 000		
Other retirement obligations – non IAS 19	91	139	171	249
	2,326	**2,529**	**2,535**	**2,478**

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 £2.235 million as at 30 June 2021 (31 December 2020: £2.390 million, 31 December 2019: £2.364 million, 31 December 2018: £2.229 million). There are no assets held in this plan as at 30 June 2021 (31 December 2020: £nil, 31 December 2019: £nil, 31 December 2018: £nil). The expected contributions to the plan for the next reporting period to cover benefits paid are £113,000. The service cost in the six months ended 30 June 2021 was £112,000 (Year ended 31 December 2020: £203,000, Year ended 31 December 2019: £210,000, Year ended 31 December 2018: £220,000).

UK schemes

The UK has two pension schemes:

- The Stelrad Group Pension Plan ("**SGPP**") **-** a defined contribution only scheme; and
- The Stelrad Group Flexible Retirement Plan ("**SGFRP**") **-** a defined contribution only scheme.

The total employer contributions made in the six months ended 30 June 2021 was £0.537 million (Year ended 31 December 2020: £1.158 million, Year ended 31 December 2019: £1.208 million, Year ended 31 December 2018: £1.115 million). There were no outstanding balances at 30 June 2021 (31 December 2020: £nil, 31 December 2019: £0.105 million, 31 December 2018: £0.095 million) due to the schemes 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. The liability as at 30 June 2021 of £0.050 million (31 December 2020: £0.079 million, 31 December 2019: £0.115 million, 31 December 2018: £0.187 million) mainly relates to pre-pension payments that are due to Belgian employees who have retired early. The contributions to overseas pension schemes in the period and any movements in the provision for other retirement obligations are reported as part of the employee benefits note and total £0.607 million for the six months ended 30 June 2021 (Year ended 31 December 2020: £1.237 million, Year ended 31 December 2019: £1.153 million, Year ended 31 December 2018: £0.982 million).

Contingent liabilities

Termo Teknik Ticaret ve Sanayi A.S. has issued letters of guarantee and letters of credit to its steel suppliers which, as at 30 June 2021, amounted to US$20.121 million (31 December 2020: US$6.814 million, 31 December 2019: US$17.486 million, 31 December 2018: US$16.547 million) and US$37.621 million (31 December 2020: US$29.256 million, 31 December 2019: US$13.839 million, 31 December 2018: US$12.026 million) respectively. Termo Teknik Ticaret ve Sanayi A.S. has also issued letters of guarantee denominated in Turkish Lira totalling TL7.203 million as at 30 June 2021 (31 December 2020: TL7.002 million, 31 December 2019: TL5.671 million, 31 December 2018: TL5.574 million).

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 2021 is £27.000 million (31 December 2020: £nil, 31 December 2019: £6.000 million, 31 December 2018: £nil).

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 £0.140 million (31 December 2020: £nil, 31 December 2019: liability of £0.038 million, 31 December 2018: £nil).

As part of the ABF Facility, the Group is party to a cross collateral agreement secured on specific assets of certain Group companies. No liability is expected to arise from this arrangement.

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.

Commitments

Amounts contracted for but not provided in the Historical Financial Information amounted to £1.167 million as at 30 June 2021 (31 December 2020: £0.657 million, 31 December 2019: £0.880 million, 31 December 2018: £0.809 million). All amounts relate to property, plant and equipment.

Dividend Policy

The Group intends to adopt a progressive dividend policy targeting an initial annualised pay-out of approximately 40 per cent. of net income, with reinvestment for growth being the primary use of available cash. The Group expects to pay its first dividend in May 2022, with a 33 per cent. and 67 per cent. split between the Group's interim and final dividend payments respectively, across the fiscal year.

Quantitative and Qualitative Disclosure about Market Risk

For a detailed description of market risk, see Note 29 to the Historical Financial Information contained in *Section B* "*Historical Financial Information*" of *Part VII* "*Historical Financial Information*".

10. Off Balance Sheet Arrangements

The Group does not engage in any off-balance sheet financing arrangements.

11. Critical Accounting Policies and Estimates

The preparation of the Group's consolidated Historical Financial Information requires management to make assumptions, undertake estimates and exercise judgment that affect the reported amount of assets and liabilities at the balance sheet date and the reported amounts of revenue and expenses during the fiscal period. See Note 5 to the Historical Financial Information contained in *Section B* "*Historical Financial Information*" of *Part VII* "*Historical Financial Information*".

All assumptions, expectations and forecasts used as a basis for certain estimates within the Historical Financial Information represent good-faith assessments of the Group's future performance for which management believes there is a reasonable basis. Estimates and judgments used in the determination of reported results are continuously evaluated. Assumptions, estimates and judgments are based on historical experience and on various other factors that management believes to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

PART VII
HISTORICAL FINANCIAL INFORMATION

SECTION A:
ACCOUNTANTS' REPORT ON THE HISTORICAL FINANCIAL INFORMATION

The Directors (the "**Directors**")
Stelrad Group PLC (the "**Company**")
69-75 Side
Newcastle upon Tyne
NE1 3JE

Investec Bank plc
30 Gresham Street
London, England
EC2V 7QP

5 November 2021

Dear Ladies and Gentlemen

Stelrad Radiator Group Limited (the "Operating Company" and, together with its subsidiaries, the "Operating Group")

We report on the financial information of the Operating Group for the years ended 31 December 2020, 31 December 2019 and 31 December 2018 and for the six months ended 30 June 2021 set out in *Section B* "*Historical Financial Information*" of *Part VII* "*Historical Financial Information*" of the prospectus dated 5 November 2021 (the "**Prospectus**") of the Company (the " **Operating Group Financial Information Table**").

This report is required by item 18.3.1 of Annex 1 to the PR Regulation and is given for the purpose of complying with that item and for no other purpose.

We have not audited or reviewed the financial information for the six months ended 30 June 2020 which has been included for comparative purposes only, and accordingly do not express an opinion thereon.

Opinion on financial information

In our opinion, the Operating Group Financial Information Table gives, for the purposes of the Prospectus, a true and fair view of the state of affairs of the Operating Group as at the dates stated and of its profits/losses, cash flows and statement of changes in equity for the years ended 31 December 2020, 31 December 2019 and 31 December 2018 and for the six months ended 30 June 2021 in accordance with UK adopted international accounting standards.

Conclusions Relating to Going Concern

We are required to report if we have anything material to add or draw attention to in respect of the Directors' statement in the Operating Group Financial Information Table about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the Operating Group Financial Information Table and the Directors' identification of any material uncertainties to the Operating Group's ability to continue as a going concern over a period of at least twelve months from the date of this document.

We have nothing material to add or to draw attention to.

Responsibilities

The Directors of the Company are responsible for preparing the Operating Group Financial Information Table in accordance with UK adopted international accounting standards.

It is our responsibility to form an opinion on the Operating Group Financial Information Table and to report our opinion to you.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and for any responsibility arising under item 5.3.2R(2)(f) of the Prospectus Regulation Rules of the Financial Conduct Authority (the "**Prospectus Regulation Rules**") to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 1.3 of Annex 1 to the PR Regulation, consenting to its inclusion in the Prospectus.

Basis of Preparation

The Operating Group Financial Information Table has been prepared for inclusion in the Prospectus of the Company on the basis of the accounting policies set out in note 4 to the Operating Group Financial Information Table.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Financial Reporting Council ("**FRC**") in the United Kingdom. We are independent in accordance with the FRC's Ethical Standard as applied to Investment Circular Reporting Engagements and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our work included an assessment of evidence relevant to the amounts and disclosures in the Operating Group Financial Information Table. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Declaration

For the purposes of item 5.3.2R(2)(f) of the Prospectus Regulation Rules we are responsible for this report as part of the Prospectus and declare that, to the best of our knowledge, the information contained in this report is in accordance with the facts and that the report makes no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of Annex 1 to the PR Regulation.

Yours faithfully

PricewaterhouseCoopers LLP
Chartered Accountants

SECTION B:
HISTORICAL FINANCIAL INFORMATION

Consolidated Income Statement

	Notes	Six months ended 30 June 2021	Six months ended 30 June 2020 (unaudited)	Year ended 31 December 2020	Year ended 31 December 2019	Year ended 31 December 2018
				(£) 000		
Continuing operations						
Revenue	**6**	**127,925**	**83,026**	**196,565**	**208,581**	**205,207**
Cost of sales		(88,717)	(59,363)	(139,372)	(154,166)	(155,810)
Gross profit		**39,208**	**23,663**	**57,193**	**54,415**	**49,397**
Selling and distribution expenses		(17,276)	(14,391)	(31,265)	(32,253)	(28,497)
Administrative expenses		(5,331)	(5,302)	(11,741)	(12,644)	(10,870)
Other operating income	7	2,811	1,945	5,356	2,302	1,340
Other operating expenses	8	(1,496)	(25)	(19)	(84)	(3,133)
Operating profit	**9**	**17,916**	**5,890**	**19,524**	**11,736**	**8,237**
Finance income	12	103	19	68	74	76
Finance costs	13	(5,602)	(5,058)	(10,405)	(9,348)	(8,069)
Profit before tax from continuing operations		**12,417**	**851**	**9,187**	**2,462**	**244**
Income tax expense	14	(3,575)	(761)	(488)	(613)	(435)
Profit / (loss) for the period attributable to owners of the parent		**8,842**	**90**	**8,699**	**1,849**	**(191)**
Earnings per share:						
Basic earnings / (loss) per share (pence per share)	15	3,538.56	36.02	3,481.33	739.97	(76.44)
Diluted earnings / (loss) per share (pence per share)	15	3,538.56	36.02	3,481.33	739.97	(76.44)

Consolidated Statement of Comprehensive Income

	Notes	Six months ended 30 June 2021	Six months ended 30 June 2020 (unaudited)	Year ended 31 December 2020	Year ended 31 December 2019	Year ended 31 December 2018
				(£) 000		
Profit / (loss) for the period		**8,842**	**90**	**8,699**	**1,849**	**(191)**
Other comprehensive income/(expense)						
Other comprehensive income/(expense) that may be reclassified to profit or loss in subsequent periods:						
Net gain on monetary items forming part of net investment in foreign operations and qualifying hedges of net investments in foreign operations		645	607	1,337	557	51
Income tax effect	14	(137)	(129)	(286)	(51)	(29)
Exchange differences on translation of foreign operations		(8,346)	(709)	(8,890)	(7,300)	(8,553)
Net other comprehensive expense that may be reclassified to profit or loss in subsequent periods		**(7,838)**	**(231)**	**(7,839)**	**(6,794)**	**(8,531)**
Other comprehensive expense not to be reclassified to profit or loss in subsequent periods:						
Re-measurement losses on defined benefit plans	26	(100)	-	(317)	(245)	(348)
Income tax effect	14	22	-	70	54	77
Net other comprehensive expense not to be reclassified to profit or loss in subsequent periods		**(78)**	**-**	**(247)**	**(191)**	**(271)**
Other comprehensive expense for the period, net of tax		**(7,916)**	**(231)**	**(8,086)**	**(6,985)**	**(8,802)**
Total comprehensive income / (expense) for the period, net of tax attributable to owners of the parent		**926**	**(141)**	**613**	**(5,136)**	**(8,993)**

Consolidated Balance Sheet

	Notes	30 June 2021	31 December 2020	2019	2018
			(£) 000		
Assets					
Non-current assets					
Property, plant and equipment	16	56,861	61,024	61,403	51,643
Trade and other receivables	20	14	17	22	26
Deferred tax assets	14	3,487	4,342	3,292	3,421
		60,362	65,383	64,717	55,090
Current assets					
Inventories	19	41,039	30,986	35,896	34,575
Trade and other receivables	20	50,906	39,024	35,128	34,273
Income tax receivable		24	70	26	25
Other current financial assets		140	-	-	-
Cash and cash equivalents	21	27,901	20,070	15,217	17,683
		120,010	90,150	86,267	86,556
Total assets		**180,372**	**155,533**	**150,984**	**141,646**
Equity and liabilities					
Equity					
Issued capital	24	250	250	250	250
Merger reserve		940	940	940	940
Retained earnings		52,024	43,260	34,808	33,491
Foreign currency reserve		(42,900)	(35,062)	(27,223)	(20,770)
Total equity attributable to owners of the parent		**10,314**	**9,388**	**8,775**	**13,911**
Non-current liabilities					
Interest-bearing loans and borrowings	18b	87,473	85,785	82,624	67,764
Provisions	23	225	203	273	289
Net employee defined benefit liabilities	26	2,326	2,529	2,535	2,478
Deferred tax liabilities	14	-	-	-	289
		90,024	88,517	85,432	70,820
Current liabilities					
Trade and other payables	22	75,099	53,658	51,728	52,884
Interest-bearing loans and borrowings	18b	3,205	3,347	4,303	3,505
Other current financial liabilities	18a	-	-	38	-
Income tax payable		1,507	431	486	284
Provisions	23	223	192	222	242
		80,034	**57,628**	**56,777**	**56,915**
Total liabilities		**170,058**	**146,145**	**142,209**	**127,735**
Total equity and liabilities		**180,372**	**155,533**	**150,984**	**141,646**

Consolidated Statement of Changes in Equity

	Attributable to the owners of the parent				
	Issued share capital	**Merger reserve**	**Retained earnings**	**Foreign currency**	**Total**
			(£) 000		
As at 1 January 2018	**250**	**940**	**33,953**	**(12,239)**	**22,904**
Loss for the year	-	-	(191)	-	(191)
Other comprehensive expense for the year	-	-	(271)	(8,531)	(8,802)
Total comprehensive expense	-	-	(462)	(8,531)	(8,993)
As at 31 December 2018	**250**	**940**	**33,491**	**(20,770)**	**13,911**
Profit for the year	-	-	1,849	-	1,849
Other comprehensive expense for the year	-	-	(191)	(6,794)	(6,985)
Transfer of losses on disposal of foreign operations	-	-	(341)	341	-
Total comprehensive expense	-	-	1,317	(6,453)	(5,136)
As at 31 December 2019	**250**	**940**	**34,808**	**(27,223)**	**8,775**
Profit for the year	-	-	8,699	-	8,699

	Attributable to the owners of the parent				
	Issued share capital	Merger reserve	Retained earnings	Foreign currency	Total
			(£) 000		
Other comprehensive expense for the year	-	-	(247)	(7,839)	(8,086)
Total comprehensive income	-	-	8,452	(7,839)	613
As at 31 December 2020	**250**	**940**	**43,260**	**(35,062)**	**9,388**
Profit for the period	-	-	8,842	-	8,842
Other comprehensive expense for the period	-	-	(78)	(7,838)	(7,916)
Total comprehensive income	**-**	**-**	**8,764**	**(7,838)**	**926**
As at 30 June 2021	**250**	**940**	**52,024**	**(42,900)**	**10,314**

Consolidated Statement of Cash Flows

	Notes	Six months ended 30 June		Year ended 31 December		
		2021	2020	2020	2019	2018
			(unaudited)			
				(£) 000		
Operating activities:						
Profit before tax from continuing operations		12,417	851	9,187	2,462	244
Adjustments to reconcile profit before tax to net cash flows:						
Depreciation of property, plant and equipment	16	3,784	3,795	7,921	7,443	5,106
Gain on disposal of property, plant and equipment		(182)	(110)	(142)	(260)	(127)
Negative goodwill amortisation		-	-	-	-	(89)
Finance income	12	(103)	(19)	(68)	(74)	(76)
Finance costs	13	5,602	5,058	10,405	9,348	8,069
Working capital adjustments:						
(Increase) / decrease in trade and other receivables		(14,277)	9,211	(6,373)	(3,098)	784
(Increase) / decrease in inventories		(12,083)	(7,505)	3,681	(3,234)	(2,278)
Increase / (decrease) in trade and other payables		23,631	(14,937)	3,549	821	3,471
Increase / (decrease) in provisions		121	(3)	8	41	5
Movement in other financial assets and liabilities		(151)	(1)	(33)	41	(10)
Decrease in other pension provisions		(43)	(20)	(39)	(66)	(57)
Difference between pension charge and cash contributions		(18)	8	5	(15)	(224)
		18,698	(3,672)	28,101	13,409	14,818
Income tax paid		(1,771)	(811)	(1,927)	(767)	(794)
Interest received		103	19	68	74	76
Net cash flows from / (used in) operating activities		**17,030**	**(4,464)**	**26,242**	**12,716**	**14,100**
Investing activities:						
Proceeds from sale of property, plant and equipment		400	222	474	1,713	180
Purchase of property, plant and equipment	16	(2,920)	(2,632)	(8,640)	(9,366)	(10,413)
Acquisition of subsidiary		-	-	-	-	(1,664)
Net cash flows used in investing activities		**(2,520)**	**(2,410)**	**(8,166)**	**(7,653)**	**(11,897)**
Financing activities:						
Transaction costs related to refinancing		-	(153)	(153)	(54)	-
Proceeds from external borrowings		-	6,217	-	3,774	7,729
Repayment of external borrowings		(2,633)	-	(6,999)	(6,640)	(3,206)
Payment of lease liabilities		(851)	(853)	(1,723)	(1,602)	(41)
Interest paid		(323)	(275)	(684)	(827)	(783)
Net cash flows (used in) / from financing activities		**(3,807)**	**4,936**	**(9,559)**	**(5,349)**	**3,699**
Net increase / (decrease) in cash and cash equivalents		10,703	(1,938)	8,517	(286)	5,902
Net foreign exchange difference		(2,872)	(665)	(3,664)	(2,180)	(3,081)
Cash and cash equivalents at 1 January	21	20,070	15,217	15,217	17,683	14,862
Cash and cash equivalents at 30 June / 31 December	**21**	**27,901**	**12,614**	**20,070**	**15,217**	**17,683**

Notes to the Historical Financial Information

1. **Corporate information**

During the period the Group (being Stelrad Radiator Group Limited and each of its direct and indirect subsidiaries) was principally engaged in the manufacture and distribution of radiators.

2. **Basis of preparation**

The consolidated Historical Financial Information of the Group for the three years ended 31 December 2020, 31 December 2019 and 31 December 2018 and six months ended 30 June 2021 and 30 June 2020 (the "**Historical Financial Information**") has been prepared specifically for the purposes of this document and in accordance with UK Prospectus Regulation, the Listing Rules and in accordance with this basis of preparation. The Historical Financial Information has been prepared in accordance with UK adopted international accounting standards ("**IFRS**"). The Historical Financial Information has been prepared on a going concern basis under the historical cost convention, except for derivative financial instruments that have been measured at fair value. This Historical Financial Information does not constitute statutory accounts within the meaning of section 434(3) of the Companies Act 2006.

The Historical Financial Information is presented in GB Pounds and all values are rounded to the nearest thousand (£000), except when otherwise indicated.

The preparation of the Historical Financial Information in conformity with IFRS requires the use of certain key accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where the assumptions and estimates are significant to the Historical Financial Information are detailed under 'Significant accounting judgements, estimates and assumptions' (note 5).

Going Concern

The Historical Financial Information has been prepared on a going concern basis, the basis for which is outlined below.

At 30 June 2021 the Group total equity was £10,314,000 (31 December 2020: £9,388,000, 31 December 2019: £8,775,000, 31 December 2018: £13,911,000). Borrowings, predominantly bank, immediate parent undertaking and ultimate shareholder loans, amounted to £90,678,000 (31 December 2020: £89,132,000, 31 December 2019: £86,927,000, 31 December 2018: £71,269,000). At the period end date, the Group had drawn down £37,000 of a £28m Revolving Credit Facility.

The Directors note that the Covid-19 pandemic had a short-term negative impact on the Group's UK trading results in Q2 of 2020. For the second half of the year ended 31 December 2020, demand in the UK returned to in excess of 95 per cent. of 2020 budget levels despite the UK experiencing a range of regional and national lockdowns. A key difference from the initial lockdown, in Q2 2020, is that building merchants, housebuilders and installers have been able to continue their activities as these are all deemed essential services which can be conducted while remaining socially distanced. During 2021, demand across all markets has remained strong and seemingly unaffected by any regional or national lockdowns that have been in place.

As part of their period end review, management has performed a detailed going concern review looking at the Group's liquidity and banking covenant compliance, examining expected future performance and assessing the expected ongoing impact of Covid-19. Based on the output of this going concern review, management have concluded that the Group will be able to continue to operate within its existing facilities and as such the Historical Financial Information has been prepared on a going concern basis.

3. **Basis of consolidation**

The Historical Financial Information consolidates the financial statements of Stelrad Radiator Group Limited and its subsidiaries drawn up to the end of the relevant periods. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the period are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

4. **Summary of significant accounting policies**

The principal accounting policies adopted in the preparation of the Historical Financial Information are outlined below have been applied consistently, other than where new policies have been adopted.

(a) **Current versus non-current classification**

The Group presents assets and liabilities in the balance sheet based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current. A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

(b) **Fair value measurement**

The Group measures financial instruments, such as, derivatives at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 29.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Historical Financial Information are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the Historical Financial Information on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

(c) **Foreign currency translation**

Functional and presentation currency

Items included in the Historical Financial Information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The Historical Financial Information is presented in 'GB Pounds' (£), which is the company's functional and the Group's presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying net investment hedges or because the monetary asset or liability forms part of the net investment in the foreign operation.

Foreign exchange gains and losses are presented in the income statement within 'other operating income' or 'other operating expenses'.

Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

- income and expenses for each income statement are translated at average exchange rates (where a reasonable approximation to actual rates); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income.

(d) **Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude and is also exposed to inventory and credit risks.

In accordance with IFRS15 Revenue from Contracts with Customers the Group follows a 5-step process to determine whether to recognise revenue:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to its performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied.

Revenue is recognised at a point in time, when the Group satisfies performance obligations by transferring the promised goods or services to its customers.

The specific recognition criteria described below must also be met before revenue is recognised.

Interest income

For all financial instruments measured at amortised cost, interest income is recorded using the effective interest rate (EIR).

Rebates

Rebates are paid to certain direct customers and end consumers of goods sold (end consumers being installers, contractors or housebuilders who install the Group's products). Rebates represent either: an agreed percentage discount on the gross invoice value of each purchased product; or less frequently an agreed discount based on annual sales volume incentives. Provisions for rebates to direct customers are based upon the terms of sales contracts and are recorded in the same period as the related gross sale as a deduction from revenue. Where rebates are volume related these are provided for when the associated targets are met or deemed likely to be met, with the expected outcome being reassessed at each reporting date. Volume rebates result in variable revenue, in accordance with IFRS 15, provision for volume rebates is only made when it is highly probable that a significant reversal will not occur. For indirect rebates paid to the end consumer, the Group prudently estimates the provision for rebates based on historical take up rates and rebate values per product category to ensure it is highly probable that a significant reversal would not occur. Rebates paid to direct customers are offset against trade receivables whereas indirect rebates, which are payable to the end consumer, are disclosed as other payables.

(e) **Taxation**

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax is recognised in income unless it relates to items recognised in other comprehensive income or directly in equity, in which case the current income tax is recognised in other comprehensive income or directly in equity respectively. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill (taxable temporary differences only) or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

- In respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

- In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in income unless it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is recognised in other comprehensive income or directly in equity respectively.

(f) **Property, plant and equipment**

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives as follows:

Freehold buildings	-	10 to 50 years
Leasehold buildings	-	period of lease
Plant and equipment	-	3 to 10 years
Fixtures and fittings	-	2 to 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An assets' carrying value is written down immediately to its recoverable amount if the assets' carrying amount is greater than its estimated recoverable amount.

Assets under construction are transferred to the appropriate category of property, plant and equipment upon completion of a project. Depreciation commences upon transfer.

See note 4(m)(i) for the accounting policy related to Right-of-use assets.

(g) **Financial instruments – initial recognition and subsequent measurement**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) **Financial assets**

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss or at amortised cost, as appropriate. With the exception of trade receivables which are recognised at transaction price, all financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement financial assets of the Group are classified in two categories:

- Financial assets at fair value through profit or loss

- Financial assets at amortised cost (debt instruments)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss.

Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. The Group has not designated any financial assets at fair value through profit or loss.

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost include trade receivables.

Derecognition

A financial asset is primarily derecognised (i.e. removed from the Group's consolidated balance sheet) when the rights to receive cash flows from the asset have expired, or the Group has transferred its rights to receive cash flows from the asset.

(ii) **Impairment of financial assets**

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

Trade receivables are the Group's only financial asset for which ECLs need to be calculated, for these the Group applies the simplified approach permitted under IFRS 9 for calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

(iii) **Financial liabilities**

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9.

Gains or losses on liabilities held for trading are recognised in the income statement.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the income statement.

This category generally applies to interest-bearing loans and borrowings.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

(h) **Derivative financial instruments**

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risks and interest rate risks respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss.

For the purpose of hedge accounting, hedges are classified as:

- Hedges of a net investment in a foreign operation

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

Beginning 1 January 2018, the documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument

- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship

- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

Hedges of a net investment

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised as Other Comprehensive Income while any gains or losses relating to the ineffective portion are recognised in the income statement. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the income statement.

The Group uses a loan as a hedge of its exposure to foreign currency risk.

(i) **Inventories**

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- Raw materials: purchase cost on a first in, first out basis

- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(j) **Impairment of non-financial assets**

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the income statement in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement.

(k) **Cash and cash equivalents**

Cash and cash equivalents in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts.

(l) **Government grants**

Government grants are recognised when there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item (as is the case with furlough income), it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

(m) **Leases**

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(i) ***Right-of-use assets***

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Leasehold buildings	-	period of lease
Plant and equipment	-	3 to 10 years
Fixtures and fittings	-	2 to 5 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section (j) Impairment of non-financial assets.

(ii) ***Lease liabilities***

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. The incremental borrowing rate is calculated based on the Group’s external borrowing rate. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in the interest-bearing loans and borrowings (see Note 18(b)).

(iii) ***Short-term leases and leases of low-value assets***

The Group applies the short-term lease recognition exemption to its short-term leases of plant and machinery (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

(n) **Provisions**

General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the income statement net of any reimbursement.

The effect of the time value of money is not material and therefore the provisions are not discounted.

No warranty provision is made for radiators based on the very low claims history. The business sells a small volume of boilers in Turkey and provision for these is made on a £ per unit sold basis, driven by historical warranty claims data.

A provision is recognised in respect of an unused vacation pay liability due to certain employees in Turkey. The provision is calculated based on the number of unused days and the salary rates applicable.

(o) **Pensions and other post-employment benefits**

The Group has an obligation to provide lump sum termination payments to certain employees in Turkey, the scheme is accounted for under IAS 19.

The cost of providing benefits under the scheme is determined using the projected unit credit method.

Re-measurements, comprising of actuarial gains and losses, are recognised immediately in the balance sheet with a corresponding debit or credit to retained earnings through Other Comprehensive Income in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and

- The date that the Group recognises restructuring-related costs

Net interest is calculated by applying the discount rate to the defined benefit liability. The Group recognises the following changes in the defined benefit obligation under 'cost of sales', 'administration expenses' and 'selling and distribution expenses' in consolidated income statement (by function):

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements;

For the defined contribution schemes operated by the Group the amount charged to the income statement in respect of pension costs and other post-retirement benefits is the contributions payable in exchange for services rendered in the period. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

(p) **Exceptional items**

Exceptional items are disclosed by virtue of their nature, size or incidence to allow a better understanding of the underlying trading performance of the Group.

(q) **New standards applied in the period**

Several other amendments and interpretations apply for the first time in 2021, but do not have an impact on the consolidated Historical Financial Information of the Group. These include:

- Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

(r) **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 this Historical Financial Information:

International Accounting Standards (IAS / IFRSs)	**Effective date (period beginning on or after)**
IFRS17 Insurance contracts	1 January 2023
Amendments to IAS 1: Classification of Liabilities as Current or Non-current	1 January 2023
Definition of Accounting Estimates – Amendments to IAS 8	1 January 2023
Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2	1 January 2023
Reference to the Conceptual Framework – Amendments to IFRS 3	1 January 2022
Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16	1 January 2022
Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37	1 January 2022
IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities	1 January 2022

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

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

5. **Significant accounting judgements, estimates and assumptions**

Group

The preparation of the Historical Financial Information 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 the following judgements, which have the most significant effect on the amounts recognised in the Historical Financial Information:

Deferred consideration

The agreement for the sale of the Herentals production facility signed in 2016 includes an additional contingent consideration of €1.0m that has been paid into a 3rd party Escrow account. Under the terms of the sale agreement the amount will only be paid to the Group if the overall cost of remediating contaminated land falls below levels stipulated in the contract. The environmental assessment will not be concluded until 2026 and consequentially management cannot judge with certainty what amount, if any, of the contingent consideration will flow to the Group. On the basis that it is less than virtually certain that any proceeds will be recovered, no asset has been recognised in respect of the Escrow account balance.

An agreement was reached on 15 February 2021 to pay €0.2m to the Group. No asset was recognised in respect of this balance at 31 December 2020, the 31 December 2019 or the 31 December 2018.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that 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 Historical Financial Information was 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 are 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 are able to utilise market information and historical/current data and trends in order to make an appropriate provision.

A reasonable possible change in the estimates surrounding rebates would not result in a material impact to the historical financial information.

6. **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 CEO and CFO, 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 EBITDA.

During the six month period ended 30 June 2021, the Group, led by the CODM, amended the way that they report segments. All historical reporting periods have been restated in line with the amended reportable segments.

EBITDA is earnings before interest, tax, depreciation, amortisation, exceptional items and foreign exchange differences.

Revenue by geographical market	**Six months ended 30 June**		**Year ended 31 December**		
	2021	**2020**	**2020**	**2019**	**2018**
		(unaudited)			
			(£) 000		
UK and Ireland	63,220	34,955	89,430	98,125	90,679
Europe	54,886	41,771	90,566	86,380	78,895
Turkey and international	9,819	6,300	16,569	24,076	35,633
Total revenue	**127,925**	**83,026**	**196,565**	**208,581**	**205,207**

EBITDA by geographical market	**Six months ended 30 June**		**Year ended 31 December**		
	2021	**2020**	**2020**	**2019**	**2018**
		(unaudited)			
			(£) 000		
UK and Ireland	11,753	3,636	11,821	8,717	6,940
Europe	8,879	6,270	14,230	10,699	8,110
Turkey and international	1,611	366	1,527	1,992	3,297
Corporate head office costs	(1,690)	(1,540)	(4,034)	(4,219)	(2,916)
EBITDA	**20,553**	**8,732**	**23,544**	**17,189**	**15,431**
Exceptional items	(1,446)	-	-	-	-
EBITDA post Exceptional items	**19,107**	**8,732**	**23,544**	**17,189**	**15,431**
Depreciation	(3,784)	(3,795)	(7,921)	(7,443)	(5,106)
Negative goodwill amortisation	-	-	-	-	89
Foreign exchange differences	2,593	953	3,901	1,990	(2,177)
Operating profit	**17,916**	**5,890**	**19,524**	**11,736**	**8,237**

Non-current operating assets	**30 June**	**31 December**		
	2021	**2020**	**2019**	**2018**
		(£) 000		
United Kingdom	19,826	20,083	20,653	18,362
The Netherlands	24,684	26,841	26,159	17,509
Turkey	11,113	12,805	12,245	12,447
Other	1,238	1,295	2,346	3,325
	56,861	**61,024**	**61,403**	**51,643**

The exceptional items in the six months ended 30 June 2021 are costs relating to professional advisors employed by the Group to explore the potential sale of the Group by the existing shareholders. These costs are one-off in nature and disclosing these costs as exceptional allows the true underlying performance of the Group to be more easily reviewed. There were no exceptional items in the six months ended 30 June 2020, the year ended 31 December 2020, the year ended 31 December 2019 and the year ended 31 December 2018.

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

One customer has revenues in excess of 10 per cent. of revenue (2020: one; 2019: one; 2018: two).

7. Other operating income

	Six months ended 30 June		**Year ended 31 December**		
	2021	**2020**	**2020**	**2019**	**2018**
		(unaudited)			
			(£) 000		
Net gain on disposal of property, plant and equipment	182	110	142	260	127
Foreign currency gains	2,615	365	3,306	1,624	-

	Six months ended 30 June		Year ended 31 December		
	2021	2020	2020	2019	2018
		(unaudited)			
			(£) 000		
Sundry other income	14	9	9	52	168
Negative goodwill amortisation	-	-	-	-	89
Net gains on forward derivative contracts	-	588	595	366	956
Government grant income	-	873	1,304	-	-
	2,811	**1,945**	**5,356**	**2,302**	**1,340**

8. **Other operating expenses**

	Six months ended 30 June		Year ended 31 December		
	2021	2020	2020	2019	2018
		(unaudited)			
			(£) 000		
Foreign currency losses	-	-	-	-	3,133
Sundry other expenses	28	25	19	84	-
Net losses on forward derivative contracts	22	-	-	-	-
Exceptional items (note 6)	1,446	-	-	-	-
	1,496	**25**	**19**	**84**	**3,133**

9. **Operating profit**

	Six months ended 30 June		Year ended 31 December		
	2021	2020	2020	2019	2018
		(unaudited)			
			(£) 000		
Auditors' remuneration					
- audit of the financial statements	15	14	29	27	26
- audit of subsidiaries	87	53	150	133	125
	102	**67**	**179**	**160**	**151**
- non-audit services - UK - tax compliance	9	9	19	17	18
- non-audit services - UK - tax advisory	-	-	-	48	4
- non-audit services - UK - transaction services	-	-	-	105	-
- non-audit services - overseas - tax compliance	-	9	19	4	-
	9	**18**	**38**	**174**	**22**
Depreciation of owned assets	2,928	2,931	6,177	5,918	5,076
Depreciation of right-of-use assets	856	864	1,744	1,525	30
	3,784	**3,795**	**7,921**	**7,443**	**5,106**
Rentals (including operating leases)					
- plant and machinery	-	-	-	33	391
- land and buildings	-	-	-	228	1,007
- other	-	-	-	-	404
Profit on sale of property, plant & equipment	(182)	(110)	(142)	(260)	(127)
Other exchange (gains)/losses	(2,593)	(953)	(3,901)	(1,990)	2,177
Research and development costs	524	473	1,025	949	957

10. **Employee benefits expense**

	Six months ended 30 June		Year ended 31 December		
	2021	2020	2020	2019	2018
		(unaudited)			
			(£) 000		
Wages and salaries	15,760	15,318	34,435	33,391	31,798
Social security costs	2,191	2,162	4,320	4,588	4,388
Pension costs	1,256	1,305	2,598	2,646	2,618
	19,207	**18,785**	**41,353**	**40,625**	**38,804**

The average monthly number of employees during the period was made up as follows:

	Six months ended 30 June		Year ended 31 December		
	2021	**2020**	**2020**	**2019**	**2018**
		(unaudited)			
Direct	714	654	657	676	676
Indirect	400	382	382	371	345
Sales, Service and Administration	187	222	222	242	211
	1,301	**1,258**	**1,261**	**1,289**	**1,232**

11. **Directors' remuneration**

	Six months ended 30 June		Year ended 31 December		
	2021	**2020**	**2020**	**2019**	**2018**
		(unaudited)			
			(£) 000		
Aggregate remuneration	924	567	2,098	1,439	1,047

The amounts in respect of the highest paid director are as follows:

	Six months ended 30 June		Year ended 31 December		
	2021	**2020**	**2020**	**2019**	**2018**
		(unaudited)			
			(£) 000		
Aggregate remuneration	538	321	1,229	828	589

12. **Finance income**

	Six months ended 30 June		Year ended 31 December		
	2021	**2020**	**2020**	**2019**	**2018**
		(unaudited)			
			(£) 000		
Interest on cash deposits	103	19	68	74	76

13. **Finance costs**

	Six months ended 30 June		Year ended 31 December		
	2021	**2020**	**2020**	**2019**	**2018**
		(unaudited)			
			(£) 000		
Interest on bank loans	107	274	449	581	527
Interest on ultimate shareholder loans	4,314	3,733	7,795	6,728	5,807
Interest on immediate parent company loans	794	687	1,435	1,238	1,069
Amortisation of loan issue costs	43	37	80	267	174
Interest expense on defined benefit liabilities	138	157	263	236	211
Finance charges payable on lease liabilities	65	74	148	32	2
Other finance charges	141	96	235	266	279
	5,602	**5,058**	**10,405**	**9,348**	**8,069**

14. **Income tax expense**

The major components of income tax expense are as follows:

	Six months ended 30 June		Year ended 31 December		
	2021	**2020**	**2020**	**2019**	**2018**
		(unaudited)			
			(£) 000		
Consolidated income statement					
Current income tax:					
Current income tax charge	2,986	783	1,711	1,059	798

	Six months ended 30 June		Year ended 31 December		
	2021	2020	2020	2019	2018
		(unaudited)			
			(£) 000		
Adjustments in respect of current income tax charge of previous year	(79)	-	(59)	(84)	(347)
Deferred tax:					
Relating to origination and reversal of temporary differences	1,138	(22)	(853)	(287)	(235)
Relating to change in tax rates	(470)	-	(311)	(75)	219
Income tax expense reported in the income statement	**3,575**	**761**	**488**	**613**	**435**

	Six months ended 30 June		Year ended 31 December		
	2021	2020	2020	2019	2018
		(unaudited)			
			(£) 000		
Consolidated Statement of Comprehensive Income					
Tax related to items recognised in Other Comprehensive Income during the period:					
Deferred tax actuarial loss	(22)	-	(70)	(54)	(77)
Current tax on monetary items forming part of net investment and on hedges of net investment	137	129	286	51	29
Income tax expensed / (credited) to Other Comprehensive Income	**115**	**129**	**216**	**(3)**	**(48)**

Reconciliation of tax expense and the accounting profit at the tax rate in the United Kingdom of 19 per cent. (six months ended 30 June 2020 (unaudited), year ended 31 December 2020, year ended 31 December 2019, year ended 31 December 2018: 19 per cent.):

	Six months ended 30 June		Year ended 31 December		
	2021	2020	2020	2019	2018
		(unaudited)			
			(£) 000		
Profit before tax from continuing operations	12,417	851	9,187	2,462	244
Profit before tax multiplied by standard rate of corporation tax in the UK of 19% (2020: 19%; 2019: 19%; 2018: 19%):	2,359	162	1,746	468	46
Adjustments in respect of current income tax charge of previous year	(79)	-	(59)	(84)	(347)
Non-deductible expenses	844	820	1,640	1,484	1,233
Differences arising due to tax losses	122	-	(527)	302	(288)
Other timing differences	88	279	(428)	(119)	108
Benefit of overseas investment incentives	(236)	(500)	(1,974)	(1,490)	(631)
Effect of changes in overseas tax rates	(138)	-	(180)	(75)	263
Effect of different overseas tax rates	832	-	401	127	51
Effect of changes in UK deferred tax rate	(217)	-	(131)	-	-
Total tax expense reported in the income statement	**3,575**	**761**	**488**	**613**	**435**

Deferred tax

Deferred tax relates to the following:

	Consolidated balance sheet			
	30 June 2021	31 December 2020	31 December 2019	31 December 2018
		(£) 000		
Capital allowances	538	530	(186)	(90)
Pension	559	526	520	490
Derivative forward contracts	-	-	8	-
Fixed asset fair value adjustments	(405)	(465)	(614)	(758)

	Consolidated balance sheet			
	30 June 2021	31 December 2020	31 December 2019	31 December 2018
		(£) 000		
Losses available for offsetting against future income	1,925	2,846	2,350	2,246
Other temporary differences	870	905	1,214	1,244
Deferred tax credit				
Net deferred tax assets	**3,487**	**4,342**	**3,292**	**3,132**
Reflected in the balance sheet as:				
Deferred tax assets				
Continuing operations	3,487	4,342	3,292	3,421
Deferred tax liabilities				
Continuing operations	-	-	-	(289)
Deferred tax assets, net	**3,487**	**4,342**	**3,292**	**3,132**

	Consolidated income statement				
	Six months ended 30 June		Year ended 31 December		
	2021	2020	2020	2019	2018
		(unaudited)			
			(£) 000		
Capital allowances	(71)	-	1,336	(107)	(784)
Pension	101	-	67	54	43
Derivative forward contracts	-	-	-	9	-
Fixed asset fair value adjustments	51	22	(542)	121	134
Losses available for offsetting against future income	(876)	-	435	168	730
Other temporary differences	127	-	(134)	117	(107)
Deferred tax (charge)/credit	**(668)**	**22**	**1,162**	**362**	**16**

Reconciliation of deferred tax assets, net

	30 June 2021	31 December 2020	31 December 2019	31 December 2018
		(£) 000		
Opening balance as at 1 January	4,342	3,292	3,132	3,272
Tax income recognised in Income Statement	(668)	1,162	362	16
Tax income recognised in Other Comprehensive Income	22	70	54	77
Exchange adjustment	(209)	(182)	(256)	(233)
Closing balance as at 30 June / 31 December	**3,487**	**4,342**	**3,292**	**3,132**

The Group offsets tax assets and liabilities if it has a legally enforceable right to set them off and they are levied by the same tax authority. Deferred tax assets in respect of losses of £595,000 (31 December 2020: £619,000, 31 December 2019: £294,000, 31 December 2018: £588,000) have been recognised in respect of one (31 December 2020: one, 31 December 2019: one, 31 December 2018: two) loss making subsidiary companies, these are recognised on the grounds of future projected performance.

Unrecognised deferred tax balances

	30 June 2021	31 December 2020	31 December 2019	31 December 2018
		(£) 000		
Capital allowances	26	22	29	28
Losses available for offsetting against future income	3,044	3,930	4,755	4,483
	3,070	**3,952**	**4,784**	**4,511**

The Group has tax losses which arose in the United Kingdom of £13,836,000 (31 December 2020: £20,684,000, 31 December 2019: £27,971,000, 31 December 2018: £26,371,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that are not profit making and there are no other tax planning opportunities or other evidence of recoverability in the near future.

Changes in the Corporate Income tax rate

The UK government has announced its intention to increase the UK corporation tax rate to 25 per cent. by 1 April 2023. This rate change has now been substantively enacted. When recognised deferred tax within the balance sheet the Group has used a blended rate which represents that rate at which deferred tax is expected to unwind.

15. Earnings per share

	Six months ended 30 June		Year ended 31 December		
	2021	2020	2020	2019	2018
		(unaudited)			
			(£) 000		
Net profit / (loss) for the period attributable to owners of the parent	8,842	90	8,699	1,849	(191)

	Six months ended 30 June		Year ended 31 December		
	2021	2020	2020	2019	2018
		(unaudited)			
Basic weighted average number of shares in issue	249,876	249,876	249,876	249,876	249,876
Diluted weighted average number of shares in issue	249,876	249,876	249,876	249,876	249,876
Earnings per share:					
Basic earnings / (loss) per share (pence per share)	3,538.56	36.02	3,481.33	739.97	(76.44)
Diluted earnings / (loss) per share (pence per share)	3,538.56	36.02	3,481.33	739.97	(76.44)

16. Property, plant and equipment

	Freehold land and buildings	Leasehold buildings	Assets under construction	Plant and equipment	Fixtures and fittings	Total
			(£) 000			
Cost						
At 1 January 2018	**26,088**	**-**	**7,612**	**37,200**	**5,187**	**76,087**
Additions	181	-	7,258	2,751	347	10,537
Transfers	819	-	(9,068)	6,675	1,574	-
Disposals	-	-	-	(2,922)	(352)	(3,274)
Acquisition	-	-	-	1,129	-	1,129
Exchange adjustment	(1,326)	-	(699)	(3,587)	(242)	(5,854)
At 31 December 2018	**25,762**	**-**	**5,103**	**41,246**	**6,514**	**78,625**
IFRS16 adjustment	-	1,226	-	665	471	2,362
At 1 January 2019	**25,762**	**1,226**	**5,103**	**41,911**	**6,985**	**80,987**
Additions	274	9,221	6,911	2,845	424	19,675
Transfers	240	-	(6,907)	6,694	(27)	-
Disposals	(1,764)	-	-	(593)	(181)	(2,538)
Exchange adjustment	(1,289)	(365)	(120)	(4,059)	(234)	(6,067)
At 31 December 2019	**23,223**	**10,082**	**4,987**	**46,798**	**6,967**	**92,057**
Additions	26	523	6,568	2,175	271	9,563
Transfers	971	-	(8,016)	6,583	462	-
Disposals	-	-	(16)	(814)	(466)	(1,296)
Exchange adjustment	(491)	574	(111)	(1,781)	(220)	(2,029)
At 31 December 2020	**23,729**	**11,179**	**3,412**	**52,961**	**7,014**	**98,295**
Additions	38	107	2,315	566	217	3,243
Transfers	138	-	(1,770)	1,322	310	-
Disposals	-	-	-	(157)	(440)	(597)
Exchange adjustment	(1,059)	(459)	(77)	(3,998)	(220)	(5,813)
At 30 June 2021	**22,846**	**10,827**	**3,880**	**50,694**	**6,881**	**95,128**
Accumulated depreciation and impairment						
At 1 January 2018	**7,411**	**-**	**-**	**16,786**	**3,564**	**27,761**
Depreciation charge	961	-	-	3,435	710	5,106
Disposals	-	-	-	(2,920)	(301)	(3,221)
Exchange adjustment	(208)	-	-	(2,310)	(146)	(2,664)
At 31 December 2018	**8,164**	**-**	**-**	**14,991**	**3,827**	**26,982**
Depreciation charge	874	949	-	4,529	1,091	7,443

	Freehold land and buildings	Leasehold buildings	Assets under construction	Plant and equipment	Fixtures and fittings	Total
			(£) 000			
Disposals	(560)	-	-	(345)	(180)	(1,085)
Transfers	-	-	-	35	(35)	-
Exchange adjustment	(316)	(29)	-	(2,233)	(108)	(2,686)
At 31 December 2019	**8,162**	**920**	**-**	**16,977**	**4,595**	**30,654**
Depreciation charge	859	1,146	-	4,887	1,029	7,921
Disposals	-	-	-	(545)	(419)	(964)
Exchange adjustment	(13)	66	-	(261)	(132)	(340)
At 31 December 2020	**9,008**	**2,132**	**-**	**21,058**	**5,073**	**37,271**
Depreciation charge	431	578	-	2,357	418	3,784
Disposals	-	-	-	(85)	(293)	(378)
Exchange adjustment	(257)	(95)	-	(1,927)	(131)	(2,410)
At 30 June 2021	**9,182**	**2,615**	**-**	**21,403**	**5,067**	**38,267**
Net book value						
At 30 June 2021	**13,664**	**8,212**	**3,880**	**29,291**	**1,814**	**56,861**
At 31 December 2020	**14,721**	**9,047**	**3,412**	**31,903**	**1,941**	**61,024**
At 31 December 2019	**15,061**	**9,162**	**4,987**	**29,821**	**2,372**	**61,403**
At 1 January 2019	**17,598**	**1,226**	**5,103**	**26,920**	**3,158**	**54,005**

Adoption of IFRS in the Historical Financial Information

In the context of the transition to IFRS16, right-of-use assets of £2,362,000 and lease liabilities of £2,362,000 were recognised as at 1 January 2019. The Group transitioned to IFRS16 in accordance with the modified retrospective approach. The prior year figures were not adjusted. The Group has elected to use the exemptions proposed by the standard on lease contracts for which the lease terms end within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value.

The off-balance lease obligations as of 31 December 2018 are reconciled to the recognised lease liabilities as of 1 January 2019 as follows:

	31 December 2018
	(£) 000
Operating lease commitments at 31 December 2018	12,647
Avantis warehouse included in 2018 commitments but not acquired until 2019	(9,516)
Relief option for short-term leases	(280)
Non-lease components	(336)
Discounting	(153)
Lease liabilities due to initial application of IFRS16 at 1 January 2019	**2,362**
Liabilities from finance leases at 31 December 2018	171
Total lease liabilities at 1 January 2019	**2,533**

In accordance with the modified retrospective approach during the year ended 31 December 2018 all operating leases were charged to the income statement as lease charges. During the year ended 31 December 2019 the cost of these operating leases was charged to the income statement as either depreciation or finance costs.

Right-of-use assets

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

	30 June 2021	31 December 2020	31 December 2019	31 December 2018
		(£) 000		
Leasehold buildings	8,115	8,937	9,162	-
Plant and equipment	1,118	1,240	1,138	-
Fixtures and fittings	498	511	617	194
	9,731	**10,688**	**10,917**	**194**

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

	30 June 2021	31 December 2020	31 December 2019	31 December 2018
		(£) 000		
Leasehold buildings	104	407	9,221	-
Plant and equipment	62	357	783	-
Fixtures and fittings	157	159	305	124
	323	**923**	**10,309**	**124**

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

	30 June 2021	31 December 2020	31 December 2019	31 December 2018
		(£) 000		
Leasehold buildings	566	1,141	949	-
Plant and equipment	142	295	277	-
Fixtures and fittings	148	308	299	30
	856	**1,744**	**1,525**	**30**

Land and buildings with a carrying amount of £3,662,000 (31 December 2020: £3,879,000, 31 December 2019: £4,315,000, 31 December 2018: £4,759,000) are subject to a first charge to secure the Group's bank loan.

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

17. Investments

Information about subsidiaries

The consolidated Historical Financial Information of the Group include:

Name of company	Country of incorporation	Holding	Voting rights held 2020	Voting rights held 2019	Nature of business
			%	%	
Stelrad Radiator Holdings Limited [(1)]	United Kingdom	Ordinary	100	100	Holding company
*Stelrad Management Limited [(1)]	United Kingdom	Ordinary	100	100	Management services
*Stelrad Limited [(1)]	United Kingdom	Ordinary	100	100	Radiator manufacturer
*Caradon Polska sp zoo [(2)]	Poland	Ordinary	100	100	Radiator distributor
*Caradon Stelrad B.V. [(3)]	The Netherlands	Ordinary	100	100	Radiator manufacturer
*Henrad NV [(4)]	Belgium	Ordinary	100	100	Radiator manufacturer
*Termo Teknik Holdings Limited [(1)]	United Kingdom	Ordinary	100	100	Holding company
*Termo Teknik Ticaret ve Sanayi A.S. [(5)]	Turkey	Ordinary	100	100	Radiator manufacturer
*ISG Heating Equipment (Shanghai) Co, Ltd [(6)]	China	Ordinary	100	100	Radiator distributor
*Caradon Heating CZ sro [(7)]	Czech Republic	Ordinary	100	100	Radiator distributor
*Hudevad Radiator Design A/S [(8)]	Denmark	Ordinary	100	100	Radiator manufacturer

* held by subsidiary companies
(1) Registered office is 69-75 Side, Newcastle upon Tyne, Tyne & Wear, NE1 3JE, United Kingdom
(2) Registered office is Zakliki Z Mydlnik Street, no. 16, 30-198 Krakow, Poland
(3) Registered office is Kathagen 30, 6361 HG, Nuth, The Netherlands
(4) Registered office is Welvaartstraat (HRT) 14 Map box 6, 2200 Herentals, Belgium
(5) Registered office is Eski Buyukdere Caddesi, Park Plaza Bina No: 14 Kat: 7, 34467 Sariyer, Istanbul, Turkey
(6) Registered office is Room 809, No.8 Dongan Rd, Xuhui District, Shanghai, P.R. China 200032
(7) Registered office is Ostrava - Slezská Ostrava, Hradní 27/37, PSČ 710 00, Czech Republic

(8) Registered office is Ambolten 37, Kolding 6000, Denmark

The dormant subsidiaries in the Group comprise: Woolamai Group UK Limited, Henrad UK Limited. Both are incorporated in the UK (1) and 100 per cent. of the ordinary shares are owned.

The directors believe that the carrying value of the investments is recoverable.

18. Financial liabilities

(a) Financial liabilities – other – not interest bearing

	30 June 2021	31 December 2020	31 December 2019	31 December 2018
		(£) 000		
Liabilities				
Financial instruments at fair value through profit or loss				
Derivatives not designated as hedges – foreign exchange forward contracts	-	-	38	-
Total instruments at fair value through profit or loss	**-**	**-**	**38**	**-**
Current	-	-	38	-
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	31 December		
			2021	2020	2019	2018
	%			*(£) 000*		
Current interest bearing loans and borrowings						
Lease liabilities.........			1,515	1,660	1,687	159
€10m Turkish Loan Facility	Euribor + 3.20%	9 June 2020	-	-	941	1,995
ABFF Term Loan Facility	Libor / Euribor + 2.25%	18 Dec 2022	556	561	555	625
Lombard Facility......	Libor + 2.50%	Jan 2025	1,187	1,187	1,187	900
Unamortised loan costs......................			(53)	(61)	(67)	(174)
			3,205	**3,347**	**4,303**	**3,505**
Non-current interest bearing loans and borrowings						
Lease liabilities.........			8,149	8,955	9,138	12
Ultimate shareholder loans	15%	25 Sept 2033	61,246	56,932	49,137	42,409
Immediate parent company loan........	15%	25 Sept 2033	11,273	10,479	9,044	7,806
Deferred consideration – shares....................			202	202	202	202
€10m Turkish Loan Facility	Euribor + 3.20%	9 June 2020	-	-	-	997
ABFF Term Loan Facility	Libor / Euribor + 2.25%	18 Dec 2022	3,559	3,853	4,387	3,187
Revolving Credit Facility	Libor / Euribor + 1.50%	18 Dec 2022	37	1,798	6,632	9,720
Lombard Facility......	Libor + 2.50%	Jan 2025	3,033	3,626	4,220	3,525

	Effective interest rate	Maturity	30 June	31 December		
			2021	2020	2019	2018
	%			(£) 000		
Unamortised loan costs......................			(26)	(60)	(136)	(94)
			87,473	**85,785**	**82,624**	**67,764**
Total interest bearing loans and borrowings..........			**90,678**	**89,132**	**86,927**	**71,269**

The shareholder loans consist of two amounts: i) an amount funded by the ultimate controlling party of the Group, The Bregal Fund III LP; and ii) an amount funded by the immediate parent company. The loan notes issued by The Bregal Fund III LP are listed on the Channel Islands Securities Exchange.

The Group had three separate external debt facilities during the period:

(i) A €10m unsecured term loan facility drawn by Termo Teknik Ticaret ve Sanayi A.S., which has now been fully repaid.

(ii) A £32.9m Asset Based Finance Facility ("**ABF Facility**") with the Royal Bank of Scotland Invoice Finance, consisting of a £28m Revolving Credit Facility and a £4.9m ABFF Term Loan Facility.

(iii) A term loan facility with Lombard North Central PLC ("**Lombard Facility**").

The ABF Facility is a cross collateral agreement secured on specific assets of certain Group companies. Certain companies that are party to the agreement are able to draw borrowings that are secured on assets elsewhere in the Group. As part of the facility the Group has drawn down the following borrowings in the period:

- A term loan secured on the land and buildings and plant and machinery of certain Group companies.
- A revolving credit facility secured on the inventory and receivables of certain Group companies.

The Lombard facility is secured on the plant and machinery of certain Group companies.

After including accrued interest the ultimate shareholder loan balance at 30 June 2021 was £61,246,000 (31 December 2020: £56,932,000, 31 December 2019: £49,137,000, 31 December 2018: £42,409,000), and the immediate parent company loan balance was £11,273,000 (31 December 2020: £10,479,000, 31 December 2019: £9,044,000, 31 December 2018: £7,806,000). During the six months ended 30 June 2021 further interest of £4,314,000 (Year ended 31 December 2020: £7,795,000, Year ended 31 December 2019: £6,728,000, Year ended 31 December 2018: £5,807,000) was accrued on the ultimate shareholder loan and further interest of £794,000 (Year ended 31 December 2020: £1,435,000, Year ended 31 December 2019: £1,238,000, Year ended 31 December 2018: £1,069,000) was accrued on the immediate parent company loan.

The £202,000 (31 December 2019: £202,000, 31 December 2019: £202,000, 31 December 2018: £202,000) deferred consideration, which arose in 2015 following the sale of a business, is still outstanding.

19. Inventories

	30 June 2021	31 December 2020	31 December 2019	31 December 2018
		(£) 000		
Raw materials – cost..	15,578	10,756	10,169	9,722
Work in progress – cost...	1,436	829	1,161	1,416
Finished goods – lower of cost and net realisable value..	21,385	16,778	21,896	20,911

	30 June 2021	31 December 2020	31 December 2019	31 December 2018
		(£) 000		
Other consumables	2,640	2,623	2,670	2,526
	41,039	**30,986**	**35,896**	**34,575**

The cost of inventories recognised as an expense in the six months ended 30 June 2021 was £89,567,000 (Six months ended 30 June 2020: £58,977,000, Year ended 31 December 2020: £138,859,000, Year ended 31 December 2019: £154,975,000, Year ended 31 December 2018: £157,363,000). The provision for the impairment of stocks was decreased in the six months ended 30 June 2021 giving rise to a credit of £415,000 (Year ended 31 December 2020: credit of £28,000, Year ended 31 December 2019: charge of £213,000, Year ended 31 December 2018: credit of £114,000).

20. Trade and other receivables

	30 June 2021	31 December 2020	31 December 2019	31 December 2018
		(£) 000		
Current				
Trade receivables	47,432	35,658	31,953	31,109
Other receivables	3,108	2,912	2,501	2,416
Prepayments	366	454	674	748
	50,906	**39,024**	**35,128**	**34,273**
Non-Current				
Trade receivables	**14**	**17**	**22**	**26**

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

	30 June 2021	31 December 2020	31 December 2019	31 December 2018
		(£) 000		
At 1 January	130	105	107	122
Charge for the period	-	52	10	-
Unused amounts reversed	(20)	(23)	(6)	(6)
Exchange adjustment	(5)	(4)	(6)	(9)
At 30 June / 31 December	**105**	**130**	**105**	**107**

As at 30 June / 31 December, the details of the provision matrix used to calculate provisions for trade receivables (with the ageing, gross of impairment) are as follows:

	Total	Current	< 30 days	30 – 90 days	> 90 days
			(£) 000		
30 June 2021					
Gross carrying amount	47,551	43,603	3,360	182	406
Expected credit loss rate (%)	-	-	1	5	15
Expected credit loss	105	-	34	9	62
31 December 2020					
Gross carrying amount	35,805	31,771	1,408	1,739	887
Expected credit loss rate (%)	-	-	1	3	7
Expected credit loss	130	-	14	53	63
31 December 2019					
Gross carrying amount	32,080	29,089	1,770	730	491
Expected credit loss rate (%)	-	-	1	5	10
Expected credit loss	105	-	18	37	50
31 December 2018					
Gross carrying amount	31,242	26,712	3,665	833	32
Expected credit loss rate (%)	-	-	1	7	38
Expected credit loss	107	-	37	58	12

21. Cash and cash equivalents

	30 June 2021	31 December 2020	31 December 2019	31 December 2018
		(£) 000		
Cash at bank and on hand	27,901	20,070	15,217	17,683

22. Trade and other payables

	30 June 2021	31 December 2020	31 December 2019	31 December 2018
		(£) 000		
Current				
Trade payables	51,224	31,331	33,110	36,867
Other payables and accruals	17,130	16,844	15,900	13,033
Other taxes and social security	6,722	5,452	2,680	2,967
Interest payable	23	31	38	17
	75,099	**53,658**	**51,728**	**52,884**

23. Provisions

	Warranty	Unused vacation	Total
		(£) 000	
At 1 January 2018	**117**	**574**	**691**
Arising during the year	37	407	444
Utilised	(29)	(362)	(391)
Unused amounts reversed	-	(48)	(48)
Exchange adjustment	(26)	(139)	(165)
At 31 December 2018	**99**	**432**	**531**
Arising during the year	35	401	436
Utilised	(53)	(326)	(379)
Unused amounts reversed	-	(16)	(16)
Exchange adjustment	(11)	(66)	(77)
At 31 December 2019	**70**	**425**	**495**
Arising during the year	26	372	398
Utilised	(34)	(345)	(379)
Unused amounts reversed	-	(10)	(10)
Exchange adjustment	(12)	(97)	(109)
At 31 December 2020	**50**	**345**	**395**
Arising during the period	6	195	201
Utilised	(11)	(61)	(72)
Unused amounts reversed	-	(8)	(8)
Exchange adjustment	(5)	(63)	(68)
At 30 June 2021	**40**	**408**	**448**
Current	12	211	223
Non-current	28	197	225

Unused vacation

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

24. Issued capital and reserves

	30 June 2021, 31 December 2020, 31 December 2019 and 31 December 2018	30 June 2021, 31 December 2020, 31 December 2019 and 31 December 2018
	Number	*(£)*
Authorised		
Ordinary shares of £1 each	249,876	249,876
Allotted, issued and fully paid:		
Ordinary shares of £1 each	249,876	249,876

The shares of the company were issued on the 1 December 2014. The merger reserve arose due to continuation accounting being applied when the company was incorporated.

The full movements in reserves are shown as part of the statement of changes in equity.

25. **Commitments and contingencies**

Commitments

Amounts contracted for but not provided in the Historical Financial Information amounted to £1,167,000 (31 December 2020: £657,000, 31 December 2019: £880,000, 31 December 2018: £809,000). All amounts relate to property, plant and equipment.

Contingent liabilities

Termo Teknik Ticaret ve Sanayi A.S. has issued letters of guarantee and letters of credit to its steel suppliers amounting to $20,121,000 (31 December 2020: $6,814,000, 31 December 2019: $17,486,000, 31 December 2018: $16,547,000) and $37,621,000 (31 December 2020: $29,256,000, 31 December 2019: $13,839,000, 31 December 2018: $12,026,000) respectively. Termo Teknik Ticaret ve Sanayi A.S. has also issued letters of guarantee denominated in Turkish Lira totalling TL7,203,000 (31 December 2020: TL7,002,000, 31 December 2019: TL5,671,000, 31 December 2018: TL5,574,000).

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 2021 is £27,000,000 (31 December 2020: £nil, 31 December 2019: £6,000,000, 31 December 2018: £nil).

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 £140,000 (31 December 2020: £nil, 31 December 2019: liability of £38,000, 31 December 2018: £nil).

As part of the ABF Facility the Group is party to a cross collateral agreement secured on specific assets of certain Group companies. No liability is expected to arise from this arrangement.

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.

Operating lease commitments – Group as lessee

The Group is a lessee of land and buildings, vehicles and items of plant. The leases have an average life of between three and ten years. The leases have no renewal options. Under the terms of the land and buildings leases the premises must be restored to their original state.

The future minimum rentals payable under non-cancellable operating leases, for leases in existence prior to the adoption of IFRS 16, are as follows:

	31 December 2018
	(£) 000
Within one year	1,230
After one year but not more than five years	5,591
More than five years	5,826
	12,647

26. **Pensions and other post-employment plans**

	30 June 2021	**31 December 2020**	**31 December 2019**	**31 December 2018**
		(£) 000		
Net employee defined benefit liability				
Turkish scheme	2,235	2,390	2,364	2,229
Other retirement obligations – non IAS 19	91	139	171	249
	2,326	**2,529**	**2,535**	**2,478**

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 £2,235,000 (31 December 2020: £2,390,000, 31 December 2019: £2,364,000, 31 December 2018: £2,229,000). There are no assets held in this plan (31 December 2020: nil, 31 December 2019: nil, 31 December 2018: nil). The expected contributions to the plan for the next six months to cover benefits paid are £113,000. The service cost in the six months ended 30 June 2021 was £112,000 (Year ended 31 December 2020: £203,000, Year ended 31 December 2019: £210,000, Year ended 31 December 2018: £220,000).

UK schemes

The UK has two pension schemes:

- The Stelrad Group Pension Plan (SGPP) - a defined contribution only scheme; and
- The Stelrad Group Flexible Retirement Plan (SGFRP) - a defined contribution only scheme.

The total employer contributions made in the six months ended 30 June 2021 were £537,000 (Year ended 31 December 2020: £1,158,000, Year ended 31 December 2019: £1,208,000, Year ended 31 December 2018: £1,115,000). There were outstanding contributions totalling £nil (31 December 2020: £nil, 31 December 2019: £105,000, 31 December 2018: £95,000) due to the schemes 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. This liability at the period-end, mainly relates to pre-pension payments that are due to Belgian employees who have retired early, was £50,000 (31 December 2020: £79,000, 31 December 2019: £115,000, 31 December 2018: £187,000). The contributions to overseas pension schemes in the period and any movements in the provision for other retirement obligations are reported as part of the employee benefits note and total £607,000 for the six months ended 30 June 2021 (Year ended 31 December 2020: £1,237,000, Year ended 31 December 2019: £1,153,000, Year ended 31 December 2018: £982,000).

IAS 19 Accounting – Turkish scheme only

Amounts recognised in the balance sheet:

	30 June 2021	31 December 2020	31 December 2019	31 December 2018
		(£) 000		
Defined benefit obligation	2,235	2,390	2,364	2,229
Net pension liability	**2,235**	**2,390**	**2,364**	**2,229**

Movement in defined benefit obligation:

	30 June 2021	31 December 2020	31 December 2019	31 December 2018
		(£) 000		
At 1 January	2,390	2,364	2,229	2,501
Current service cost	112	203	210	220
Interest cost	138	263	236	211
Actuarial losses	100	317	245	348
Plan curtailments	-	-	75	301
Benefits paid	(130)	(198)	(300)	(745)
Exchange differences	(375)	(559)	(331)	(607)
At 30 June / 31 December	**2,235**	**2,390**	**2,364**	**2,229**

Amounts recognised in the income statement:

	30 June 2021	31 December 2020	31 December 2019	31 December 2018
		(£) 000		
Current service cost	112	203	210	220
Plan curtailments	-	-	75	301
Interest cost	138	263	236	211
At 30 June / 31 December	**250**	**466**	**521**	**732**

Amounts recognised in other comprehensive income:

	30 June 2021	31 December 2020	31 December 2019	31 December 2018
		(£) 000		
Experience adjustments – obligation	(93)	(132)	(245)	(348)
Changes in demographic assumptions – obligation	(7)	(1)	-	-
Changes in financial assumptions – obligation	-	(184)	-	-
At 30 June / 31 December	**(100)**	**(317)**	**(245)**	**(348)**

Principal actuarial assumptions:

	30 June 2021	31 December 2020	31 December 2019	31 December 2018
		(£) 000		
Discount rate (per annum)	13.00%	13.00%	13.50%	13.50%
Future salary increases (per annum)	8.50%	8.50%	8.00%	8.00%

Quantitative sensitivity analysis:

	30 June 2021 Discount rate (per annum)		30 June 2021 Future salary increases (per annum)	
	+ 1 %	**- 1 %**	**+ 1 %**	**- 1 %**
		(£) 000		
(Decrease)/increase in defined benefit obligation – Turkish scheme	(162)	187	193	(170)

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.

27. Related party disclosures

The immediate and ultimate parent undertaking is Noosa Holdings Jersey Limited, a company registered in Jersey. The ultimate controlling party is The Bregal Fund III LP. The parent company and its subsidiaries are not included in any other publicly available consolidated financial statements.

The ultimate shareholder loan and immediate parent company loans bear interest at 15 per cent. and consists of two amounts: i) an amount funded by the ultimate controlling party of the Group, The Bregal Fund III LP; and ii) an amount funded by the immediate parent company.

During the six months ended 30 June 2021 interest was accrued totalling £5,108,000 (Year ended 31 December 2020: £9,230,000, Year ended 31 December 2019: £7,966,000, Year ended 31 December 2018: £6,876,000). This is made up of the Bregal Fund III LP: £4,314,000 (Year ended 31 December 2020: £7,795,000, Year ended 31 December 2019: £6,728,000, Year ended 31 December 2018: £5,807,000) and the immediate parent company: £794,000 (Year ended 31 December 2020: £1,435,000, Year ended 31 December 2019: £1,238,000, Year ended 31 December 2018: £1,069,000).

The value of the loans at the 31 December 2018 was £50,215,000, including accrued interest of £21,000 (The Bregal Fund III LP: £42,409,000; immediate parent company: £7,806,000).

The value of the loans at the 31 December 2019 was £58,181,000, including accrued interest of £24,000 (The Bregal Fund III LP: £49,137,000; immediate parent company: £9,044,000).

The value of the loans at the 31 December 2020 was £67,411,000, including accrued interest of £28,000 (The Bregal Fund III LP: £56,932,000; immediate parent company: £10,479,000).

The value of the loans at the 30 June 2021 was £72,519,000, including accrued interest of £30,000 (The Bregal Fund III LP: £61,246,000; immediate parent company: £11,273,000).

The Group owed deferred consideration to shareholders related to the sale of a business of £202,000 (The Bregal Fund III LP: £171,000; Managers: £31,000) (31 December 2020: £202,000 (The Bregal Fund III LP: £171,000; Managers: £31,000), 31 December 2019: £202,000 (The Bregal Fund III LP: £171,000; Managers: £31,000), 31 December 2018: £202,000 (The Bregal Fund III LP: £171,000; Managers: £31,000)).

Under the ownership agreement the Group is charged a monitoring fee of £200,000 per annum by Bregal Capital LLP, who are the management company of the ultimate controlling party of the Group, The Bregal Fund III LP. An amount of £nil (31 December 2020: £nil, 31 December 2019: £nil, 31 December 2018: £nil) was accrued for this at the 30 June 2021.

During the six months ending 30 June 2021 the Group spent £8,000 (Year ended 31 December 2020: £24,000, Year ended 31 December 2019: £641,000, Year ended 31 December 2018: £577,000) on purchases from Polypal Netherlands BV (whose ultimate controlling party is also The Bregal Fund III LP), the balance outstanding at the period-end was £nil (31 December 2020: £nil, 31 December 2019: £2,000, 31 December 2018: £319,000).

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

	Six months ended 30 June		**Year ended 31 December**		
	2021	**2020**	**2020**	**2019**	**2018**
		(unaudited)			
			(£) 000		
Short term employment benefits.....	1,052	645	2,388	1,637	1,192

28. Capital management

For the purpose of the Group's capital management, capital includes issued capital and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Group's capital management is to maximise the shareholder value. In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches in the financial covenants of any interest-bearing loans and borrowing in the current period. The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants.

Details of the issued capital and reserves are shown in note 24. Details of interest-bearing loans and borrowings are shown in note 18(b).

29. **Financial instrument disclosures**

(a) **Fair value measurement hierarchy**

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities.

Period ended 30 June 2021	**Total**	**Level 1**	**Level 2**	**Level 3**
		(£) 000		
Assets / (liabilities) measured at fair value				
Derivative financial assets / (liabilities)........				
Foreign exchange forward contracts – USD/GBP..	140	140	-	-

Year ended 31 December 2020	**Total**	**Level 1**	**Level 2**	**Level 3**
		(£) 000		
Assets / (liabilities) measured at fair value				
Derivative financial assets / (liabilities)..........				
Foreign exchange forward contracts – USD/GBP..	-	-	-	-

Year ended 31 December 2019	**Total**	**Level 1**	**Level 2**	**Level 3**
		(£) 000		
Assets / (liabilities) measured at fair value				
Derivative financial assets / (liabilities)..........				
Foreign exchange forward contracts – USD/GBP..	(38)	(38)	-	-

Year ended 31 December 2018	**Total**	**Level 1**	**Level 2**	**Level 3**
		(£) 000		
Assets / (liabilities) measured at fair value				
Derivative financial assets / (liabilities)..........				
Foreign exchange forward contracts – USD/GBP..	-	-	-	-

Level 1: Quoted prices in active markets

Level 2: Significant observable inputs

Level 3: Significant unobservable inputs

(b) **Hedging activity and derivatives**

Derivatives not designated as hedging instruments

The Group uses foreign exchange forward contracts to manage some of its transaction exposures. The foreign exchange forward contracts are not designated as cash flow hedges and are entered into for periods consistent with foreign currency exposure of the underlying transactions, generally from one to 12 months.

Hedge of net investments in foreign operations

Included in loans at 30 June 2021, 31 December 2020, 31 December 2019 and at 31 December 2018 were EURO denominated borrowings which have been designated as a hedge of the net investments in its overseas subsidiaries. This borrowing is being used to hedge the Group's exposure to the EURO foreign exchange risk on these investments.

Gains or losses on the retranslation of this borrowing are transferred to Other Comprehensive Income to offset any gains or losses on translation of the net investments in the subsidiaries. There is no ineffectiveness in the period ended 30 June 2021 or the years ended 31 December 2020, 2019 and 2018.

(c) **Fair value of financial instruments at amortised cost**

	Carrying amount and fair value			
	30 June 2021	**31 December 2020**	**31 December 2019**	**31 December 2018**
		(£) 000		
Financial liabilities				
Lease liabilities	9,664	10,615	10,825	171
Ultimate shareholder loans	61,246	56,932	49,137	42,409
Immediate parent company loan	11,273	10,479	9,044	7,806
Deferred consideration – shares	202	202	202	202
€10m Turkish Loan Facility	-	-	941	2,992
ABFF Term Loan Facility	4,115	4,414	4,942	3,812
Revolving Credit Facility	37	1,798	6,632	9,720
Lombard Facility	4,220	4,813	5,407	4,425
	90,757	**89,253**	**87,130**	**71,537**

The external loan balances are stated gross of any issue costs.

The directors consider that the carrying amount of the shareholder loans and deferred consideration is equal to their fair value.

The management assessed that the fair values of cash and cash equivalents, trade and other receivables, trade and other payables and other current assets and liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties.

The following methods and assumptions were used to estimate the fair values:

- The Group enters into derivative financial instruments with various counterparties, principally financial institutions. Derivatives valued using valuation techniques with market observable inputs are interest rate swaps and foreign exchange forward contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, interest rate curves and forward rate curves of the underlying commodity.

- Fair values of the Group's interest-bearing borrowings and loans are determined by using DCF method using discount rate that reflects the issuer's borrowing rate as at the end of the reporting period. As the external debt is all at variable rate the fair values are deemed to be identical to the carrying values. The rate at which interest is paid on the shareholder debt is deemed to be representative of that that would have been assigned if the debt was issued as at the end of the reporting period.

- The financial liabilities which are not recognised at fair value but for which fair value is disclosed are deemed to be level 2 hierarchy measurements, with the exception of shareholder debt which is deemed to be a level 3 valuation.

- There are not deemed to be any significant unobservable inputs to valuation.

(d) **Financial risk management objectives and policies**

The Group's principal financial liabilities, other than derivatives, comprise of interest bearing borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations.

The Group's principal financial assets include trade and other receivables, and cash and cash equivalents that derive directly from its operations. The Group also enters into derivative transactions. Due to timing there are no unsettled derivative contracts as at the end of the reporting period.

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks. All derivative activities for risk management purposes are carried out by individuals that have the appropriate skills, experience and supervision. It is the Group's policy that no trading in derivatives for speculative purposes may be undertaken.

The Group has established a risk and financial management framework, the primary objectives of which are to protect the Group from events that may hinder the achievement of financial performance objectives. These are summarised below.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprise three types of risk: interest rate risk, currency risk and commodity price risk. Financial instruments affected by market risk include interest bearing borrowings and derivative financial instruments.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily due to long term interest bearing borrowings.

The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate borrowings. To manage this, where deemed appropriate, the Group enters into interest rate swaps, in which it agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount.

At 30 June 2021, 31 December 2020, 31 December 2019 and 31 December 2018, due to a proportionally low level of variable rate debt, no interest rate swaps are in place. Approximately 91 per cent. (31 December 2020: 88 per cent., 31 December 2019: 79 per cent., 31 December 2018: 70 per cent.) of the Group's borrowings are at a fixed rate of interest.

Interest rate risk – sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected. The analysis does not include cash balances. With all other variables held constant the Group's profit before tax would be impacted as follows:

Six months ended 30 June 2021	Increase / decrease	Effect on profit before tax
		(£) 000
Libor / Euribor	+0.5%	(31)
Libor / Euribor	-0.5%	4

Year ended 31 December 2020	Increase / decrease	Effect on profit before tax
		(£) 000
Libor / Euribor	+0.5%	(96)
Libor / Euribor	-0.5%	55

Year ended 31 December 2019	Increase / decrease	Effect on profit before tax
		(£) 000
Libor / Euribor	+0.5%	(95)
Libor / Euribor	-0.5%	90

Year ended 31 December 2018	Increase / decrease	Effect on profit before tax
		(£) 000
Libor / Euribor	+0.5%	(76)
Libor / Euribor	-0.5%	69

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue and expenses are denominated in different currencies) and the Group's net investments in foreign subsidiaries.

The Group manages its foreign currency risk by hedging transactions that are expected to occur within a maximum 12-month period.

The Group hedges its exposure to fluctuations on the translation into GBP of its foreign operations by holding net borrowings in foreign currencies.

Foreign currency risk – sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in Euros and USD exchange rates, with all other variables held constant. The impact on the Group's profit before tax is due to changes in the fair value of monetary assets and liabilities including non-designated foreign currency derivatives. The impact on the Group's equity is due to the monetary items that form part of the net investment in foreign operations. No sensitivity is performed against Turkish Lira on the basis that all Turkish Lira monetary assets and liabilities are held by Termo Teknik Ticaret ve Sanayi A.S whose functional currency is Turkish Lira. The Group's exposure to foreign currency changes for all other currencies is not material.

The movement in equity arises from changes in Euro denominated borrowings in the hedge of net investments European operations. These movements will offset the translation of the European operations' net assets into sterling – this movement is not shown.

	Change in Euro rate [(1)]	Effect on profit before tax	Effect on equity
		(£) 000	
30 June 2021	+10%	(1,222)	-
	-10%	1,494	-
31 December 2020	+10%	(822)	-
	-10%	1,004	-
31 December 2019	+10%	(738)	86
	-10%	902	(105)
31 December 2018	+10%	(9)	273
	-10%	11	(333)

	Change in USD rate [(1)]	Effect on profit before tax
		(£) 000
30 June 2021	+10%	(1,317)
	-10%	781
31 December 2020	+10%	818
	-10%	(1,000)
31 December 2019	+10%	(159)
	-10%	18
31 December 2018	+10%	481
	-10%	(588)

(1) A + movement indicatives GBP strengthening relative to the other currency

Commodity price risk

The Group is affected by the price volatility of certain commodities. Its operating activities require a continuous supply of steel which poses a risk due to the volatility of the price of the steel. The Group seeks to manage its exposure to commodity price risk by holding enough stock to negate short term price fluctuations and if necessary allow sufficient time to pass price changes through to customers.

Demand risk

The market for the Group's goods is subject to movements in demand as the demand for new housing or upgrades to existing housing stock varies. The Group manages these variations through careful forecasting and flexing of production volumes. Financing arrangements anticipate demand changes and associated working capital movements.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and other financial institutions, foreign exchange transactions and other financial instruments.

Trade receivables

Customer credit risk is managed by each business unit. Overseas subsidiaries have credit insurance policies in place to minimise the risk of trade debts going bad without recompense. UK subsidiaries have no credit insurance policy in place due to the cost of insurance not being justified by the low risk of non-recoverability with a large proportion of receivables being due from the three major customers with strong credit ratings.

Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment.

Outstanding customer receivables are regularly monitored.

An impairment analysis is performed at each reporting date on an individual basis for major clients. In addition, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The calculation is based on actual incurred historical data. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets.

The Group does not hold collateral as security. The Group evaluates the concentration of risk with respect to trade receivables as medium, as it has several large customers in linked markets.

Note 20 discloses information about the credit risk exposure on the Group's trade receivables using a provision matrix.

Deposits with banks and other financial institutions

Credit risk from balances with banks and other financial institutions is managed by the Group's treasury team in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties. The Group's maximum exposure to credit risk is the cash and cash equivalents balance outlined in the balance sheet at 30 June 2021.

Liquidity risk

The Group monitors its risk to a shortage of funds using monitoring requirements on a daily basis looking out over various time periods. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans, bank revolver and finance leases. The Group's policy is that not more than 10 per cent. of borrowings should mature in the next 12-month period.

Approximately 3.5 per cent. of the Group's debt will mature in less than one year at 30 June 2021 (31 December 2020: 3.8 per cent., 31 December 2019: 5.0 per cent., 31 December 2018: 4.9 per cent.) based on the carrying value of borrowings reflected in the Historical Financial Information. The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available.

The availability under revolving credit facility is linked to the level of receivables and inventories held by the business. At the 30 June 2021, the Group had available £27,963,000 (31 December 2020: £26,202,000, 31 December 2019: £21,368,000, 31 December 2018: £18,280,000) of undrawn committed borrowing facilities. The Group has to carefully monitor expected receivable and inventory balances to understand what the availability will be.

The table summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments. Interest bearing loans comprise interest and principal, with interest determined based on rates prevailing at the balance sheet date. The foreign exchange forward contracts are subject to both a cash outflow and also a cash inflow, the cash inflows are not reported in the analysis below, if they were the cash outflow would be substantially lower or indeed even a net inflow.

Year ended 30 June 2021	**< 1 year**	**1 to 5 years**	**> 5 years**	**Total**
		(£) 000		
Lease liabilities	1,616	6,122	2,290	10,028
Ultimate shareholder loans	-	-	61,246	61,246
Immediate parent company loan	-	-	11,273	11,273
Deferred consideration	-	-	202	202
Interest bearing loans	1,923	6,767	-	8,690
Trade and other payables	68,377	-	-	68,377
Derivative financial liabilities	-	-	-	-
	71,916	12,889	75,011	159,816

Year ended 31 December 2020	**< 1 year**	**1 to 5 years**	**> 5 years**	**Total**
		(£) 000		
Lease liabilities	1,774	6,545	2,750	11,069
Ultimate shareholder loans	-	-	56,932	56,932
Immediate parent company loan	-	-	10,479	10,479
Deferred consideration	-	-	202	202
Interest bearing loans	1,946	9,500	-	11,446
Trade and other payables	48,206	-	-	48,206
Derivative financial liabilities	-	-	-	-
	51,926	**16,045**	**70,363**	**138,334**

Year ended 31 December 2019	**< 1 year**	**1 to 5 years**	**> 5 years**	**Total**
		(£) 000		
Lease liabilities	1,816	6,271	3,297	11,384
Ultimate shareholder loans	-	-	49,137	49,137
Immediate parent company loan	-	-	9,044	9,044
Deferred consideration	-	-	202	202
Interest bearing loans	2,998	15,787	-	18,785
Trade and other payables	49,048	-	-	49,048
Derivative financial liabilities	38	-	-	38
	53,900	**22,058**	**61,680**	**137,638**

Year ended 31 December 2018	**< 1 year**	**1 to 5 years**	**> 5 years**	**Total**
		(£) 000		
Lease liabilities	159	12	-	171
Ultimate shareholder loans	-	-	42,409	42,409
Immediate parent company loan	-	-	7,806	7,806
Deferred consideration	-	-	202	202
Interest bearing loans	3,775	17,782	-	21,557
Trade and other payables	49,917	-	-	49,917
	53,851	**17,794**	**50,417**	**122,062**

The financial liabilities of the company are part of the ultimate shareholder loans with the same terms and conditions and maturity is as outlined above. The above tables do not include the interest cash flows for the ultimate shareholder loan notes. The amount shown in the tables include the principal amount plus accrued interest up to the balance sheet date. The expected timing of repayment of the loans and associated interest is unknown and may occur before the maturity date. The timing of repayment will affect the ultimate amount of loan and interest repayments to be paid to the lenders.

PART VIII
UNAUDITED PRO FORMA FINANCIAL INFORMATION

SECTION A:
ACCOUNTANTS' REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The directors (the "**Directors**")
Stelrad Group PLC (the "**Company**")
69-75 Side
Newcastle upon Tyne
NE1 3JE

Investec Bank plc
30 Gresham Street
London
England
EC2V 7QP

5 November 2021

Dear Ladies and Gentlemen

Stelrad Group PLC

We report on the unaudited pro forma financial information (the "**Pro Forma Financial Information**") set out in *Section B* "*Unaudited Pro Forma Financial Information*" of *Part VIII* "*Unaudited Pro Forma Financial Information*" of the Company's prospectus dated 5 November 2021 (the "**Prospectus**").

This report is required by section 3 of Annex 20 to the PR Regulation and is given for the purpose of complying with that item and for no other purpose.

Opinion

In our opinion:

(a) the Pro Forma Financial Information has been properly compiled on the basis stated; and

(b) such basis is consistent with the accounting policies of the Company.

Responsibilities

It is the responsibility of the Directors to prepare the Pro Forma Financial Information in accordance with sections 1 and 2 of Annex 20 of the PR Regulation.

It is our responsibility to form an opinion, as required by section 3 of Annex 20 of the PR Regulation as to the proper compilation of the Pro Forma Financial Information and to report our opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro Forma Financial Information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed at the date of their issue.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and for any responsibility arising under item 5.3.2R(2)(f) of the Prospectus Regulation Rules of the Financial Conduct Authority (the "**Prospectus Regulation Rules**") to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 1.3 of Annex 1 to the PR Regulation, consenting to its inclusion in the Prospectus.

Basis of preparation

The Pro Forma Financial Information has been prepared on the basis described in the notes to the Pro Forma Financial Information, for illustrative purposes only, to provide information about how the net proceeds of the new ordinary shares to be issued by the Company that are part of the Offer and the related refinancing might have affected the financial information presented on the basis of the accounting policies to be adopted by the Company in preparing the financial statements for the period ending 30 June 2021.

Basis of Opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Financial Reporting Council ("**FRC**") in the United Kingdom. We are independent in accordance with the FRC's Ethical Standard as applied to Investment Circular Reporting Engagements and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro Forma Financial Information with the Directors.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro Forma Financial Information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Declaration

For the purposes of item 5.3.2 R (2)(f) of the Prospectus Regulation Rules we are responsible for this report as part of the Prospectus and declare that, to the best of our knowledge, the information contained in this report is in accordance with the facts and that the report makes no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of Annex 1 to the PR Regulation.

Yours faithfully

PricewaterhouseCoopers LLP
Chartered Accountants

SECTION B:
UNAUDITED PRO FORMA FINANCIAL INFORMATION

Unaudited pro forma statement of net assets as at 30 June 2021

The unaudited pro forma statement of net assets as at 30 June 2021 set out below (the "**Pro forma Financial Information**") has been prepared to illustrate the effect of (i) the receipt of the net proceeds of the New Shares under the Offer by the Company and (ii) the Refinancing, on the Group's net assets as at 30 June 2021 as if these events had been undertaken at that date. The unaudited consolidated financial information has been produced for illustrative purposes only and, by its nature, addresses a hypothetical situation and therefore does not represent the Group's actual financial position, nor is it indicative of the financial position that may be achieved in the future.

The Pro forma Financial Information has been prepared in accordance with the basis set out in the notes below, in a manner consistent with the IFRS accounting policies of the Group applied in preparing the historical financial information of the Group as at 30 June 2021 as set out in *Section B* "*Historical Financial Information*" of *Part VII* "*Historical Financial Information*", and in accordance with the requirements of sections 1 and 2 of Annex 20 of the PR Regulation. It should be read in conjunction with the notes to the Pro forma Financial Information set out below.

		Adjustments		
	Consolidated net assets at 30 June 2021 (1)	**Net proceeds of the New Shares (2)**	**Refinancing (3)**	**Pro forma consolidated net assets at 30 June 2021**
		(£) 000		
Assets				
Non-current assets				
Property, plant and equipment	56,861	-	-	56,861
Trade and other receivables	14	-	-	14
Deferred tax assets	3,487	-	-	3,487
	60,362	-	-	60,362
Current assets				
Inventories	41,039	-	-	41,039
Trade and other receivables	50,906	-	-	50,906
Income tax receivable	24	-	-	24
Other current financial assets	140	-	-	140
Cash and cash equivalents	27,901	18,100	(24,591)	21,410
	120,010	18,100	(24,591)	113,519
Total assets	**180,372**	**18,100**	**(24,591)**	**173,881**
Non-current liabilities				
Interest-bearing loans and borrowings	87,473	-	(22,822)	64,651
Provisions	225	-	-	225
Net employee defined benefit liabilities	2,326	-	-	2,326
Deferred tax liabilities	-	-	-	-
	90,024	-	(22,822)	67,202
Current liabilities				
Trade and other payables	75,099	-	-	75,099
Interest-bearing loans and borrowings	3,205	-	(1,690)	1,515
Other current financial liabilities	-	-	-	-
Income tax payable	1,507	-	-	1,507
Provisions	223	-	-	223
	80,034	-	(1,690)	78,344
Total liabilities	**170,058**	**-**	**(24,512)**	**145,546**
Net assets	**10,314**	**18,100**	**(79)**	**28,335**

Notes:

(1) The net assets of the Group as at 30 June 2021 have been extracted without material adjustment from the historical financial information of SRGL as set out in *Section B* "*Historical Financial Information*" of *Part VII* "*Historical Financial*

Information" of this document. No separate balance sheet has been presented for the Company as the Company does not have material equity or reserves, and therefore has no material impact on the pro forma combined net assets.

(2) The issue of New Shares under the Offer is expected to result in gross proceeds of £25.0 million less £6.9 million of related underwriting commissions and other estimated fees and expenses resulting in net proceeds of £18.1 million.

(3) On 2 November 2021, the Group entered into the New RCF Agreement and, immediately following Admission, £57.5 million of the New RCF will be drawn, with fees of £1.2 million capitalised on the balance sheet. See paragraph 18.6 "*New RCF Agreement*" in *Part X* "*Additional Information*" for further information. The amount of £56.3 million drawn net of fees, along with excess cash balances of £24.6 million, (which includes the £18.1 million of net proceeds which the Company expects to receive under the Offer referred in note 2 above) will be used in order for the Group to repay existing loan facilities, including shareholder loans. See the paragraph headed "*Reasons for the Offer and Use of Proceeds*" in *Part IX* "*Details of the Offer*" for further information.

The repaid and estimated new debt facilities as at 30 June 2021 are as follows:

	30 June 2021
	(£) 000
Current interest bearing loans and borrowings	
ABF Facility	556
Lombard Facility	1,187
Unamortised loan costs – old loans	(53)
	1,690
Non-current interest bearing loans and borrowings	
Ultimate shareholder loans [(a)]	61,246
Immediate parent company loan [(b)]	11,273
ABF Facility	3,596
Lombard Facility	3,033
Unamortised loan costs – old loan	(26)
New loan drawdown	(57,500)
Unamortised loan costs – new loan	1,200
	22,822
Total refinancing debt movement	**24,512**
Summary of loans repaid by facility	
ABF Facility	4,152
Lombard Facility	4,220
Ultimate shareholder loans [(a)]	61,246
Immediate parent company loan [(b)]	11,273
	80,891

Notes:

(a) These funds reflect the amounts outstanding under the Bregal Loan Notes which will be repaid to the Major Shareholder. See paragraph headed 18.5 "*Shareholder Loan Notes*" in *Part X* "*Additional Information*" for further information.

(b) The funds received by SRGL's immediate parent, Noosa, from the repayment of the immediate parent company loan will be used to repay an equal amount owed by Noosa to Management under the Management Loan Notes. See paragraph 18.5 "*Shareholder Loan Notes*" in *Part X* "*Additional Information*" for further information.

(4) No adjustment is shown for the sale of Sales Shares as part of the Offer because the Group will not receive any of the proceeds from the sale of the Sale Shares, and underwriting commissions and other estimated fees and expenses associated with the sale of Sale Shares will be borne by the Selling Shareholders.

(5) No adjustment has been made to reflect the trading results or financial position of the Group since 30 June 2021.

(6) The incorporation of the Company on 8 October 2021, as part of the Pre-IPO Reorganisation, does not result in an amendment to the consolidated net assets position as the issue of subscription shares in the Company on its incorporation to the Major Shareholder will, immediately prior to Admission, be settled by a share for share exchange involving the Company's and Noosa's share capital. See paragraph 4 "*Reorganisation*" in *Part X* "*Additional Information*" for further information.

PART IX
DETAILS OF THE OFFER

1. SUMMARY

The Company is offering 11,627,907 New Shares in the Offer, and the Selling Shareholders are offering an aggregate of 32,558,130 Sale Shares in the Offer, in each case at the Offer Price. The Offer Price will be 215 pence per Ordinary Share. The Company will not receive any of the net proceeds of the sale of the Sale Shares, all of which will be paid to the Selling Shareholders.

The New Shares will represent approximately 9.13 per cent. of the Ordinary Shares immediately following Admission and the Sale Shares will represent approximately 25.57 per cent. of the Ordinary Shares immediately following Admission.

The Offer is being made to certain institutional investors in the UK and elsewhere outside the United States in reliance on Regulation S and in compliance with applicable laws.

Certain restrictions that apply to the distribution of this document and the Ordinary Shares being issued and sold under the Offer are described in the paragraph headed "*Selling Restrictions*" in this *Part IX* "*Details of the Offer*".

The Offer is underwritten by Investec, in accordance with the terms of the Underwriting Agreement, and is subject to satisfaction of the conditions set out in the Underwriting Agreement, including, *inter alia,* Admission occurring and becoming effective by no later than 8.00 a.m. on 10 November 2021 or such later time and/or date as the Company and Investec may agree, and to the Underwriting Agreement not having been terminated in accordance with its terms. Further details of the Underwriting Agreement are set out in the paragraph headed "*Underwriting Arrangements*" in this *Part IX* "*Details of the Offer*" and in paragraph 2 "*Company Details*" of *Part X* "*Additional Information*".

The Ordinary Shares are registered with ISIN GB00BMHRMV23 and Stock Exchange Daily Official List number BMHRMV2 and trade under the symbol "SRAD". The rights attaching to the Ordinary Shares, including the Ordinary Shares issued or sold pursuant to the Offer, will be uniform in all respects.

Immediately following Admission, it is expected that in excess of 29.0 per cent. of the Ordinary Shares of the Company will be held in public hands (within the meaning of paragraph 6.14 of the Listing Rules).

2. REASONS FOR THE OFFER AND USE OF PROCEEDS

The Directors believe that the Offer will enhance the Group's public profile and brand awareness and provide an appropriate capital structure for its future development. In addition, the Offer will reduce the level indebtedness of the Group and create a market in the Ordinary Shares for the Existing Shareholders and provide them with a partial realisation of their investment in the Company.

The Company intends to raise gross proceeds of £25 million from the issue of New Shares pursuant to the Offer. After deducting underwriting commissions and other estimated fees and expenses incurred in connection with the Offer, the Company expects to receive net proceeds of £18.1 million.

The Company intends to use the net proceeds of the Offer together with £56.3 million of borrowings under the New RCF (net of £1.2 million of fees payable under the New RCF Agreement) and £11.7 million of existing available cash, to repay (i) £9.6 million of outstanding third-party debt consisting of the repayment of the ABF Facility and the Lombard Facility; (ii) £11.9 million outstanding under the Management Loan Notes (including accrued interest) and (iii) £64.6 million outstanding under the Bregal Loan Notes (including accrued interest) (together the "**Refinancing**"). For further information, see *Section B* "*Unaudited Pro Forma Financial Information*" of *Part VIII* "*Unaudited Pro Forma Financial Information*".

3. OFFER PRICE, BOOKBUILDING AND ALLOCATIONS

Allocations under the Offer will be determined at the discretion of the Company and the Major Shareholder, following consultation with Investec. A number of factors will be considered in determining the basis of allocation, including the level and nature of demand for Ordinary Shares in the Offer and the objectives of encouraging an orderly and liquid after-market in the Ordinary Shares, and establishing an investor profile consistent with the long-term objectives of the Company.

Investors in the Offer will be advised verbally or by electronic mail of their allocation as soon as practicable following pricing and allocation. Upon accepting any allocation, investors will be contractually committed to acquire the number of Ordinary Shares allocated to them at the Offer Price and, to the fullest extent permitted by law, will be deemed to have agreed not to exercise any rights to rescind or terminate or otherwise withdraw from, such commitment.

All Ordinary Shares issued or sold pursuant to the Offer will be issued or sold, payable in full, of the Offer Price.

4. ADMISSION, DEALING AND SETTLEMENT ARRANGEMENTS

The Offer is subject to the satisfaction of the conditions set out in the Underwriting Agreement, including, *inter alia*, Admission occurring and becoming effective by no later than 8.00 a.m. on 10 November 2021 or such later date and/or time as the Company and the Sponsor may agree, and to the Underwriting Agreement not having been terminated. Further details of the Underwriting Agreement are set out in the paragraph headed "*Underwriting Arrangements*" in this *Part IX* "*Details of the Offer*" and in paragraph 2 "*Company Details*" of *Part X* "*Additional Information*".

Application will be made to the FCA and London Stock Exchange for Admission. Conditional dealings in the Ordinary Shares are expected to commence on the London Stock Exchange at 8.00 a.m. (London time) on 5 November 2021. It is expected that Admission will become effective and that unconditional dealings in the Ordinary Shares will commence on the London Stock Exchange at 8.00 a.m. (London time) on 10 November 2021. All dealings in the Ordinary Shares before the commencement of unconditional dealings will be on a "when issued" basis and will be of no effect if Admission does not take place. Such dealings will be at the sole risk of the parties concerned.

Each investor in the Offer will be required to pay the Offer Price for the Ordinary Shares issued or sold to such investor in such manner as shall be directed by Investec. No expenses will be charged by the Company or the Selling Shareholders to any subscribers or purchasers of Ordinary Shares pursuant to the Offer.

It is expected that Ordinary Shares allocated to investors in the Offer will be delivered in uncertificated form and settlement will take place through CREST on Admission. No temporary documents of title will be issued. Dealings in advance of crediting of the relevant CREST stock account shall be at the risk of the person concerned.

In connection with the Offer, Investec and its affiliates may take up a portion of the Ordinary Shares in the Offer as a principal position, and in that capacity may retain, purchase, sell, offer to sell or otherwise deal for their own accounts in such Ordinary Shares and any other securities of the Company or related investments in connection with the Offer or otherwise. Accordingly, references in this document to the Ordinary Shares being issued, offered, subscribed, acquired, placed or otherwise dealt with should be read as including any issue, offer, subscription, acquisition, dealing or placing by Investec and any of its affiliates acting in such capacity. In addition, Investec or its affiliates may enter into financing arrangements (including swaps or contracts for differences) with investors in connection with which Investec (or its affiliates) may from time to time acquire, hold or dispose of Ordinary Shares. Investec does not intend to disclose the extent of any such investment or transaction otherwise than in accordance with any legal or regulatory obligation to do so.

5. WITHDRAWAL RIGHTS

In the event that the Company is required to publish a supplementary prospectus, applicants who have applied for Ordinary Shares in the Offer shall have at least two clear Business Days following the publication of the relevant supplementary prospectus within which to withdraw their offer to purchase Ordinary Shares in the Offer in its entirety.

If the application is not withdrawn within the stipulated period, any offer to apply for Ordinary Shares in the Offer will remain valid and binding.

Details of how to withdraw an application will be made available if a supplementary prospectus is published. Any supplementary prospectus will be published in accordance with the UK Prospectus Regulation (and notification thereof will be made to a Regulatory Information Service) but will not be distributed to investors individually.

6. CREST

CREST is a paperless settlement system allowing securities to be transferred from one person's CREST account to another's without the need to use share certificates or written instruments of transfer ("**CREST**"). The New Articles of Association to be adopted by the Company with effect from Admission, as described in paragraph 7 "*Articles of Association*" of *Part X* "*Additional Information*" of this document permit the holding of the Ordinary Shares in the CREST system. Application has been made for the Ordinary Shares to be admitted to CREST with effect from Admission.

Accordingly, settlement of transactions in the Ordinary Shares following Admission may take place within the CREST system if any shareholder so wishes. As noted above, it is expected that settlement of the Ordinary Shares in the Offer will take place through CREST. CREST is a voluntary system, and holders of Ordinary Shares who wish to receive and retain share certificates following Admission will be able to do so.

7. UNDERWRITING ARRANGEMENTS

The Company (for itself and as agent for and on behalf of each member of Management pursuant to the Deeds of Election), the Major Shareholder, the Directors and Investec entered into the Underwriting Agreement pursuant to which Investec has agreed, subject to certain conditions, to use reasonable endeavours to procure subscribers for or, failing which, to subscribe itself for the New Shares and to procure purchasers for or, failing which, to purchase itself the Sale Shares pursuant to the Offer at the Offer Price.

The Underwriting Agreement contains certain provisions entitling Investec to terminate the Underwriting Agreement at any time prior to Admission in certain circumstances. If this right is exercised, the Offer will lapse, and any monies received in respect of the Offer will be returned to applicants without interest.

The Underwriting Agreement provides for Investec be paid a commission by the Company in respect of the New Shares subscribed for and a commission by the Selling Shareholders in respect of the Sale Shares purchased in the Offer. Any commissions received by Investec may be retained, and any Ordinary Shares acquired by Investec may be retained or dealt in, by it, for its own benefit.

Further details of the terms of the Underwriting Agreement are set out in paragraph 18.1 of *Part X* "*Additional Information*" of this document.

8. LOCK-UP ARRANGEMENTS

Pursuant to the Underwriting Agreement, the Company has agreed that, subject to certain customary exceptions, during the period of 180 days from the date of Admission, it will not, without the prior written consent of Investec, issue, offer, sell or contract to sell, or otherwise transfer or dispose of, directly or indirectly, or announce an offer of any Ordinary Shares (or any interest therein or in respect thereof) or enter into any transaction with the same economic effect as any of the foregoing.

Pursuant to the Underwriting Agreement, the Major Shareholder and each of the Directors have agreed that, subject to certain exceptions, during the period of 180 days in respect of the Major Shareholder and 360 days in respect of each of the Directors, in each case from the date of Admission, they will not, without the prior written consent of Investec, offer, sell or contract to sell, or otherwise transfer or dispose of, directly or indirectly, or announce an offer of any Ordinary Shares (or any interest therein in respect thereof) or enter into any transaction with the same economic effect as any of the foregoing.

In addition to certain other customary exceptions, the lock-up restrictions described in this paragraph shall not apply: (i) in respect of any Director only, to any disposal of Ordinary Shares in order for such Director to meet any tax liabilities that have arisen from the ownership of shares by such Directors to the extent triggered by the Offer, the Pre-IPO Reorganisation and/or the granting or vesting of options or awards under the share option schemes described in paragraph 13 "*Employee Share Plans*" in Part X "*Additional Information*" or to any disposal of Ordinary Shares issued pursuant to the grant or exercise of options under share option schemes described in 13 "*Employee Share Plans*" in Part X "*Additional Information*"; and (ii) in respect of the Major Shareholder only, to any disposal or transfer for the purpose of pledging or charging any Ordinary Share to or for the benefit of a lender in connection with any margin loan facility made available to the Major Shareholder or a disposal or transfer in connection with an enforcement therewith.

The Major Shareholder has retained the right to enter into margin loan facilities following Admission. Should the Major Shareholder decide to enter into any margin loan facility, the security granted in favour of the relevant margin loan lenders could potentially represent all or a significant majority of the Ordinary Shares held by the Major Shareholder at Admission. Ordinarily under such arrangements, the Major Shareholder will continue to be able to vote Ordinary Shares over which security has been granted unless and until a default occurs under a margin loan facility. In the event that an event of default occurs under a margin loan facility, the margin loan lenders may enforce the security granted by the Major Shareholder over its Ordinary Shares and sell those Ordinary Shares.

9. SELLING RESTRICTIONS

The distribution of this document and the offer of the Ordinary Shares in certain jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any restrictions, including those set out in the paragraphs that follow. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

No action has been or will be taken in any jurisdiction that would permit a public offering of the Ordinary Shares, or possession or distribution of this document or any other offering material in any country or jurisdiction where action for that purpose is required. Accordingly, the Ordinary Shares may not be offered or sold, directly or indirectly, and neither this document nor any other offering material or advertisement in connection with the Ordinary Shares may be distributed or published in or from any country or jurisdiction except in circumstances that will result in compliance with any and all applicable rules and regulations of any such country or jurisdiction. Persons into whose possession this document comes should inform themselves about and observe any restrictions on the distribution of this document and the offer of the Ordinary Shares contained in this document. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. This document does not constitute an offer to subscribe for or purchase any of the Ordinary Shares to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation in such jurisdiction.

United Kingdom

In relation to the United Kingdom, no Ordinary Shares have been offered or will be offered pursuant to the Offer to the public in the United Kingdom prior to the publication of the prospectus in relation to the Ordinary Shares which has been approved by the FCA, except that the Ordinary Shares may be offered to the public at any time:

- to any legal entity which is a Qualified Investor;

- to fewer than 150 natural or legal persons (other than Qualified Investors), subject to obtaining the prior consent of Investec for any such offer; or
- in any other circumstances falling within section 86 of FSMA;

provided that no such offer of Ordinary Shares shall require the Company or Investec to publish a prospectus pursuant to section 85 of FSMA or a supplement to a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

For these purposes of this provision, the expression "offer to the public" in relation to any Ordinary Shares in the United Kingdom means the communication in any form and by any means of sufficient information on the terms of the Offer and any Ordinary Shares to be offered so as to enable an investor to decide to purchase or subscriber for any Ordinary Shares.

In the case of any Ordinary Shares being offered to a financial intermediary as that term is used in Article 5(1) of the Prospectus Regulation, each financial intermediary will also be deemed to have represented, warranted and agreed that the Ordinary Shares acquired by it in the Offer has not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of any Ordinary Shares to the public, other than their offer or resale in the United Kingdom to qualified investors as so defined or in circumstances in which the prior consent of Investec has been obtained to each such proposed offer or resale. The Company, Investec and their affiliates, and others will rely upon the truth and accuracy of the foregoing representations, acknowledgements and agreements.

European Economic Area

In relation to each Member State of the European Economic Area (each a "**Relevant State**"), no Ordinary Shares have been offered or will be offered pursuant to the Offer to the public in that Relevant State prior to the publication of a prospectus in relation to the Ordinary Shares which has been approved by the competent authority in that Relevant State or, where appropriate, approved in another Relevant State and notified to the competent authority in that Relevant State, all in accordance with the EU Prospectus Regulation, except that the Ordinary Shares may be offered to the public in that Relevant State at any time:

- to any legal entity which is a qualified investor as defined under Article 2 of the EU Prospectus Regulation;
- to fewer than 150 natural or legal persons (other than qualified investors as defined under Article 2 of the EU Prospectus Regulation), subject to obtaining the prior consent of Investec for any such offer; or
- in any other circumstances falling within Article 1(4) of the EU Prospectus Regulation;

provided that no such offer of Ordinary Shares shall require the Company to publish a prospectus pursuant to Article 3 of the EU Prospectus Regulation or a supplement to a prospectus pursuant to Article 23 of the EU Prospectus Regulation.

For these purposes of this provision, the expression "offer to the public" in relation to any Ordinary Shares in any Relevant State means the communication in any form and by any means of sufficient information on the terms of the Offer and any Ordinary Shares to be offered so as to enable an investor to decide to purchase or subscriber for any Ordinary Shares.

In the case of any Ordinary Shares being offered to a financial intermediary as that term is used in Article 1(4) of the EU Prospectus Regulation, each financial intermediary will also be deemed to have represented, warranted and agreed that the Ordinary Shares acquired by it in the Offer has not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of any Ordinary Shares to the public, other than their offer or resale in a Relevant State to qualified investors as so defined or in circumstances in which the prior consent of Investec has been obtained to each such proposed offer or resale. The Company, Investec and their affiliates, and others will rely upon the truth and accuracy of the foregoing representations, acknowledgements and agreements.

In this context, the expression "**EU Prospectus Regulation**" means Regulation (EU) 2017/1129.

Australia

No prospectus or any other disclosure document (as defined in the Corporations Act 2001 (Cth) of Australia (the "**Corporations Act**")) in relation to the Offer has been, nor will they need to be, lodged with the Australian Securities & Investments Commission ("**ASIC**"). This document is not a "prospectus" under Chapter 6D of the Corporations Act. Any offer of Ordinary Shares in Australia is made only to persons to whom it is lawful to offer Ordinary Shares without disclosure under one or more of certain of the exemptions set out in section 708 of the Corporations Act, or an "exempt person". This document has not been lodged with ASIC and is only directed to certain categories of exempt persons. Accordingly, if investors receive this document in Australia:

(a) confirm and warrant that they are either:

  (i) a "sophisticated investor" under section 708(8) of the Corporations Act; or

  (ii) a "professional investor" within the meaning of section 708(11) of the Corporations Act; and

  to the extent that they are unable to confirm or warrant that they are an exempt sophisticated investor or professional investor under the Corporations Act, any offer made to them under this document is void and incapable of acceptance; and

warrant and agree that they will not offer any of the Ordinary Shares for resale in Australia within 12 months of the Ordinary Shares being issued unless any such resale offer is exempt from the requirement to issue a disclosure document under section 708 or 708A of the Corporations Act.

Japan

The Ordinary Shares offered hereby have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended) (the "**Financial Instruments and Exchange Act**"). Accordingly, no Ordinary Shares will be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

South Africa

In South Africa, the Offer will only be made to, and be capable of acceptance by: (i) selected persons falling within one of the specified categories set out in section 96(1)(a) of the South African Companies Act, No. 71 of 2008 (as amended) (the "**South African Companies Act**"), or (ii) selected persons who acquire, as principal, Ordinary Shares at a minimum aggregate contemplated acquisition price of ZAR1,000,000, as envisaged in section 96(1)(b) of the South African Companies Act (all such persons in (i) and (ii), each a "**Qualifying Investor**"), and this document is only being made available to, and specifically addressed to, such Qualifying Investors. Accordingly: (i) the Offer are not an "offer to the public" as contemplated in the South African Companies Act; (ii) this document does not, nor does it intend to, constitute a "registered prospectus" or an "advertisement", in each case as contemplated in the South African Companies Act; (iii) no prospectus has been filed with the South African Companies and Intellectual Property Commission in respect of the Offer; and (iv) persons in whose possession this document comes should consult their professional advisors concerning any applicable South African legal restrictions, so as to inform themselves about, and to observe, any such restrictions.

Any investment in the Ordinary Shares pursuant to this document may be subject to: (i) foreign investment restrictions under the South African Exchange Control Regulations, 1961 (as amended); and/or (ii) other regulatory restrictions or approvals in South Africa. Accordingly, all potential investors should consult their professional advisors to obtain appropriate advice (whether legal or otherwise) before making investments, and potential investors shall at all relevant times be responsible for ensuring compliance with legal restrictions in South Africa and for obtaining their own exchange control approvals and/or other regulatory approvals.

Information made available in this document should not be construed as constituting the canvassing of, or the marketing or advertising of, financial services in South Africa. This document constitutes objective information about the Company and nothing contained herein should be construed as constituting any form of investment advice (of a financial nature or otherwise) or any recommendation, guidance or proposal of a financial nature in respect of any investment in the Ordinary Shares offered pursuant to this document.

Hong Kong

This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of the Laws of Hong Kong (the "**Companies (WUMP) Ordinance**"), nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the "**SFO**"). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the Ordinary Shares have not been and will not be offered or sold in Hong Kong by means of any document, other than (i) to "professional investors" (as defined in the SFO and any rules made under that ordinance) or (ii) in other circumstances that do not result in this document being a "prospectus" (as defined in the Companies (WUMP) Ordinance) or that do not constitute an offer to the public within the meaning of that ordinance.

No advertisement, invitation or document relating to the Ordinary Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Ordinary Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors (as defined in the SFO and any rules made under that ordinance).

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

Purchasers outside the United States

Each purchaser who acquires Ordinary Shares outside the U.S., by accepting delivery of this document and the Ordinary Shares, will be deemed to have represented, agreed and acknowledged each of the following matters:

(a) The Ordinary Shares have not been, nor will they be, registered under the U.S. Securities Act or with any securities regulatory authority of any state or other jurisdiction of the U.S. and may not be offered, sold, resold, pledged, delivered or transferred, directly or indirectly, into or within the United States or to, or for the account or benefit of, "U.S. persons" as defined in Regulation S, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States.

(b) It is acquiring such Ordinary Shares in an offshore transaction meeting the requirements of Regulation S.

(c) It is not an affiliate of the Company as defined in Rule 405 under the U.S. Securities Act or a person acting on behalf of such an affiliate.

(d) It is not acquiring the Ordinary Shares as a result of any general solicitation or general advertising (as those terms are defined in Regulation S under the U.S. Securities Act) or any directed selling efforts (as that term is defined in Regulation S) and that its acquisition of the Ordinary Shares is not part of a plan or scheme to evade the registration requirements of the U.S. Securities Act.

The Company, its affiliates and others will rely upon truth and accuracy of the foregoing acknowledgments, representations and agreements and agrees that, if any of such acknowledgements, representations or agreements deemed to have been made by virtue of its purchase of Ordinary Shares are no longer accurate, it will promptly notify the Company, and if it is acquiring any Ordinary Shares as a fiduciary or agent for one or more accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

Other overseas territories

Investors in jurisdictions other than Australia, the European Economic Area, Japan and South Africa, should consult their professional advisers as to whether they require any governmental or other consents or need to observe any formalities to enable them to purchase Ordinary Shares under the Offer.

PART X
ADDITIONAL INFORMATION

1. RESPONSIBILITY STATEMENT

1.1 The Company and the Directors, whose names appear in the section entitled "*Directors, Company Secretary, Registered Office and Advisers*", accept responsibility for the information contained in this document. To the best of the knowledge of the Company and the Directors, the information contained in this document is in accordance with the facts, and this document makes no omission likely to affect its import.

2. COMPANY DETAILS

2.1 The Company is incorporated under the laws of England and Wales. The Company was incorporated on 8 October 2021 under the Companies Act 2006 as a public company limited by shares and under the name Stelrad Group PLC with registered number 13670010.

2.2 The registered office of the Company is at 69-75 Side, Newcastle Upon Tyne, Tyne And Wear, NE1 3JE, United Kingdom.

2.3 The telephone number of the Company is +44 (0) 191 261 3301.

2.4 The legal entity identifier of the Company is 2138006LKVGN16PTVA73.

2.5 The website of the Company is www.stelradplc.com. Except for this document, the New Articles of Association, PwC's accountants' report set out in *Section A* "*Accountants' Report on the Historical Financial Information*" of *Part VII* "*Historical Financial Information*" and *Section A* "*Accountants' Report on the Unaudited Pro Forma Financial Information*" of *Part VIII* "*Unaudited Pro Forma Financial Information*" and the consent letters referred to in paragraph 26 "*Consents*" of this *Part X* "*Additional Information*", the contents and information on the Company's website www.stelradplc.com do not constitute a part of this document.

3. ISSUED SHARE CAPITAL

3.1 As at the date of this document, the issued share capital of the Company is £50,000 comprising 50,000 Ordinary Shares (which are paid or credited as fully paid). Immediately following Admission, the issued share capital of the Company is expected to be £127,352,555 comprising 127,352,555 Ordinary Shares (all of which shall be fully paid or credited as fully paid).

3.2 The issued share capital of the Company as at the date of this document is as follows:

	Issued			
	Nominal Value (£)	**Number**	**Amount (£)**	**Amount paid up (£)**
Ordinary Shares..	1.00	50,000	50,000	50,000

3.3 The issued share capital of the Company immediately following Admission is expected to be as follows:

	Issued			
	Nominal Value (£)	**Number**	**Amount (£)**	**Amount fully paid up (£)**
Ordinary Shares.........	1.00	127,352,555	127,352,555	127,352,555

3.4 On incorporation, the share capital of the Company was £50,000 divided into 50,000 ordinary shares of £1 each.

3.5 There are no shares in the Company's share capital that do not represent capital. The Company does not hold any shares in treasury.

3.6 Pursuant to the Offer, Existing Shareholders will experience a 9.13 per cent. dilution of their holdings of Ordinary Shares as a result of the issue of the 11,627,907 New Shares (that is, his or her proportionate interest in Ordinary Shares will decrease by 9.13 per cent.), following which they will hold approximately 65.29 per cent. of the enlarged Ordinary Shares capital of the Company.

3.7 There are no convertible securities, exchangeable securities or securities with warrants in the Company.

3.8 No capital has been paid for with assets other than cash within the period covered by the historical financial information.

3.9 There are no shares not representing capital.

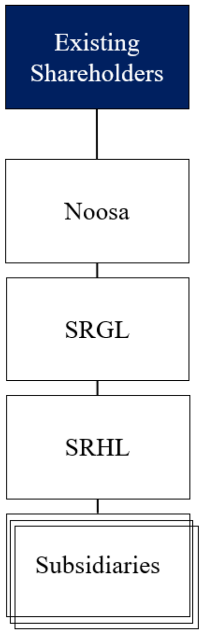
3.10 There are no shares in the Company held by or on behalf of the Company itself or by subsidiaries of the Company.

3.11 There are no acquisition rights or obligations in relation to the issue of Ordinary Shares in the capital of the Company or an undertaking to increase the capital of the Company.

3.12 No capital of any member of the Group is under option or agreed conditionally or unconditionally to be put under option.

4. REORGANISATION

The diagram below sets out the simplified Group structure as at the date of this document.



Pre-IPO Reorganisation steps

4.1 The following steps have been taken prior to the publication of this document:

(a) On 8 October 2021, the Company was incorporated as a public limited company with all of its issued share capital, being £50,000 subscribed for by the Major Shareholder paid up by way of an undertaking to pay; and

(b) On 1 November 2021, Stelrad Radiator Holdings Limited ("**SRHL**") undertook a reduction of capital to create distributable reserves.

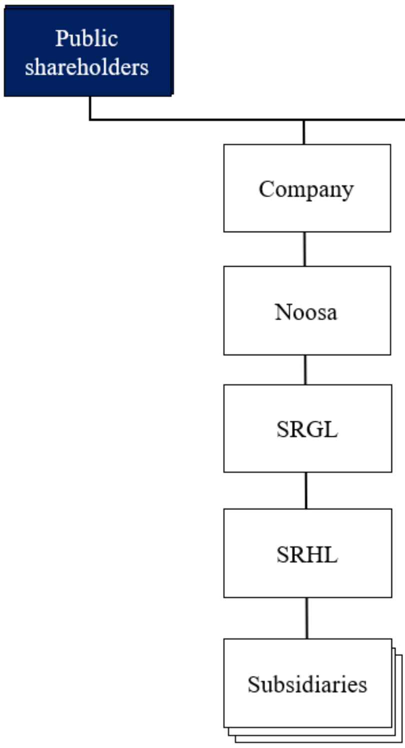
4.2 The following steps will take effect immediately prior to Admission:

(a) The current classes of ordinary shares in Noosa held by the Major Shareholder and Management (comprising £200,000 of A shares held by the Major Shareholder and approximately £50,000 of B shares held by Management of which approximately £13,000 was issued in July 2019) will be reorganised into one class of ordinary shares; and

(b) Immediately following the step in sub-paragraph (a), the Major Shareholder and Management will, pursuant to the terms of a share exchange agreement entered into with the Company on 5 November 2021 (the "**Share Exchange Agreement**"), transfer their ordinary shares in Noosa to the Company in consideration for an issue of new ordinary shares in the Company on a value-for value basis (the "**Share Exchange**") save only that such Share Exchange shall accommodate the fact that the Major Shareholder subscribed for the subscriber shares issued on incorporation of the Company. Following completion of the Share Exchange, the Company will hold 100 per cent. of Noosa's share capital,

each of the foregoing steps comprising and being the pre-IPO reorganisation (the "**Pre-IPO Reorganisation**").

The diagram below sets out the simplified Group structure on Admission:



Immediately following Admission and completion of the Pre-IPO Reorganisation, the Company will carry out the Refinancing using the net proceeds received from the issue of the New Shares in the Offer, existing cash available to the Group and a drawdown under the New RCF, for further information see the paragraph headed "*Reasons for the Offer and Use of Proceeds*" in *Part IX* "*Details of the Offer*" and the paragraph headed "*Capitalisation*" in *Part VI* "*Operating and Financial Review*".

Post-IPO reorganisation steps

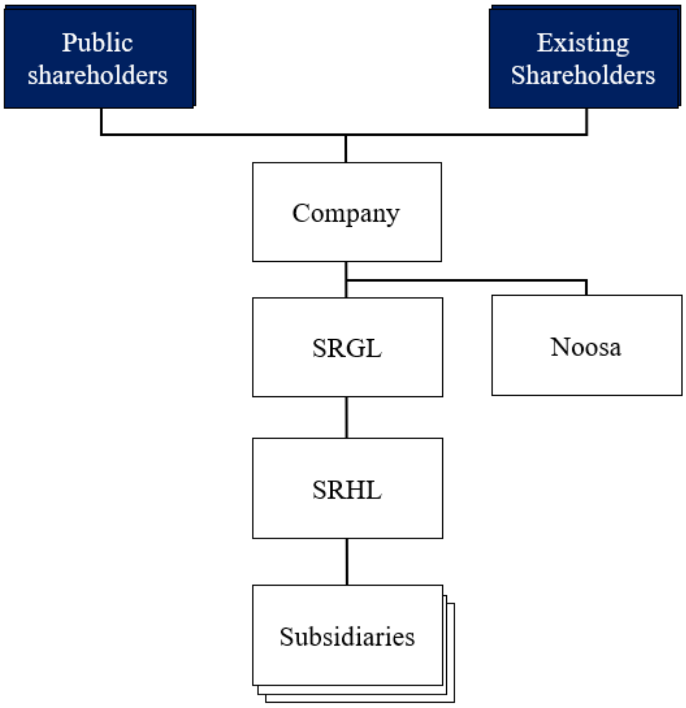
4.3 Following Admission:

(a) The Company has not traded since incorporation and lacks distributable reserves. Therefore, the Company intends to undertake a court-approved capital reduction in accordance with the Companies Act in order to provide it with certain distributable reserves. The proposed capital reduction will reduce the nominal value of each Ordinary Share and will cancel all amounts standing to the credit of the Company's share premium account following Admission. The Company's sole shareholder passed a special shareholder resolution to approve this capital reduction at the general meeting of the

Company held on 4 November 2021 (the "**General Meeting**") and will require court confirmation after Admission; and

(b) Noosa will transfer an intercompany loan receivable owed to it by SRGL to the Company for cash consideration left outstanding, which will be set off against a loan owed by Noosa to the Company on a pound-for-pound basis. Noosa will then distribute its shares in SRGL to the Company via a dividend in specie. The Directors anticipate on carrying out the steps in this paragraph 4.3(b) immediately after Admission and in any event by 31 December 2021.

The diagram below sets out the simplified Group structure following completion of the step set out in sub-paragraph 4.3 (b) above:



5. SHARE CAPITAL AUTHORITIES

5.1 The shareholder of the Company resolved at the General Meeting that:

(a) the Directors be generally and unconditionally authorised in accordance with section 551 of the Companies Act to exercise all the powers of the Company to allot shares in the Company or grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £116,000,000 to the Existing Shareholders in connection with the Share Exchange;

(b) conditional upon, and with effect from, Admission, the Directors be generally and unconditionally authorised in accordance with section 551 of the Companies Act to exercise all the powers of the Company to allot shares in the Company or grant rights to subscribe for or to convert any security into shares in the Company:

(i) up to an aggregate nominal amount of £11,627,907 to new investors in connection with the Offer;

(ii) up to an aggregate nominal amount of £35,000 to the Independent Non-Executive Directors in connection with the issuance by the Company of Ordinary Shares pursuant to subscription agreements (the "**Subscription**");

(iii) up to an aggregate nominal amount of £42,450,852, equal to one third of the Company's share capital immediately following Admission; and

(iv) comprising equity securities (as defined in section 560(1) of the Companies Act) up to an aggregate nominal amount of £84,901,704, equal to two thirds of the Company's share capital immediately following Admission (such amount to be reduced by the extent the authority granted by sub-paragraph (b)(iii) above is utilised) in connection with an offer by way of a rights issue:

(A) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and

(B) to holders of other equity securities as required by the rights of those securities or, subject to such rights, as the Directors otherwise consider necessary,

and so that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, and legal, regulatory or practical problems in, or under the laws of, any territory, or any other matter,

such authorities to apply until the end of the Company's next annual general meeting after this resolution is passed (or, if earlier, until the close of business on 4 November 2022) but, in each case, so that the Company may make offers and enter into agreements before the authority expires, which would, or might, require shares to be allotted or rights to subscribe for or to convert any security into shares to be granted after the authority expires, and the Directors may allot shares or grant such rights under any such offer or agreement as if the authority had not expired;

(c) conditional upon, and with effect from, Admission, the Directors be generally empowered pursuant to section 570 of the Companies Act to allot equity securities (as defined in section 560(1) of the Companies Act) for cash pursuant to the authorities referred to in sub paragraph (a) above, free of the restriction in section 561 of the Companies Act, such power to apply until the end of the Company's next annual general meeting after this resolution is passed (or, if earlier, until the close of business on 4 November 2022) but so that the Company may make offers and enter into agreements before the power expires, which would, or might, require equity securities to be allotted after the power expires, and the Directors may allot equity securities under any such offer or agreement as if the power had not expired;

(d) conditional upon, and with effect from, Admission, the Directors be generally empowered pursuant to section 571 of the Companies Act to allot equity securities (as defined in section 560(1) of the Companies Act) for cash pursuant to the authorities referred to in sub-paragraphs (b)(i) to (ii) above, free of the restriction in section 561 of the Companies Act, such power to apply until the end of the Company's next annual general meeting after this resolution is passed (or, if earlier, until the close of business on 4 November 2022) but so that the Company may make offers and enter into agreements before the power expires, which would, or might, require equity securities to be allotted after the power expires, and the Directors may allot equity securities under any such offer or agreement as if the power had not expired;

(e) conditional upon, and with effect from, Admission, the Directors be generally empowered pursuant to section 570 of the Companies Act to allot equity securities (as defined in section 560(1) of the Companies Act) for cash pursuant to the authorities referred to in sub-paragraphs (b)(iii) and (iv) above and/or pursuant to section 573 of the Companies Act to sell ordinary shares held by the Company as treasury shares for cash, in each case free of the restriction in section 561 of the Companies Act, such power to be limited:

(i) to the allotment of equity securities and sale of treasury shares for cash in connection with an offer of, or an invitation to apply for, equity securities (but in the case of an allotment pursuant to the authority referred to in sub-paragraph (b)(iv) above, such power shall be limited to the allotment of equity securities in connection with an offer by way of a rights issue only):

(A) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and

(B) to holders of other equity securities, as required by the rights of those securities or, subject to such rights, as the Directors otherwise consider necessary,

and so that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter; and

(ii) to the allotment of equity securities and/or sale of treasury shares for cash (in each case otherwise than in the circumstances set out in sub-paragraph 5.1(e)(i) above) up to a nominal amount of £6,367,628 equal to approximately 5 per cent. of the Company's share capital immediately following Admission (calculated, in the case of equity securities which are rights to subscribe for, or to convert securities into, ordinary shares by reference to the aggregate nominal amount of relevant shares which may be allotted pursuant to such rights),

such power to apply until the end of the Company's next annual general meeting after this resolution is passed (or, if earlier, until the close of business on 4 November 2022) but so that the Company may make offers and enter into agreements before the power expires, which would, or might, require equity securities to be allotted after the power expires, and the Directors may allot equity securities under any such offer or agreement as if the power had not expired.

(f) conditional upon, and with effect from, Admission, in addition to any authority granted under resolution 5.1(e), and subject to the passing of resolution 5.1(b)(iii) and (iv), the Directors be generally empowered pursuant to section 570 of the Companies Act 2006 to allot equity securities (as defined in section 560(1) of the Companies Act 2006) for cash pursuant to the authority granted by resolution 5.1(b)(iii) and (iv) and/or pursuant to section 573 of the Companies Act 2006 to sell ordinary shares held by the Company as treasury shares for cash, in each case free of the restriction in section 561 of the Companies Act 2006, such power to be:

(i) limited to the allotment of equity securities and/or sale of treasury shares for cash up to an aggregate nominal amount of £6,367,628 equal to approximately 5 per cent. of the Company's share capital immediately following Admission (calculated, in the case of equity securities which are rights to subscribe for, or to convert securities into, ordinary shares by reference to the aggregate nominal amount of relevant shares which may be allotted pursuant to such rights); and

(ii) used only for the purposes of financing (or refinancing, if the authority is to be used within six months after the original transaction) a transaction which the Directors determine to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice,

such power to apply until the next annual general meeting after this resolution is passed (or, if earlier, until the close of business on 4 November 2022) but so that the Company may make offers and enter into agreements before the authority expires, which would, or might, require equity securities to be allotted (and/or treasury shares to be sold) after the power expires and the Directors may allot equity securities (and/or sell treasury shares) under any such offer or agreement as if the power had not expired.

(g) the Company and all companies that are its wholly-owned subsidiaries at any time during the period for which this resolution has effect be generally and unconditionally authorised to:

(i) make political donations to political parties or independent election candidates (as such terms are defined in sections 363 and 364 of the Companies Act) not exceeding £100,000 in aggregate;

(ii) make political donations to political organisations other than political parties (as such terms are defined in sections 363 and 364 of the Companies Act) not exceeding £100,000 in aggregate; and

(iii) incur political expenditure (as such term is defined in section 365 of the Companies Act) not exceeding £100,000 in aggregate,

provided that the aggregate of all expenditure under sub-paragraphs (i), (ii) and (iii) above shall not exceed £100,000 in total and this amount may comprise sums in different currencies which shall be converted at such rate as the Board may in its absolute discretion determine to be appropriate;

(h) conditional upon, and with effect from, Admission, the Company was authorised in accordance with the New Articles of Association to call general meetings other than an annual general meeting on 14 clear days' notice;

(i) conditional upon, and with effect from, Admission, the New Articles of Association be adopted as the articles of association of the Company in substitution for, and to the exclusion of, the existing articles of association of the Company (the "**Articles of Association**"); and

(j) conditional upon, and with effect from, Admission, and subject to confirmation by the High Court of Justice of England and Wales (the "**Court**"), the nominal value of each Ordinary Share shall be reduced from £1.00 to £0.001 and the entire amount standing to the credit of the share premium account of the Company as at 5.00 p.m. (London time) on the day immediately preceding the day on which the Court makes an order confirming the reduction of capital described in paragraph 4.3(a).

5.2 Save as disclosed above in paragraphs 13 "*Employee Share Plans*" and 18.1 "*Underwriting Agreement*" of this *Part X* "*Additional Information*":

(a) no share or loan capital of the Company has, within three years of the date of this document, been issued or agreed to be issued, or is now proposed to be issued (other than pursuant to the Offer), fully or partly paid, either for cash or for a consideration other than cash, to any person;

(b) no commissions, discounts, brokerages or other special terms have been granted by the Company in connection with the issue or sale of any share or loan capital of any such company; and

(c) no share or loan capital of the Company is under option or agreed conditionally or unconditionally to be put under option.

5.3 The Company remains subject to the provisions of section 561 of the Companies Act (which confers on Shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash other than by way of allotment to employees under an employees' share scheme as defined in section 1166 of the Companies Act) which will apply to any further issuances of share capital of the Company, save to the extent disapplied as referred to in paragraph 5.1(d) above.

6. INFORMATION ON THE ORDINARY SHARES

6.1 Description of the type and class of securities to be admitted

The Ordinary Shares are ordinary shares in the share capital of the Company with a nominal value of £1.00 each. The ISIN of the Ordinary Shares is, and the ISIN of the New Shares will be, GB00BMHRMV23. The Ordinary Shares have been, and the New Shares will be, created under the Companies Act and the Articles of Association. On Admission, the Company will have one class of ordinary shares.

The New Shares will be credited as fully paid and free from all liens, equities, charges, encumbrances and other interests, and will rank in full for all dividends and distributions on the ordinary share capital of the Company declared, made or paid with reference to a record date falling on or after the date of Admission.

6.2 Admission

Application will be made to the FCA and to the London Stock Exchange respectively for admission of all of the Ordinary Shares: (i) to the premium listing segment of the Official List; and (ii) to the London Stock Exchange's main market for listed securities.

Conditional dealings in the Ordinary Shares are expected to commence on the London Stock Exchange at 8.00 a.m. (London time) on 5 November 2021. It is expected that Admission will become effective and that unconditional dealings in the Ordinary Shares will commence on the London Stock Exchange at 8.00 a.m. (London time) on 10 November 2021.

No application will be made for the Ordinary Shares to be admitted to listing or dealt with on any other stock exchange. The Ordinary Shares will not be admitted to trading on any stock exchange other than the London Stock Exchange's main market for listed securities.

6.3 Form and currency of the Ordinary Shares

The Ordinary Shares are in registered form and, from Admission, will be capable of being held in uncertificated form, and title to such shares may be transferred by means of a relevant system (as defined in the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755) as amended from time to time, the "**CREST Regulations**"). Where Ordinary Shares are held in certificated form, share certificates will be sent to the registered members by first-class post. Where Ordinary Shares are held in CREST, the relevant CREST stock account of the registered members will be credited.

The New Shares will be issued in registered form and will be capable of being held in certificated form and being recorded on the relevant register as being held in uncertificated form in CREST, and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST ("**uncertificated**", or being held in "**uncertificated form**").

Title to the certificated New Shares will be evidenced by entry in the register of members of the Company and title to uncertificated New Shares will be evidenced by entry in the operator register maintained by Euroclear UK & Ireland Limited, the operator of CREST ("**Euroclear**") (which forms part of the register of members of the Company). Computershare Investor Services PLC, with its registered office at The Pavilions, Bridgwater Road, Bristol BS99 6ZZ (the "**Registrar**") is the registrar of the Company.

The Ordinary Shares are, and the New Shares will be, denominated in pound sterling.

6.4 Dates of issue and settlement

The New Shares are expected to be issued and allotted on Admission, which is expected to occur on 10 November 2021 and those entitled to the Ordinary Shares are expected to be entered on the Company's register of members on that day.

6.5 Description of restrictions on free transferability

The Ordinary Shares are, and the New Shares will be, freely transferable.

The Company may, under the New Articles of Association and the Companies Act send out statutory notices to those it knows, or has reasonable cause to believe, have an interest in its shares, asking for details of those who have an interest, and the extent of their interest, in a particular holding of shares. When a person receives a statutory notice and fails to provide any information required by the notice within the time specified in it, the Company can apply to a court for an order directing, amongst other things, that any transfer of the shares which are the subject of the statutory notice is void.

The Directors may also, without giving any reason, refuse to register the transfer of any certificated Ordinary Shares which are not fully paid.

7. **ARTICLES OF ASSOCIATION**

7.1 Set out below is a summary of the provisions of the New Articles of Association adopted subject to and conditional on Admission pursuant to a resolution passed at the General Meeting:

7.2 The New Articles of Association adopted pursuant to a special resolution passed at the General Meeting subject to and conditional upon Admission contain provisions to the following effect:

(a) **Objects**

The objects of the Company, in accordance with s.31(1) of the Companies Act, are unrestricted.

(b) **Limited Liability**

The liability of the members is limited to the amount, if any, unpaid on the shares in the Company respectively held by them.

(c) **Transfer of Shares**

(i) Subject to the New Articles of Association, shares of the Company are free from any restriction on transfer. In exceptional circumstances approved by the FCA, the Directors may refuse to register a transfer (other than an enforcement transfer) of certificated shares, **provided that** such refusal would not disturb the market in those shares.

(ii) Certificated shares may be transferred by means of an instrument of transfer in writing in any usual form or any other form approved by the Directors, which is executed by or on behalf of:

(A) the transferor; and

(B) (if any of the shares is partly paid) the transferee.

(iii) Subject to the CREST Regulations, the transferor remains the holder of a share until the transferee's name is entered in the register of members as the holder of it.

(iv) The Directors may also, in their absolute discretion, refuse to register the transfer of a certificated share or a renunciation of a renounceable letter of allotment of a share unless all of the following conditions are satisfied:

(A) it is in respect of only one class of shares;

(B) it is in favour of (as the case may be) a single transferee or renouncee or not more than four joint transferees or renouncees;

(C) it is duly stamped (if required); and

(D) it is delivered for registration to the registered office of the Company or such other place as the Directors may decide, accompanied by the certificate for the shares to which it relates (except in the case of a person to whom the Company is not required by sections 769, 776, 777 or 778 of the Companies Act to issue a certificate, or in the case of a renunciation) and such other evidence as the Directors may reasonably require to prove the title of the transferor or person renouncing, and the due execution by him/her of the transfer or renunciation, or, if the transfer or renunciation is executed by some other person on his/her behalf, the authority of that person to do so.

(v) If the Directors refuse to register the transfer of a certificated share or renunciation of a renounceable letter of allotment, the instrument of transfer or renunciation must be returned to the transferee or renouncee as soon as practicable and in any event within two months of the date on which the transfer or renunciation was lodged with the Company with the notice of refusal and reasons for refusal unless they suspect that the proposed transfer or renunciation may be fraudulent.

(vi) In accordance with and subject to the provisions of the CREST Regulations, the operator of the relevant system ("**Operator**") shall register a transfer of title to any uncertificated share or any renounceable right of allotment of a share which is a participating security held in uncertificated form unless the CREST Regulations permit the Operator of the relevant system to refuse to register such transfer in certain circumstances, in which case the said Operator may refuse such registration.

(vii) In accordance with the CREST Regulations, if the Operator of the relevant system refuses to register the transfer of an uncertificated share, or of any such uncertificated renounceable right of allotment of a share, it must, as soon as practicable and in any event within two months after the date on which the relevant system-member instruction or issuer instruction (as the case may be) was received by the Operator, send notice of the refusal to the relevant system-member or participating issuer (as the case may be).

(viii) In accordance with, and subject to the provisions of the CREST Regulations, where title to an uncertificated share is transferred by means of a relevant system to a person who is to hold such share in certificated form after such transfer, the Company as participating issuer must register the transfer in accordance with the relevant Operator-instruction, but so that the Company may refuse to register such a transfer in any circumstance permitted by the CREST Regulations.

(ix) In accordance with the CREST Regulations, if the Company as participating issuer refuses to register the transfer of title to an uncertificated share transferred by means of a relevant system to a person who is to hold such share in certificated form after such transfer, it must, as soon as practicable, and in any event within two months after the date on which the Operator instruction was received by the Company, send notice of the refusal to the transferee.

(d) **Variation of Rights**

Subject to the Companies Act, the rights attached to a class of shares may be varied or abrogated (whether or not the Company is being wound up) either (i) with the consent in writing of the holders of at least three-quarters in nominal value of the issued shares of that class (excluding any shares of that class held as treasury shares) or (ii) with the sanction of a special resolution passed at a separate meeting of the holders of the issued shares of that class validly held in accordance with the New Articles of Association.

The rights attached to a class of shares are not, unless otherwise expressly provided for in the rights attaching to those shares, deemed to be varied by the creation, allotment or issue of further shares ranking *pari passu* with or subsequent to them or by the purchase or redemption by the Company of its own shares in accordance with the Companies Act.

(e) **Company's Lien on Partly Paid Shares**

The Company has a lien (the "**Company's lien**") over every share which is partly paid for any part of that share's nominal value and any premium at which it was issued, which has not been paid to the Company, and which is payable immediately or at some time in the future, whether or not a call notice has been sent in respect of it. The Company's lien over a share takes priority over any third-party's interest in that share and extends to any dividend or other money payable by the Company in respect of that share and (if that lien is enforced and the share is sold by the Company) the proceeds of sale of that share.

The Directors may at any time decide that a share which is or would otherwise be subject to the Company's lien shall not be subject to it, either wholly or in part. Unless otherwise agreed with the transferee, the registration of a transfer of a share operates as a waiver of the Company's lien (if any) on that share solely for the purposes of the transfer.

(f) **Forfeiture**

If a person is liable to pay a call and fails to do so by the due date for payment, the Directors may issue a notice of intended forfeiture to that person and, until the call is paid, that person must pay the Company interest on the call from the due date for payment to the actual date of payment (both dates inclusive) at the relevant rate. A notice of intended forfeiture must be in writing, may be sent in respect of any share in respect of which a call has not been paid as required by a call notice, must be sent to the holder of that share or a person entitled to it by reasons of the holder's death, bankruptcy or otherwise, must require payment of the call and any accrued interest (and all costs, charges and expenses incurred by the Company by reason of non-payment) by a date which is not less than 14 days after the date of the notice, must state how the payment is to be made, and must state that if notice is not complied with, the shares in respect of which the call is payable will be liable to be forfeited.

If a notice of intended forfeiture is not complied with before the date by which payment (including interest, costs, charge and expenses) of the call is required in the notice of intended forfeiture, the Directors may decide that any share in respect of which it was given is forfeited, and the forfeiture is to include all dividends or other moneys payable in respect of the forfeited shares and not paid before the forfeiture.

If a person's shares have been forfeited, that person remains liable to the Company for all sums payable by that person under the New Articles of Association at the date of forfeiture in respect of those shares, including any interest at the relevant rate (whether accrued before or after the date of forfeiture) and costs, charges or expenses.

Failure to give notice to the relevant holder of the share will not invalidate the forfeiture. Forfeited shares shall become the property of the Company.

(g) **Redeemable Shares**

Subject to the Companies Act, the Company may issue shares which are to be redeemed or are liable to be redeemed at the option of the Company or the holder, and the Directors may determine the terms, conditions and manner of redemption of any such shares.

(h) **General Meetings**

At least 21 clear days' notice must be given to call an annual general meeting. Subject to the Companies Act, at least 14 clear days' notice must be given to call all other general meetings.

The notice of a general meeting must be given to the members (other than those who, under the provisions of the New Articles of Association or the terms of allotment or issue of shares, are not entitled to receive notice) to the Directors, to the beneficial owners nominated to enjoy information rights under the Companies Act and to the Company's auditors. The accidental omission to give notice of a general meeting or to send, supply or make available any document or information relating to a meeting to, or the non-receipt of any such notice by, a person entitled to receive any such notice shall not invalidate the proceedings at that meeting.

All members present in person, and their duly appointed proxy or proxies shall be entitled to attend and to speak at all general meetings of the Company and, such proxy or proxies are entitled to vote instead of such member both on a show of hands and on a poll. A proxy need not also be a member of the Company. A member may appoint more than one proxy in relation to a meeting provided each proxy is appointed to exercise the rights attached to different shares held by that member.

(i) **Notices and Communications**

Save where the New Articles of Association expressly require otherwise, any notice, document or information to be sent or supplied by or to the Company may be sent or supplied in accordance with the Companies Act (whether authorised or required to be sent or supplied by the Companies Act or otherwise) in hard copy form, in electronic form or by means of a website.

In the case of joint holders of a share, a notice, document or information shall be validly sent or supplied to all joint holders if sent or supplied to whichever of them is named first in the register in respect of the joint holding. Anything to be agreed or specified in relation to a notice, document or information to be sent or supplied to joint holders, may be agreed or specified by the joint holder who is named first in the register in respect of the joint holding.

A notice, document or information sent by post and addressed to a member at his/her registered address or address for service in the United Kingdom is deemed to be given to or received by the intended recipient 24 hours after it was put in the post if prepaid as first-class post and 48 hours after it was put in the post if prepaid as second class post. In proving such service, it shall be sufficient to prove that the envelope containing the notice, document or information was properly addressed, pre-paid and posted.

A notice, document or information sent or supplied by electronic means to an address specified for the purpose by the member is deemed to have been given to or received by the intended recipient 24 hours after it was sent, and in proving service it is sufficient to prove that the communication was properly addressed and sent.

A notice, document or information sent or supplied by means of a website is deemed to have been given to or received by the intended recipient when (i) the material was first made available on the website or (ii) if later, when the recipient received (or is deemed to have received) notification of the fact that the material was available on the website.

(j) **Directors**

(i) *Number of Directors*

Unless otherwise determined by the Company by ordinary resolution, the number of Directors (other than alternate Directors) must not be less than two and must not be more than ten.

(ii) *Appointment*

Subject to the Companies Act, a person can be appointed (or remain) a director regardless of his/her age.

Subject to the New Articles of Association, any person who is willing to act as a director, and is permitted by law to do so, may be appointed to be a director by ordinary resolution at a general meeting, by a decision of the Directors or under the New Articles of Association if the Company has only one director.

(iii) *Remuneration*

Unless otherwise determined by ordinary resolution, Directors (but not alternate Directors) are entitled for their services to such total fees as the Directors determine. The total fees paid to Directors must not exceed £2 million per annum, or any other amount as decided by ordinary resolution. The total fees will be divided amongst the Directors in the proportions that the Directors decide or, if no decision is made, the total fees will be divided equally.

Subject to the Companies Act and to the New Articles of Association, the Directors' fees may be payable in any form and, in particular, the Directors may arrange for part of a fee payable to be provided in the form of fully-paid shares of the Company. The amount of the fee will be applied to purchase or subscribe for shares on behalf of a director.

The Directors can pay additional remuneration (whether by way of salary, percentage of profits or otherwise) and expenses to any director who at the request of the Directors makes a special journey for the Company, performs a special service for the Company or works abroad in connection with the Company's business.

The Company may repay any reasonable travelling, hotel and other expenses which a director properly incurs in performing his/her duties as director in connection with his/her attendance at Directors' meetings, committee meetings, general meetings or separate meetings of the holders of a class of shares or debentures of the Company, or otherwise in connection with the exercise of their powers and the discharge of his/her responsibilities in relation to the Company. Subject to the Companies Act, the Directors may make arrangements to provide a director with funds to meet expenditure incurred (or to be incurred) by him/her for the purposes of the Company or for the purpose of enabling him/her properly to perform his/her duties as an officer of the Company or to enable him/her to avoid incurring any such expenditure.

The Directors may decide whether to pay or provide (by insurance or otherwise) pensions, retirement or superannuation benefits, death, sickness or disability benefits, gratuities or other allowances to any person who is or who was a director of (i) the Company, (ii) a subsidiary undertaking of the Company, (iii) any company which is or was allied to or associated with the Company or any of its subsidiary undertakings, or (iv) a predecessor in business of the Company or of any of its subsidiary undertakings (or, in each case, to any member of his/her family, including a spouse or former spouse, or a person who is or was dependent on him). For this purpose, the Directors may establish, maintain, subscribe and contribute to any scheme, trust or fund and pay premiums. The Directors may arrange for this to be done either by the Company alone or in conjunction with another person.

(iv) *Indemnity*

To the extent permitted by the Companies Act, and without prejudice to any indemnity to which he or she may otherwise be entitled, every person who is or was a director or other officer of the Company or an associated Company (other than any person (whether or not an officer of the Company or an associated Company) engaged by the Company or an associated Company as auditor) shall be, and shall be kept, indemnified out of the assets of the Company against all costs, charges, losses and liabilities incurred by him or her (whether in connection with any negligence, default, breach of duty or breach of trust by him or her or otherwise as a director or such other officer of the Company or an associated Company) in relation to the Company or an associated Company or their affairs, other than in respect (broadly) of any liability incurred by such person to the Company or to an associated Company, any criminal or regulatory fine or the costs of defending any criminal proceedings in which such person is convicted.

(v) *Removal of Directors*

In addition to any power of removal under the Companies Act, the Company can by ordinary resolution remove a director even though his/her time in office has not ended (without prejudice to a claim for damages for breach of contract or otherwise) and subject to the New Articles of Association, by ordinary resolution appoint a person to replace a director who has been removed in this way. A person appointed to replace a director who has been removed will be due to retire when the director he/she replaces would have been due to retire. A director may also be removed from office by the service on him/her of a notice to that effect signed by or on behalf of all his/her co-Directors.

(vi) *Annual re-election of Directors*

At the end of each annual general meeting all the Directors shall retire from office unless appointed or reappointed at the meeting.

Subject to the Companies Act and the New Articles of Association, the Directors required to retire at an annual general meeting (as necessary to obtain the required number) are: first, any director who wants to retire and who does not want to be reappointed; second, those Directors who have been Directors longest since they were last appointed or reappointed.

A director who retires at an annual general meeting can be reappointed by members. If he/she is not reappointed (or deemed to be reappointed), he/she may remain a director until the meeting appoints someone in his/her place or, if it does not appoint anyone, until the end of the meeting.

Subject to the New Articles of Association, if the Company does not fill the vacancy of a director who retires at an annual general meeting, the retiring director (if willing) will be deemed reappointed unless it is expressly resolved not to fill the vacancy or a resolution for reappointment of the director is put to the meeting and lost.

(vii) *Directors' Interests*

The Directors may authorise any matter proposed to them which would, if not so authorised, involve a breach of duty by a director under section 175 of the Companies Act. Any such authorisation will be effective only if any requirement as to the quorum at the meeting or part of the meeting at which the matter is considered is met without counting the director in question or any other Directors interested in the matter under consideration, and the matter was agreed to without such Directors voting or would have been agreed to if such Directors' vote had not been counted.

A director shall be under no duty to the Company with respect to any information which he/she obtains or has obtained otherwise than as a director of the Company and in respect of which he/she owes a duty of confidentiality to another person.

A director who is in any way, directly or indirectly, interested in a proposed transaction or arrangement with the Company must declare the nature and extent of his/her interest to the other Directors before the Company enters into the transaction or arrangement. Such declaration may (but need not) be made at a meeting of the Directors or by notice in writing in accordance with section 184 of the Companies Act or by general notice in accordance with section 185 of the Companies Act.

A director who is in any way, directly or indirectly, interested in a transaction or arrangement that has been entered into by the Company must declare the nature and extent of his/her interest to the other Directors as soon as is reasonably practicable (unless the interest has already been declared as above). Such declaration must be made at a meeting of the Directors or by notice in writing in accordance with section 184 of the Companies Act or by general notice in accordance with section 185 of the Companies Act.

Subject to the Companies Act, and provided he/she has declared to the Directors the nature and extent, if any, of his/her direct or indirect interest in accordance with the New Articles of Association, a director may be a party to or otherwise be interested in any transaction or arrangement with the Company or in which the Company is directly or indirectly interested or may act by himself/herself or through his/her firm in a professional capacity for the Company (otherwise than as auditor) and in any such case on such terms as to remuneration and otherwise as the Directors may decide, or may be a director or other officer of, or employed by, or a party to any transaction or arrangement with, or otherwise be interested in, anybody corporate in which the Company is directly or indirectly interested.

A director shall not, by reason of his/her office, be accountable to the Company for any remuneration or other benefit which he/she derives from any office or employment or from any transaction or arrangement or from any interest in any body corporate, the acceptance, entry into or existence of which has been authorised by the Directors under the New Articles of Association or which he/she is permitted to hold or enter into by virtue of the New Articles of Association.

The Company may, by ordinary resolution, suspend or relax the provisions in the New Articles of Association relating to Directors' interests to any extent. Subject to the Companies Act, the Company may, by ordinary resolution, ratify any transaction or arrangement not properly authorised by reason of a contravention of the provisions in the New Articles of Association relating to Directors' interests.

(viii) *General Voting and Quorum Requirements*

Save as otherwise provided by the New Articles of Association, a director shall not vote on or be counted in any quorum in relation to a resolution of the Directors or a committee of the Directors concerning a matter in which he/she has a direct or indirect interest which is, to his/her knowledge, a material interest (otherwise than by virtue of his/her interest in shares, debentures or other securities of, or otherwise in, or through the Company).

This prohibition does not apply to a resolution concerning any of the following matters:

(A) the giving of a guarantee, security or indemnity in respect of money lent or obligations incurred by him or her or any other person at the request of, or for the benefit of, the Company or any of its subsidiary undertakings;

(B) the giving of a guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which the director has assumed responsibility in whole or in part, either alone or jointly with others, under a guarantee or indemnity or by the giving of security;

(C) a transaction or arrangement concerning an offer of shares, debentures or other securities of or by the Company or any of its subsidiary undertakings for subscription or purchase, in which offer he or she is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which he or she is to participate;

(D) a transaction or arrangement to which the Company is or is to be a party concerning another company (including a subsidiary undertaking of the Company) in which such director or any person connected with him or her is interested (directly or indirectly) whether as an officer, shareholder, creditor or otherwise, **provided that** he/she and any persons connected with him/her do not to his/her knowledge hold an interest in shares (as that term is used in sections 820 to 825 of the Companies Act) representing one per cent. or more of either any class of the equity share capital (excluding any shares of that class held as treasury shares) in the relevant company or of the voting rights available to members of the relevant company;

(E) a transaction or arrangement for the benefit of the employees of the Company or any of its subsidiary undertakings (including any pension fund or retirement, death or disability scheme) which does not award him/her a privilege or benefit not generally awarded to the employees to whom it relates; or

(F) a transaction or arrangement concerning the purchase or maintenance of any insurance policy for the benefit of Directors or for the benefit of persons including Directors.

A director shall not vote on or be counted in the quorum in relation to any resolution of the Directors or committee of the Directors concerning his/her own appointment (including fixing or varying the terms of his/her appointment or its termination) as the holder of an office or place of profit with the Company or anybody corporate in which the Company is directly or indirectly interested. Where proposals are under consideration concerning the appointment (including fixing or varying the terms of appointment or its termination) of two or more Directors to offices or places of profit with the Company or anybody corporate in which the Company is directly or indirectly interested, such proposals may be divided and a separate resolution considered in relation to each director, in which case each of the Directors concerned (if not otherwise debarred from voting under the New Articles of Association) shall be entitled to vote (and be counted in the quorum) in respect of each resolution except that concerning his/her own appointment.

The Directors may in their discretion exercise (or cause to be exercised) the powers conferred by shares of another company held (or owned) by the Company or a power of appointment to be exercised by the Company.

(ix) *Executive Directors*

Subject to the Companies Act, the Directors may appoint one or more of the Directors to hold an executive office within the Company for such term and on such other terms and conditions as (subject to the Companies Act) the Directors think fit.

The Directors may revoke or terminate an appointment, without prejudice to a claim for damages for breach of the contract of service between the director and the Company or otherwise.

The salary or other remuneration of a director appointed to hold employment or executive office in accordance with the New Articles of Association may be a fixed sum of money, or wholly or in part governed by business done or profits made, or as otherwise decided by the Directors, and may be in addition to or instead of a fee payable to him/her for his/her services as director pursuant to the New Articles of Association.

(k) **Failure to Disclose Interests in Shares**

Where notice is served by the Company under section 793 of the Companies Act (a "**section 793 notice**") on a member, or another person appearing to be interested in shares held by that member, and the member or other person has failed in relation to any shares (the "**default shares**", which expression includes any shares allotted or issued after the date of the section 793 notice in respect of those shares) to give the Company the information required within the prescribed period from the date of service of the section 793 notice, the following sanctions apply, unless the Directors otherwise decide:

(i) the member shall not be entitled in respect of the default shares to be present or to vote (either in person, by proxy or by corporate representative) at a general meeting or at a separate meeting of the holders of a class of shares or on a poll; and

(ii) where the default shares represent at least 0.25 per cent. in nominal value of the issued shares of their class (excluding any shares of their class held as treasury shares) a dividend (or any part of a dividend) or other amount payable in respect of the default shares shall be withheld by the Company, which has no obligation to pay interest on it, and the member shall not be entitled to elect, under the New Articles of Association, to receive shares instead of a dividend; and no transfer of any certificated default shares shall be registered unless the transfer is an excepted transfer or the member is not himself/herself in default in supplying the information required, and the member proves to the satisfaction of the Directors that no person in default in supplying the information required is interested in any of the shares the subject of the transfer.

8. OTHER DIRECTORSHIPS

8.1 In addition to their directorships of the Company (in the case of the Directors) and its subsidiaries and subsidiary undertakings, the Directors hold, or have held, the following directorships and are or were members of the following partnerships, within the past five years:

Name	Current directorships / partnerships	Past directorships / partnerships
Directors		
Trevor Harvey	ISG Boiler Holdings Ltd	-
George Letham	Letham Investments Limited Cargil Investments Limited The Rangers Football Club Ltd	-
Robert Ellis...............................	Ellis Parker Limited Mela Mela Limited Twickenham Training Limited KCA Deutag Alpha II Limited[6] KCAD Holdings II Limited[7] KCAD Holdings I Limited[8] OS Phoenix Holdco Limited OS Phoenix Midco Limited OS Phoenix Bidco Limited Whittan Midco Limited Whittan Bidco Limited Whittan Group Limited Whittan Storage Systems Limited Apex Linvar Limited Whittan Overseas Limited Whittan Intermediate Limited Whittan Industrial Limited	Whittan Acquisition Co Limited Masondixie Limited Whittan DDB Co Limited Caledonia Topco Limited[1] 20:20 Logistics Limited[2] 20:20 Mobile (UK) Limited[3] 20:20 Mobile Group Limited[4] Chicago Beta Limited[5] Hykeham Group Limited Hykeham Group Holdings Limited Hykeham Capital Limited Stemcor Global Holdings Limited (Jersey) Metzeler Automotive Profile Systems Sa (Lux) FiveTen Holdings Group Limited[9] The Danwood Group Limited

Name	Current directorships / partnerships	Past directorships / partnerships
	First Class Learning Holdings Limited First Class Learning Limited Nature Metrics Limited Naturespace Partnership Limited Parexel International Corporation Limited Mandalay Holdings Jersey Limited Karfu Limited	KCA Deutag Alpha Limited
Edmund Lazarus	First Class Learning Holdings Limited Metropolis Group Limited Tamar Films LLP Clyde Films LLP Orwell Films LLP Cherwell Films LLP EMK Capital LLP IPPN Holdings Limited IPPN Group Limited Bright Data Limited IPPN Holdings Limited CBTC Topco (Jersey) Limited OneBright Bidco Limited CBTC Midco Limited CBTC UK Holdco Limited Grey Holding ApS Tablet Topco Limited Ovation Topco Ltd Ovation Midco Ltd Ovation Bidco Ltd EMK Capital Holdings Limited Williams Advanced Engineering Technologies Limited Williams Advanced Engineering Limited Hyperbat Limited Joule Jersey Topco Limited Joule Holdco Limited Joule Midco Limited Joule Bidco Limited OS Phoenix Bidco Limited OS Phoenix Midco Limited OS Phoenix Holdco Limited OS Phoenix Topco Limited Broad Horizon Holding B.V. EMK Second Member Limited EMK Managing Member Limited Mandalay Holdings Jersey Limited	Metropolis Group Holdings Limited Metropolis International Group Ltd Diamond Publishing Ltd Bregal GP II LLP Bregal Capital LLP Primary UK Holdings Limited FiveTen Group Limited[10] FiveTen Acquisition Limited[11] FiveTen Group Holdings Limited[9] FiveTen Group Finance Limited[12] Cognita Topco Limited Cognita Holdings Limited QA-IQ Holdings Limited ICHNAEA UK Limited ICHNAEA UK Bidco Limited QA-IQ Investments Limited ICHNAEA UK Holdings Limited Hykeham Group Limited[13] Morrison Utility Services Group Limited Morrison Utility Services Investments Limited M Group Utilities Limited C B T Clinics Limited Expert Psychological Reports Ltd Grey Bidco 2019 ApS EMK Capital Management Limited EMK Capital Topco Limited Outsourcing Strategies 1 Limited[14] Outsourcing Strategies 2 Limited[15] Outsourcing Strategies 3 Limited[16] Blue BidCo ApS

Name	Current directorships / partnerships	Past directorships / partnerships
	Whittan Storage Systems Limited Whittan Group Limited Whittan Midco Limited Sonans Holding AS Broad Horizon Holding B.V. BTM Comms Holdings Limited BTM Comms Group Limited BTM Comms Jersey Limited Blue Holding ApS eGISS A/S Quantum Leap Holdco B.V. Bregal (Custody Limited)	
Nicholas Armstrong..................	EMK Capital LLP Hyperbat Limited Joule Bidco Limited Joule Holdco Limited Joule Jersey Topco Limited Joule Midco Limited Williams Advanced Engineering Limited Williams Advanced Engineering Technologies Limited OS Phoenix Bidco Limited OS Phoenix Midco Limited OS Phoenix Holdco Limited OS Phoenix Topco Limited	FiveTen Group Limited(10) FiveTen Group Holdings Limited(17) FiveTen Acquisition Limited(11) FiveTen Group Finance Limited(12) Hykeham Group Limited(13) Hykeham Group Holdings Limited(18) Hykeham Capital Limited(19) Outsourcing Strategies 1 Limited(14) Outsourcing Strategies 2 Limited(15) Outsourcing Strategies 3 Limited(16)
Terry Miller..............................	Galliford Try Holdings plc Goldman Sachs International Goldman Sachs International Bank Rothesay Life plc Rothesay Limited EventingLive Limited	International Inspiration British Olympic Association Invictus Games Foundations Galliford Try Limited
Nicola Bruce.............................	Wings Holdings Limited Caledonia Strategy Limited Reading Blue Coat School Newbury Building Society	Hanover Housing Developments Limited The Money Advice Service
Martin Payne	Genuit Group plc Construction Products Association Ltd AAA Holdings Limited Adey Commercial Limited Adey Holdings (2008) Limited Adey Innovation Limited Alderburgh Limited Alderburgh Ireland Limited Alpha Scientific Limited	

Name	Current directorships / partnerships	Past directorships / partnerships
	Environmental Sustainable Solutions Limited Ferrob Ventilation Ltd Hayes Pipes (Ulster) Limited Home Ventilation (Ireland) Limited Infra Green Limited Insulated Damp-Proof Course Limited Genuit Limited Genuit Group Plc London Bidco Limited London Finco Limited London TopCo Limited Manthorpe Building Products Limited Manthorpe Building Products Holdings Limited Mason Pinder (Toolmakers) Limited Nuaire Limited Nu-Heat (Holdings) Limited Nu-Heat UK Limited NUHOLD Ltd NU-OVAL ACQUISITIONS 1 Limited NU-OVAL ACQUISITIONS 2 Limited NU-OVAL ACQUISITIONS 3 Limited Oracstar Ltd Permavoid Technologies Limited Permavoid Technologies (USA) Limited Permavoid Limited Pipe Holdings 1 Plc Pipe Holdings 2 Limited Pipe Holdings Plc Plumbexpress Limited Polypipe Building Products Limited Polypipe Commercial Building Systems Limited Polypipe Group 1 Limited Polypipe Civils Limited Polypipe Limited Polypipe (Ireland) Limited Polypipe Italia SRL Polypipe Terrain Limited Polypipe Trading Limited Polypipe (Ulster) Limited Polypipe Ventilation Limited Polypipe T.D.I. Limited Polypipe Terrain (Holdings) Ltd	

Name	Current directorships / partnerships	Past directorships / partnerships
	Robimatic Limited Surestop Limited Solutek Environmental Limited Sustainable Water and Drainage Systems B.V.	

Notes:

(1) Wound-up pursuant to a members' voluntary liquidation in April 2021

(2) Wound-up pursuant to a members' voluntary liquidation in February 2018

(3) Wound-up pursuant to a members' voluntary liquidation in May 2020

(4) Wound-up pursuant to a members' voluntary liquidation in August 2018

(5) Wound-up pursuant to a members' voluntary liquidation in April 2021

(6) In members' voluntary liquidation

(7) In members' voluntary liquidation

(8) In members' voluntary liquidation

(9) In members' voluntary liquidation

(10) Wound up pursuant to a members' voluntary liquidation in December 2019

(11) Wound up pursuant to a members' voluntary liquidation in December 2019

(12) Wound up pursuant to a members' voluntary liquidation in January 2020

(13) Wound up pursuant to a members' voluntary liquidation in January 2018

(14) Wound up pursuant to a members' voluntary liquidation in January 2020

(15) Wound up pursuant to a members' voluntary liquidation in January 2020

(16) Wound up pursuant to a members' voluntary liquidation in January 2020

(17) Wound up pursuant to a members' voluntary liquidation in January 2020

(18) Wound up pursuant to a members' voluntary liquidation in January 2018

(19) Wound up pursuant to a members' voluntary liquidation in January 2018

8.2 Within the period of five years preceding the date of this document, none of the Directors:

(a) has had any convictions in relation to fraudulent offences;

(b) has been a member of the administrative, management or supervisory bodies or a director or senior manager (who is relevant to establishing that a company has the appropriate expertise and experience for the management of that company) of any company at the time of any bankruptcy, receivership, liquidation or putting into administration of such company (save as set out in paragraph 8.1 above); or

(c) has received any official public incrimination and/or sanction by any statutory or regulatory authorities (including designated professional bodies) or has been disqualified by a court from acting as a director or member of an administrative, management or supervisory body of a company or from acting in the management or conduct of the affairs of a company.

8.3 Edmund Lazarus and Nicholas Armstrong were appointed by and represent the Major Shareholder. Amongst other things, the Major Shareholder or its associates may from time to time acquire and hold interests in businesses that compete directly or indirectly with the Group, or with which the Group conducts business. Each of the Directors has a statutory duty under the Companies Act to avoid conflicts of interest with the Company and to disclose the nature and extent of any such interest to the Board. Under the Articles of Association, and as permitted by the Companies Act, the Board may authorise any matter which would otherwise involve a Director breaching this duty to avoid conflicts of interest and may attach to any such authorisation such conditions and/or restrictions as the Board deem appropriate (including in respect of the receipt of information or restrictions on participation at certain Board meetings), in accordance with the Articles of Association. Save as set out above, there are no potential conflicts of interests between any duties owed by the Directors to the Company and their private interests or other duties.

9. DIRECTORS' SERVICE AGREEMENTS AND LETTERS OF APPOINTMENT

Set out below is information on the employment and remuneration arrangements for the Directors.

9.1 Directors' terms of employment

The Directors and their functions are set out in *Part III* "*Directors and Corporate Governance*". In advance of Admission, each of the Executive Directors have entered into a service agreement with the Company and each of the Non-Executive Directors have entered into a letter of appointment with the Company.

9.2 Executive Directors

On 22 October 2021, Trevor Harvey entered into a new service agreement with the Company for the position of Chief Executive Officer. On 21 October 2021, George Letham entered into a new service agreement with the Company for the position of Chief Financial Officer.

The CEO will receive a salary of £476,058 per annum and the CFO will receive a salary of £304,678 per annum. The salary (inclusive of directors' fees) shall be reviewed annually by the Remuneration Committee, and any increase will be at the discretion of the Remuneration Committee. The service agreements provide that the CEO and CFO will perform services for the Company and any other member of the Group without any further remuneration.

Each Executive Director will be entitled to participate in the Company's discretionary bonus scheme which provides an annual bonus of up to 150 per cent of their basic salary, subject to meeting or exceeding performance criteria set at the beginning of the financial year by the Remuneration Committee. For 2021 the performance criteria have been set in reference to adjusted EBITDA and the bonus will be capped at 75 per cent of their basic salary.

Each Executive Director will be entitled to 25 working days' paid holiday per annum (excluding public holidays). Each Executive Director is entitled to the benefit of a life assurance scheme, private medical expenses insurance scheme, and travel and accident insurance scheme. The Company reserves the right to withdraw or terminate, or amend, any schemes provided that the benefits then provided are no less favourable when taken overall. Each Executive Director will be provided with a mobile phone and each will receive an annual car allowance (for the CEO, in the amount of £14,985 and for the CFO, in the amount of £11,436) and reimbursement of fuel expenses. The CEO and CFO will both be entitled to a salary supplement in-lieu of pension contribution of 9 per cent of their salary annually.

The CEO's service agreement will be terminable by either the Company or the CEO on not less than 12 months' written notice. The CFO's service agreement will be terminable by either the Company or the CFO on not less than six months' written notice. The Company shall also be entitled to terminate an Executive Director's service agreement with immediate effect by payment in lieu of notice equivalent to the aggregate amount of their basic salary, the cash equivalent of all contractual benefits (excluding bonuses) and any accrued but unpaid bonus which they would otherwise have been entitled to receive during the notice period. Each Executive Director shall also be entitled to a bonus upon termination of employment at the discretion of the Remuneration Committee based on a review of any targets for the applicable financial year and paid on a pro rata basis in respect of the number of complete months worked by them in the relevant financial year prior to the date of termination, provided this is at least six months. The CEO can be placed on garden leave for all or part of his notice period, up to a maximum of 12 months. The CFO can be placed on garden leave for all or part of his notice period, up to a maximum of six months.

Each of the Executive Directors are subject to a confidentiality undertaking and intellectual property restriction without limitation in time, and a non-competition restrictive covenant and a non-solicitation restrictive covenant which seeks to apply for a period of six months after the termination of their employment arrangements. The period of post-termination restrictive covenants is reduced by any time spent on garden leave.

The Executive Directors' service agreements prescribe that each of the Executive Directors acknowledge that, from Admission, they will comply with the UK Corporate Governance Code and will not accept any other directorships in a FTSE 100 company, or any other appointment or directorship, without first seeking the express written permission of the Board to do so.

The Executive Directors benefit from the Directors' and Officers' liability indemnity contained in the Company's Articles of Association.

9.3 **Non-Executive Directors**

The Company will have appointed six Non-Executive Directors at the time of Admission, of whom three are independent. Each of the Non-Executive Directors has entered into a letter of appointment with the Company as follows:

Non-Executive Director	**Title and Roles**	**Date of Appointment**	**Base Fee**
Robert Ellis..	Non-Executive Chairman	8 October 2021	£120,000 per annum
Edmund Lazarus..	Non-Executive Director	8 October 2021	£0
Nicholas Armstrong	Non-Executive Director	8 October 2021	£0
Terry Miller O.B.E	Senior Non-Executive Independent Director, Chair of Nomination Committee	22 October 2021	£82,500 per annum
Nicola Bruce..	Non-Executive Independent Director, Chair of Remuneration Committee	22 October 2021	£73,750 per annum
Martin Payne	Non-Executive Independent Director, Chair of Audit Committee	22 October 2021	£73,750 per annum

The Non-Executive Directors are subject to re-election by the Company in accordance with the Company's Articles of Association and subject to any necessary shareholder ratification. Continuation of the Non-Executive Directors' appointments are at all times conditional upon satisfactory performance and re-election by shareholders as required by the Articles of Association. Subject to this, each Non-Executive Director's appointment may be terminated at any time by either party giving the other three months' written notice, or in accordance with the provisions of their letters of appointment and/or the Company's Articles of Association.

The Chairman's base fee is £120,000 per annum, with an additional fee of £3,000 per day payable for any significant additional time commitment in excess of four days each month, subject to advance approval by the Senior Independent Director.

The other Non-Executive Directors' base fees will range from £50,000 to £82,500 per annum, depending on committee memberships (as set out in the table below), with an additional fee of £2,000 per day payable for any significant additional time commitment in excess of two and a half days each month, subject to advance approval by the Chairman and the production of an appropriate record of such days worked.

Fees	Terry Miller O.B.E	Nicola Bruce	Martin Payne
Non-Executive Director Fee	£50,000	£50,000	£50,000
Senior Independent Director Fee	£15,000	-	-
Chair of the Remuneration Committee	-	£10,000	-
Member of the Remuneration Committee	£5,000	£5,000	£5,000
Chair of the Audit Committee	-		£10,000
Member of the Audit Committee	£5,000	£5,000	£5,000
Chair of the Nomination Committee	£7,500		
Member of the Nomination Committee	-	£3,750	£3,750
Total	**£82,500**	**£73,750**	**£73,750**

In addition, all Non-Executive Directors will be entitled to reimbursement of reasonable and properly documented travel, hotel and other incidental expenses incurred in the performance of their duties and in accordance with the terms of the Company's expense policy for Non-Executive Directors.

The Non-Executive Directors will benefit from and are able to rely upon the indemnity contained in the Company's Articles of Association, the terms of which are expressly incorporated into the Non-Executive Directors' letters of appointment. The Company will also use its reasonable endeavours to obtain appropriate directors' and officers' liability insurance for the benefit of the Non-Executive Directors and maintain the cover in force while the Non-Executive Directors are appointed, subject to the provisions governing such insurance and on such terms as the Board of the Company may from time to time decide. The Non-Executive Directors are subject to confidentiality undertakings without limitation in time.

9.4 Termination benefits

Save as set out in this paragraph 9 "*Directors' Service Agreements and Letters of Appointment*" of *Part X* "*Additional Information*", there are no existing or proposed service agreements between any Director and any member of the Group providing for benefits upon termination.

10. DIRECTORS' AND OTHER INTERESTS

The table below sets out the interests of the Directors (all of which are beneficial and include interests of persons connected to them) in the share capital of the Company at the date of this document and immediately following Admission.

	Ordinary Shares held immediately prior to Admission(1)		Ordinary Shares held immediately after Admission(2)	
Name	**Number of Ordinary Shares**	**Percentage of Ordinary Shares**	**Number of Ordinary Shares***	**Percentage of Ordinary Shares**
Robert Ellis	3,181,980	2.75%	2,863,782	2.25%
Trevor Harvey	12,727,921	11.00%	11,455,129	8.99%
George Letham	6,363,960	5.50%	5,727,564	4.50%
Edmund Lazarus	-	-	-	-
Nicholas Armstrong	-	-	-	-
Terry Miller O.B.E(3)	-	-	2,325	0.00%
Nicola Bruce(3)	-	-	4,651	0.00%

Name	Ordinary Shares held immediately prior to Admission[(1)]		Ordinary Shares held immediately after Admission[(2)]	
	Number of Ordinary Shares	Percentage of Ordinary Shares	Number of Ordinary Shares*	Percentage of Ordinary Shares
Martin Payne[(3)]	-	-	9,302	0.01%

(1) The interests in Ordinary Shares have been stated on the basis that the Pre-IPO Reorganisation steps described in paragraph 4.2 "*Pre-IPO Reorganisation steps*" of this *Part X* "*Additional Information*" have been completed in full and that the shareholder resolution referred to in paragraph 5.1(a)(i) "*Share Capital Authorities*" of this *Part X* "*Additional Information*" has taken effect.

(2) Reflects Ordinary Shares subscribed for and disposed of in the Offer.

(3) On Admission, Terry Miller O.B.E. has agreed to subscribe for Ordinary Shares with a value of approximately £5,000 at the Offer Price pursuant to the Subscription, Nicola Bruce has agreed to subscribe for Ordinary Shares with a value of approximately £10,000 at the Offer Price pursuant to the Subscription, Martin Payne has agreed to subscribe for Ordinary Shares with a value of approximately £20,000 at the Offer Price pursuant to the Subscription. These Ordinary Shares will be issued at the Offer Price but will not form part of the Offer.

11. DIRECTORS' COMPENSATION

In the year ended 31 December 2020, the aggregate total remuneration paid (including contingent or deferred compensation) and benefits in kind granted (under any description whatsoever) to each of the Directors by members of the Group was £1,487,543. All of this amount was paid to the Directors as set out below:

Name	Fees/basic salary	Bonus	Pension	Share-based awards	Benefits	Total
			(£)			
Robert Ellis	75,000	-	-	-	-	75,000
Trevor Harvey	466,723	241,867	123,038	-	25,287	856,915
George Letham	298,703	154,795	86,619	-	15,511	555,628
Edmund Lazarus	-	-	-	-	-	-
Nicholas Armstrong	-	-	-	-	-	-
Terry Miller O.B.E.	-	-	-	-	-	-
Nicola Bruce	-	-	-	-	-	-
Martin Payne	-	-	-	-	-	-

The Group operates a defined benefit contribution scheme only. The total amount set aside or accrued by the Group to provide pension, retirement or other benefits to the Directors in the year ending 31 December 2020 was nil. The amounts reported as pension for Trevor Harvey and George Letham are salary supplement payments made to each Director in-lieu of pension.

12. REMUNERATION

12.1 Group Remuneration policy

In anticipation of Admission, the Remuneration Committee undertook a review of the Group's remuneration policy to ensure that it is appropriate for the listed company environment. The Remuneration Committee sought independent, specialist advice on current remuneration practice for listed companies. Following the review, the Remuneration Committee assessed and updated the remuneration policy and approved the remuneration for the management team and the Directors.

The principal objectives of the policy, which shall apply from Admission, are to attract, retain and motivate the Executive Directors and senior employees, incorporating incentives that align with and support the Group’s business strategy as it evolves, and which align executives to the creation of long-term shareholder value. It reflects the latest expectations of the main UK institutional shareholder guidelines. For the management team and the Executive Directors, remuneration will typically consist of four elements: (i) salary, (ii) annual bonus, (iii) share based remuneration and (iv) pension.

At the first annual general meeting of the Company following Admission, shareholder approval will be sought for the Directors' remuneration policy, the main features of which are described below, and the approval of shareholders will then be sought at least once every three years.

Material terms of the Executive Directors' service agreements with the Company are described in paragraph 9 "*Directors' Service Agreements and Letters of Appointment*" of this *Part X* "*Additional Information*".

Details of the fees which the Non-Executive Directors are entitled to receive, and the material terms of their appointment are described in paragraph 9 "*Directors' Service Agreements and Letters of Appointment*" of this *Part X* "*Additional Information*".

12.2 **Executive Directors' Remuneration Policy**

On Admission, Executive Directors' remuneration will comprise of a base salary, pension, annual bonus, and the ability to participate in the Company's employee share plans.

(a) **Salary**

An Executive Director's salary takes into account the individual's professional experience, individual performance, level of responsibility, the scope and nature of their role and is set with reference to market. Base salaries will typically be reviewed annually and increases will not normally exceed those of the majority of the Group's employees unless exceptional correctional increases are needed (for example if an Executive Director was initially appointed below the appropriate benchmark level).

The Executive Directors' salaries will, on Admission, be £ 476,058 for Trevor Harvey and £ 304,678 for George Letham.

(b) **Long Term Incentives**

The Executive Directors are eligible to participate in the Stelrad Long Term Incentive Plan ("**LTIP**").

Awards granted under the LTIP to Executive Directors will normally vest after three years from the award date and be subject to a two-year holding period.

The first LTIP awards will be granted to the Executive Directors in March or April 2022. Thereafter, LTIP awards will normally be made each year within six weeks following the announcement of annual results.

The first LTIP awards will be equal in value to 150 per cent. of the relevant Executive Director's base salary.

The vesting of LTIP awards will be subject to the achievement of performance conditions determined by the Remuneration Committee at the time of grant. The measurement period for the performance conditions for LTIP awards will normally be a period of three financial years.

It is currently intended that the first awards will be subject to performance conditions based on adjusted EBITDA before foreign exchange and one-off costs for the year ending December 2024.

Following the initial grant of awards, the Remuneration Committee will determine the performance conditions, and may include non-financial performance conditions for all or part of the award.

The terms of the LTIP are summarised in paragraph 13 "*Employee Share Plans*" of this *Part X* "*Additional Information*".

(c) **Pension**

The Executive Directors will receive a salary supplement in-lieu of pension contribution of 9 per cent of their salary annually. This contribution percentage is the same as for the wider workforce of the Group.

(d) **Annual Bonus**

The Executive Directors are eligible to participate in an annual performance-related bonus plan (the "**ABP**"). The proposed structure for 2021 is set out below and, following this, the Remuneration Committee will have the discretion to determine the bonus terms for future years.

The amount of annual bonus payable will be capped at 75 per cent. of base salary for FY21, and from FY22 onwards the percentage will be decided by the Remuneration Committee up to 150 per cent. of base salary. The Executive Director and any other executives approved by the Remuneration Committee must be an employee on the date of payment and must not have given or been given notice to receive their bonus.

(e) **Malus and clawback**

Consistent with best practice, malus and clawback will be used at the Remuneration Committee's discretion in relation to annual bonus and equity awards. A summary of the principal circumstances in which malus and clawback may be operated is set out in paragraph 13 "*Employee Share Plans*" of *Part X* "*Additional Information*".

(f) **Benefits**

Each Executive Director will be provided with a mobile phone and annual car allowance and reimbursement of fuel expenses.

(g) **Share ownership guidelines**

The Remuneration Committee has adopted formal shareholding guidelines that require the Executive Directors to build and maintain a shareholding in the Company.

Following Admission, Executive Directors will be required to satisfy a shareholding requirement of 200 per cent. of base salary.

The shareholding requirement will continue to apply for a period of two years after termination of employment to any Ordinary Shares acquired under the LTIP, with the obligation being to retain the lower of the shareholding requirement and those Ordinary Shares held towards the shareholding requirement at the date of termination. Progress against the shareholding requirement will be reviewed by the Remuneration Committee annually.

13. EMPLOYEE SHARE PLANS

13.1 Pre-Admission share incentive arrangements

The Company has not operated any share incentive arrangements under which employees have acquired shares, or been awarded a right to receive shares, in the Company.

13.2 Post-Admission share incentive arrangements

Conditional on Admission, the Remuneration Committee has adopted the LTIP and the Deferred Share Bonus Plan ("**DSBP**" and together with the LTIP the "**Employee Share Plans**"), the key terms of which are summarised below.

LTIP

The Executive Directors and certain other employees are eligible to participate in the LTIP at the discretion of the Remuneration Committee. The LTIP provides a direct link to the achievement of sustainable performance over the longer term. Awards granted under the LTIP will vest for nil-cost after, in the case of Executive Directors, a performance period of three years, subject to continued employment and the achievement of the performance conditions up until the point of vesting, and a further two year holding period.

DSBP

The DSBP is a discretionary plan under which a proportion of any bonus awarded under the ABP to any employee, other than the Executive Directors, selected for participation in the DSBP by the Remuneration Committee will be deferred into an award over Ordinary Shares.

(a) **Terms common to the Employee Share Plans**

Overall plan limits

In any 10-year period, not more than 10 per cent. of the Company's issued share capital may be issued under the Employee Share Plans and all other employees' share plans adopted by the Company from time to time. This limit does not include awards which lapse but will include awards satisfied with Ordinary Shares held in treasury as if they were newly issued Ordinary Shares.

In any 10-year period, not more than 5 per cent. of the Company's issued share capital may be issued under the Employee Share Plans adopted by the Company from time to time. This limit does not include awards which lapse but will include awards satisfied with Ordinary Shares transferred out of treasury for so long as required by UK institutional investor guidelines.

Source of shares

Awards under the Employee Share Plans may be granted over newly issued Ordinary Shares, Ordinary Shares held in treasury, Ordinary Shares purchased in the market or Ordinary Shares in held in an employee benefit trust.

Timing of awards

Awards will normally be made annually within six weeks following the announcement of annual or interim results. Awards may be granted outside these periods in exceptional circumstances, as determined by the Remuneration Committee. No awards may be granted more than 10 years after the date on which the Employee Share Plans were adopted by the Remuneration Committee.

Dividend Equivalents

The Remuneration Committee may decide that participants should receive an additional benefit on vested Ordinary Shares calculated by reference to any dividends that would have been paid during the vesting period, as if they held vested Ordinary Shares from grant. The Remuneration Committee may grant an award on terms that the number of Ordinary Shares under the award will increase by assuming that dividends that would have been paid on those Ordinary Shares during the vesting period (and any holding period that extends the vesting period) would have been used to buy further Ordinary Shares. Alternatively, the benefit can be provided in cash or additional Ordinary Shares.

Malus and clawback

Malus and clawback may be applied at any time before an award vests (or would have vested but for the operation of any holding period) or for 2 years after vesting in the following circumstances: material misstatement of the results of the Company, errors or inaccuracies or misleading information leading to incorrect grant or vesting of the award, gross misconduct, material failure of risk management by the Company, corporate failure (e.g. administration or liquidation) or any other circumstance which in the opinion of the Remuneration Committee could have a significantly adverse impact on the Company's reputation.

Malus permits the Company to reduce the amount of any unvested award, including awards in holding periods. Clawback permits the Company to reduce the amount of any vested award or any future salary or bonus and also require the employee to pay back amounts.

Amendments

The Remuneration Committee can amend the Employee Share Plans in any way. However, shareholder approval will be required to amend certain provisions to the advantage of participants. These provisions relate to eligibility, individual and plan limits, the basis for determining a participant's entitlement to, and the terms of, the Ordinary Shares or cash comprised in awards, the adjustment of awards on any variation in the Company's share capital and the amendment powers.

Minor amendments can however be made without shareholder approval to benefit the administration of the Employee Share Plans, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment.

General

Any Ordinary Shares issued under the Employee Share Plans will rank equally with Ordinary Shares of the same class in issue on the date of allotment except in respect of rights arising by reference to a prior record date.

Options and awards granted under the Employee Share Plans are personal to participants and, except on death, may not be transferred.

Awards will not form part of pensionable earnings.

(b) **LTIP**

Form of award

LTIP awards will be conditional awards or nil-cost options. The plan rules allow for cash awards linked to the value of shares to be made.

Eligibility

The Executive Directors and certain other employees are eligible to participate in the LTIP at the discretion of the Remuneration Committee.

Individual limits

For the first year that LTIP awards are granted, it is intended that the CEO and CFO receive awards equivalent to 150 per cent. of their base salary, and future years will be decided by the Remuneration Committee but will be a up to 200 per cent. of base salary (or 250 per cent. in exceptional circumstances).

Vesting of awards

In normal circumstances, an award will vest after a performance period (which will not be less than three years in respect of Executive Directors), subject to the achievement of satisfactory levels of performance up until the point of vesting.

Holding period

Awards may be subject to a holding period of two years from the date on which awards vest. The holding period will apply to all awards made to the Executive Directors. The holding period may either extend vesting by a further two years or on vesting the net number of Ordinary Shares received will be held for a further two years. During the holding period, the award will be subject to the malus and / or clawback provisions but not to the leaver provisions set out below. Instead, a participant will only lose the award during a holding period where vesting has been extended by a further two years and the participant's employment is terminated prior to the end of the holding period due to gross misconduct. The Remuneration Committee may set a different holding period for subsequent awards.

Leaving the Group

If a participant ceases to be employed due to death, injury, ill-health, disability, redundancy, retirement (provided the individual has confirmed prior to the relevant vesting date(s) that they continue to be retired), transfer of the employing business or company out of the Group or for any other reason at the discretion of the Remuneration Committee, the award will vest on the normal vesting date to the extent that any performance condition has been met over the performance period and pro-rated for time, unless the Remuneration Committee decides otherwise. Alternatively, the Remuneration Committee may allow an award to vest early, subject to satisfaction of the performance condition up to the date that the participant leaves. In all other circumstances the award will lapse on the date of cessation.

Takeovers and re-organisation

Normally, awards will vest pro-rata in the event of a change of control of the Company. The Remuneration Committee will determine whether the performance criteria have been met at that time.

An internal reorganisation will not automatically trigger the early vesting of awards and certain other events may lead to existing awards being exchanged for equivalent awards in another company.

If any other corporate events occur such as a demerger, delisting or special dividend which, in the opinion of the Remuneration Committee, may affect the current or future value of Ordinary Shares, the Remuneration Committee may determine that awards will vest at that time.

(c) **DSBP**

Form of award

DSBP awards will be conditional awards or nil-cost options. The plan rules allow for cash awards linked to the value of shares to be made.

Eligibility

The Remuneration Committee may select any employee of the Group, other than the Executive Directors, to participate in the DSBP if the employee has earned an annual incentive over the previous performance year under the ABP.

Individual limits

For DSBP awards, these will not be granted in FY21. The Remuneration Committee has the discretion to decide on individual limits and minimum deferral for future years.

Vesting of awards

Awards normally vest after two years. The Remuneration Committee may set different vesting schedules for subsequent awards.

Takeovers and re-organisation

Normally, awards will vest in the event of a change of control of the Company.

An internal reorganisation will not automatically trigger the early vesting of awards and certain other events may lead to existing awards being exchanged for equivalent awards in another company.

If any other corporate events occur such as a demerger, delisting or special dividend which, in the opinion of the Remuneration Committee, may affect the current or future value of Ordinary Shares, the Remuneration Committee may determine that awards will vest at that time.

Leaving the Group

If a participant ceases to be employed by the Group as a result of misconduct sufficiently serious to permit summary dismissal or voluntary resignation, the award will lapse. In all other cases awards will be retained and vest on the normal vesting date provided in the case of retirement they continue to be retired. The Remuneration Committee may allow an award to vest before the normal vesting date in exceptional circumstances.

(d) **Employee Benefits Trust ("EBT")**

The Company may operate an employee benefit trust, which is intended to be used alongside the Employee Share Plans.

14. MAJOR SHAREHOLDERS

14.1 As at the date of this document, in so far as the Company is aware, the following persons (other than Directors) are, or immediately following Admission will be, directly or indirectly, interested in 3 per cent. or more of the voting rights of the Company (being the threshold for notification of voting rights under Rule 5 of the disclosure guidance and transparency rules made by the FCA under part VI of FSMA (as set out in the FCA's handbook of rules and guidance (the "**FCA Handbook**")), as amended from time to time (the "**Disclosure Guidance and Transparency Rules**")):

	Immediately prior to Admission(1)		**Ordinary Shares to be sold in the Offer**		**Immediately following Admission**	
Name of Shareholder	**Number of Ordinary Shares**	**Percentage of issued Ordinary Shares**	**Number of Ordinary Shares**	**Percentage of issued Ordinary Shares**	**Number of Ordinary Shares**	**Percentage of Ordinary Shares**
The Bregal Fund III L.P.(2)	92,566,696	80.00%	29,462,931	25.46%	63,103,765	49.55%
Chelverton Asset Management Limited	-	-	-	-	6,976,744	5.48%
Unicorn Asset Management Limited	-	-	-	-	4,883,720	3.83%
Henderson Global Investors Limited	-	-	-	-	4,418,604	3.47%
Lombard Odier Asset Management (Europe) Limited	-	-	-	-	4,186,046	3.29%
Tellworth Investments LLP	-	-	-	-	4,186,046	3.29%
Charles Stanley& Co. Limited	-	-	-	-	3,860,465	3.03%

(1) The interest in Ordinary Shares has been stated on the basis that the Pre-IPO Reorganisation steps described in paragraph 4.2 "*Pre-IPO Reorganisation steps*" of this *Part X* "*Additional Information*" have been completed in full and that the shareholder resolution referred to in paragraph 5.1(a) "*Share Capital Authorities*" of this *Part X* "*Additional Information*" has taken effect.

(2) Acting by its general partner Bregal General Partner III Jersey LP acting by its general partner Bregal Capital General Partner Jersey Limited.

14.2 Save as disclosed above, the Company is not aware of any person who, as at the date of this document, directly or indirectly, has a holding of Ordinary Shares which is notifiable under United Kingdom law.

14.3 Save as set out above, the Company and the Directors are not aware of any persons who, as at the date of this document, directly or indirectly, jointly or severally, exercise or could exercise control over the Company, nor are they aware of any arrangements the operation of which may at a subsequent date result in a change of control of the Company.

14.4 Certain investors are expected to acquire interests of more than 5 per cent. of the Ordinary Shares available in the Offer.

14.5 None of the shareholders referred to in this paragraph has different voting rights from any other shareholder in respect of any Ordinary Shares held by them.

15. **THE SELLING SHAREHOLDERS**

15.1 The Directors consider that the Selling Shareholders have an interest that is material to the Offer by virtue of the respective size of their existing shareholdings in the Company. The Directors do not consider that this is a conflicting interest, or that there are other interests that are material to the Offer.

15.2 In addition to the New Shares that will be issued by the Company pursuant to the Offer, Sale Shares will be sold by the Selling Shareholders pursuant to the Offer. The Selling Shareholders comprise the Major Shareholder, Robert Ellis, Trevor Harvey, George Letham and Kevin Woolley (together, the "**Selling Shareholders**"). The interests in Ordinary Shares of the Selling Shareholders immediately prior to Admission and immediately following Admission are set out below:

	Immediately prior to Admission[(1)]		Number of Ordinary Shares to be sold in the Offer		Immediately following Admission	
	Number of Ordinary Shares	Percentage of issued Ordinary Shares	Number of Ordinary Shares	Percentage of issued Ordinary Shares	Number of Ordinary Shares	Percentage of Ordinary Shares
The Bregal Fund III L.P.[(2)(3)]	92,566,696	80.00%	29,462,931	25.46%	63,103,765	49.55%
Robert Ellis[(4)]	3,181,980	2.75%	318,198	0.27%	2,863,782	2.25%
Trevor Harvey[(4)]	12,727,921	11.00%	1,272,792	1.10%	11,455,129	8.99%
George Letham[(4)]	6,363,960	5.50%	636,396	0.55%	5,727,564	4.50%
Kevin Woolley[(4)]	867,813	0.75%	867,813	0.75%	-	-
Total	**115,708,370**	**100.00%**	**44,186,037**	**34.70%**	**83,150,240**	**65.29%**

(1) The interests in Ordinary Shares has been stated on the basis that the Pre-IPO Reorganisation steps described in paragraph 4.2 "*Pre-IPO Reorganisation steps*" of this *Part X* "*Additional Information*" have been completed in full and that the shareholder resolution referred to in paragraph 5.1(a) "*Share Capital Authorities*" of this *Part X* "*Additional Information*" has taken effect.

(2) Acting by its general partner Bregal General Partner III Jersey LP acting by its general partner Bregal Capital General Partner Jersey Limited.

(3) The business address of the Major Shareholder is 2nd Floor, Windward House, La Route De La Liberation, St Helier, Jersey JE2 3BQ.

(4) For the purposes of the Offer, the business address of each of Robert Ellis, Trevor Harvey, George Letham and Kevin Woolley is 69 -75 Side, Newcastle Upon Tyne, Tyne And Wear, NE1 3JE, United Kingdom.

16. **SUBSIDIARIES**

Following the Pre-IPO Reorganisation, the Company will be the holding company of the Group. The significant subsidiaries of the Company will be as follows:

Name	Country of Incorporation/ Residence	Percentage ownership	Percentage of voting rights held
Stelrad Radiator Group Limited	England & Wales	100%	100%
Stelrad Radiator Holdings Ltd	England & Wales	100%	100%
Stelrad Management Limited	England & Wales	100%	100%
Stelrad Ltd	England & Wales	100%	100%
Termo Teknik Holdings Ltd	England & Wales	100%	100%
Noosa Holdings Jersey Limited.	Jersey	100%	100%
Caradon Stelrad B.V.	Netherlands	100%	100%
Termo Teknik Ticaret Ve Sanayi AS	Turkey	100%	100%
ISG Heating Equipment (Shanghai) Co, LTD	China	100%	100%
Hudevad Radiator Design A/.S	Denmark	100%	100%
Henrad N.V.	Belgium	100%	100%
Caradon Polska Sp ZOO	Poland	100%	100%
Caradon Heating CZ SRO	Czech Republic	100%	100%
Henrad (UK) Limited	England & Wales	100%	100%
Woolamai Group UK Limited (England & Wales)	England & Wales	100%	100%

17. **UNITED KINGDOM TAXATION**

17.1 **General**

Investors should be aware that the tax legislation of the investor's jurisdiction and/or the tax legislation of the United Kingdom may have an impact on the income received from the Ordinary

Shares. Investors who are in any doubt as to their tax position should seek independent professional advice on the potential tax consequences of subscribing for, purchasing, holding or selling Ordinary Shares under the laws of their jurisdiction and/or state of citizenship, domicile or residence.

The following paragraphs are intended as a general guide only for the beneficial owners of Ordinary Shares who are resident and domiciled (or deemed to be domiciled) in the United Kingdom for tax purposes. However, all prospective subscribers for, or purchasers of, Ordinary Shares should note the comments at paragraph 17.4 "*Stamp Duty and Stamp Duty Reserve Tax*" of this *Part X* "*Additional Information*".

Any prospective subscriber for, or purchaser of, Ordinary Shares who is in any doubt about his or her tax position or who is subject to taxation in a jurisdiction other than the United Kingdom should consult his or her own professional adviser immediately.

The statements do not constitute tax advice and are intended only as a general guide. Furthermore, this information applies only to Ordinary Shares that are held as an investment assets and does not apply to all categories of Shareholders, such as dealers in securities, trustees, insurance companies, collective investment schemes or shareholders who have, or who are deemed to have, acquired their shares by virtue of an office or employment. Furthermore, the following paragraphs do not apply to:

(a) potential investors who intend to acquire Ordinary Shares as part of a tax avoidance arrangement or otherwise with a purpose of avoiding tax; or

(b) persons with special tax treatment such as pension funds or charities.

This summary is not exhaustive and Shareholders and investors should consult their own tax advisers as to the tax consequences in the United Kingdom or other relevant jurisdictions of this offering, including the acquisition, ownership and disposition of Ordinary Shares.

Unless otherwise stated, the information in these paragraphs is based on current tax law and published tax authority practice in the United Kingdom as at the date of this document. Prospective Shareholders should note that tax law and interpretation can change (potentially with retrospective effect) and that, in particular, the rates, basis of, and reliefs from, taxation may change. Such changes may alter the tax treatment of an investment in the Company.

17.2 **Shareholders**

Taxation of Dividends

UK resident and domiciled or deemed domiciled individual shareholders

Individual Shareholders have the benefit of an annual dividend allowance of £2,000 (for the tax year ending 5 April 2022, "**2021/2022**") (the "**Nil Rate Amount**"), meaning that they will pay no UK income tax on the first £2,000 of dividend income received in the 2021/2022 tax year.

Dividend income in excess of this allowance (taking account of any other dividend income received by the Shareholder in the same tax year) will be taxed at the following rates for 2021/2022: 7.5 per cent. to the extent that it falls below the threshold for higher rate income tax; 32.5 per cent. to the extent that it falls above the threshold for higher rate income tax and below the additional rate band; and 38.1 per cent. to the extent that it falls above the threshold for the additional rate band. Each of these rates is expected to increase by 1.25 per cent. from 6 April 2022.

For the purposes of determining which of the taxable bands dividend income falls into, dividend income is treated as the highest part of a Shareholder's income. In addition, dividends within the Nil Rate Amount count towards an individual's basic and higher rate limits for the purposes of determining whether the threshold for higher rate or additional rate income tax is exceeded and will therefore affect the level of savings allowance to which they are entitled.

Corporate shareholders within the charge to UK corporation tax

Shareholders within the charge to UK corporation tax which are "small companies" for the purposes of the UK taxation of dividends legislation will generally be exempt from UK corporation tax on dividends from the Company provided certain conditions are met (including an anti-avoidance condition).

Other corporate Shareholders within the charge to UK corporation tax will be liable to UK corporation tax on dividends from the Company, unless the dividends fall within an exempt class and certain conditions are met. Examples of dividends that fall within exempt classes include dividends paid on shares that are non-redeemable ordinary shares, and dividends paid to a person holding less than 10 per cent. of the issued share capital of the Company and who would be entitled to less than 10 per cent. of the profits or assets of the Company available for distribution.

However, the exemptions are not comprehensive and are subject to anti-avoidance rules and other conditions. If the conditions for exemption are not met, a Shareholder within the charge to corporation tax will be subject to UK corporation tax on dividends received from the Company at (currently) 19 per cent. (expected to rise to 25 per cent. from 1 April 2023). Such shareholders should seek independent advice with respect to their tax position.

Withholding tax on Ordinary Shares

Under current United Kingdom tax legislation, no tax is withheld from dividends paid by the Company to Shareholders.

Taxation of Capital Gains

The amount paid for the Ordinary Shares will generally constitute the base cost of a Shareholder's holding. A disposal or deemed disposal of all or any of the Ordinary Shares by UK resident Shareholders, depending on the circumstances of the relevant Shareholder and subject to any available exemption of relief, may give rise to a chargeable gain or allowable loss for the purposes of UK taxation of chargeable gains.

UK resident individual Shareholders

Where an individual Shareholder who is tax resident in the UK disposes of (or is deemed to dispose of) Ordinary Shares at a gain, capital gains tax will be levied to the extent that the gain exceeds (taking into account any other taxable gains realised in that tax year) the annual exempt amount (£12,300 for 2021/2022), and after taking account of any capital losses or exemptions available to the individual.

For such individuals, capital gains tax will be charged at 10 per cent. (to the extent the gains fall within the basic rate band) or 20 per cent. (to the extent the gain falls within the higher or additional rate band).

Where an individual Shareholder who is resident in the UK disposes of Ordinary Shares at a loss, the loss should be available to offset against other current year gains or carried forward to offset against future gains.

UK resident corporate Shareholders

Where a Shareholder is within the charge to UK corporation tax, a disposal (or deemed disposal) of Ordinary Shares may give rise to a chargeable gain (or allowable loss), depending on the circumstances and subject to any available exemption or relief.

Corporation tax is charged on chargeable gains at the rate applicable to that company (currently 19 per cent. but expected to rise to 25 per cent. from 1 April 2023 (the "**main rate**") for profits in excess of £250,000, with a small profits rate of 19 per cent. applying to profits of £50,000 or less and companies with profits between £50,000 and £250,000 being required to pay tax at the main rate reduced by a marginal relief providing a gradual increase in the effective corporation tax rate).

17.3 Inheritance Tax

The Ordinary Shares will be assets situated in the United Kingdom for the purposes of United Kingdom inheritance tax. A gift of such assets by, or the death of, an individual holder of such assets may (subject to certain exemptions and reliefs) give rise to a liability to United Kingdom inheritance tax, even if the holder is neither domiciled in the United Kingdom nor deemed to be domiciled there for inheritance tax purposes (under certain rules relating to length of residence or previous domicile).

Generally, United Kingdom inheritance tax is not chargeable on gifts to individuals if the transfer is made more than seven complete years prior to death of the donor. For inheritance tax purposes, a transfer of assets at less than full market value may be treated as a gift, and particular rules apply to gifts where the donor reserves or retains some benefit. Special rules also apply to close companies and to trustees of settlements who hold Ordinary Shares, bringing them within the charge to inheritance tax.

Holders of Ordinary Shares should consult an appropriate professional adviser if they make a gift of any kind or intend to hold any Ordinary Shares through such a company or trust arrangement, or in a situation where there is potential for a charge both to United Kingdom inheritance tax and to a similar tax in another jurisdiction, or if they are in any doubt about their United Kingdom inheritance tax position.

17.4 Stamp Duty and Stamp Duty Reserve Tax "SDRT"

The statements in this section are intended as a general guide to the current United Kingdom stamp duty and SDRT position. Investors should note that certain categories of person are not liable to stamp duty or SDRT, and others may be liable at a higher rate or may, although not primarily liable for tax, be required to notify and account for SDRT under the Stamp Duty Reserve Tax Regulations 1986.

Issue of New Shares

No stamp duty or SDRT will arise on the issue of the New Shares. Where New Shares are issued and credited directly to CREST, no liability to stamp duty or SDRT will generally arise on such issue.

Sale Shares

The transfer of, or agreement to transfer, Sale Shares will generally give rise to a liability to stamp duty and/or SDRT at the rate of 0.5 per cent. of the Offer Price (in the case of stamp duty, rounded up to the nearest multiple of £5) (if the transferee is a company connected with the seller (or a nominee of such a company) and the Sale Shares are listed at the time of transfer, stamp duty and/or SDRT (as appropriate) may be chargeable on the higher of (i) the Offer Price and (ii) the market value of the Sale Shares acquired). The Selling Shareholders have agreed to meet such liability.

Subsequent Transfers of Shares Registered on the Principal Share Register

Subject to an exemption for certain low value transactions, the transfer on sale of Ordinary Shares held outside CREST will generally give rise to a liability, usually met by the purchaser, to stamp duty at the rate of 0.5 per cent. (rounded up to the nearest multiple of £5) of the amount or value of consideration paid. An agreement to transfer such shares which is or becomes unconditional will generally give rise to SDRT at the rate of 0.5 per cent. of the amount or value of the consideration paid, such SDRT generally being payable by the transferee or purchaser. The liability to SDRT will generally be cancelled or any SDRT paid refunded if the agreement is completed by a duly stamped transfer within six years of either the date of the agreement or, if the agreement was conditional, the date when the agreement became unconditional.

No stamp duty or SDRT will arise on a transfer of Ordinary Shares into CREST, **provided that**, in the case of SDRT, the transfer is not for money or money's worth. A transfer of Ordinary Shares effected on a paperless basis through CREST will generally be subject to SDRT at the rate of 0.5 per cent. of the amount or value of the consideration payable, which will be collected and accounted for to Her Majesty's Revenue and Customs ("**HMRC**") by CREST (such SDRT liability generally being borne by the transferee or purchaser).

If the transferee is a company connected with the seller (or a nominee of such a company), stamp duty or SDRT (as appropriate) may be chargeable on the higher of (i) the amount or value of the consideration and (ii) the market value of the Ordinary Shares acquired.

Shares Held Through Clearance Systems or Depositary Receipt Arrangements

Special rules apply where shares are issued or transferred to, or to a nominee or agent for, either a person whose business is or includes issuing depositary receipts or a person providing a clearance service, under which SDRT or stamp duty may be charged at a rate of 1.5 per cent., with subsequent transfers within the clearance service or transfers of depositary receipts then being free from SDRT or stamp duty. However, following decisions of the Court of Justice of the European Union and the First-Tier Tribunal, HMRC accepts that this charge is in breach of EU law in so far as it applies to new issues of shares that are an integral part of raising new capital, although this view has not yet been reflected by a change in UK tax legislation. The UK has passed legislation, the European Union (Withdrawal) Act 2018, to preserve the effect of the decisions referred to above following the UK's exit from the European Union, and this will remain the position unless the relevant legislation is amended. The UK Government has previously stated that it does not propose to reintroduce the 1.5 per cent. charge.

HMRC's published view is that the 1.5 per cent. SDRT or stamp duty charge continues to apply to other transfers of shares into a clearance service or depositary receipt arrangement (unless they are an integral part of raising new capital). In view of the continuing uncertainty, specific professional tax advisers should be engaged before incurring a 1.5 per cent. stamp duty or SDRT charge in any circumstances.

The statements in paragraph 17.4 "*Stamp Duty and Stamp Duty Reserve Tax*" of this *Part X* "*Additional Information*" apply to Shareholders irrespective of their residence and are intended to be a general guide to the current stamp duty and SDRT position.

Shareholders should obtain their own independent tax advice if they are in any doubt as to their tax status.

18. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Company or another member of the Group either: (i) within the period of two years immediately preceding the date of this document which are or may be material to the Group; or (ii) which contain any provisions under which any member of the Group has any obligation or entitlement which is, or may be, material to the Group as at the date of this document.

18.1 Underwriting Agreement

On 5 November 2021, the Company (for itself and as agent for and on behalf of each of the members of Management pursuant to the Deeds of Election), the Major Shareholder, the Directors and Investec entered into the Underwriting Agreement pursuant to which, on the terms and subject to the conditions contained therein (which are customary in agreements of this nature):

(a) the Company has agreed, subject to certain conditions, to allot and issue the New Shares pursuant to the Offer at the Offer Price;

(b) the Major Shareholder and the Company (acting as agent for and on behalf of each of the members of Management pursuant to the Deeds of Election) have agreed, subject to certain conditions, to sell the Sale Shares pursuant to the Offer at the Offer Price;

(c) Investec has agreed, subject to certain conditions, to use reasonable endeavours to procure subscribers for or, failing which, to subscribe itself for the New Shares and to procure purchasers for or, failing which, to purchase itself the Sale Shares pursuant to the Offer at the Offer Price;

(d) Investec will deduct from the proceeds of the Offer payable to the Company (for itself and acting as agent for and on behalf of each of the members of Management pursuant to the Deeds of Election) and the Major Shareholder a commission of 2 per cent. of an amount equal to the Offer Price multiplied by the number of New Shares sold in the Offer, in the case of the Company, and the number of Sale Shares sold in the Offer by the relevant Selling Shareholder, in the case of each Selling Shareholder. In addition, at their absolute discretion, the Company and the Selling Shareholders may pay an additional commission of up to 1 per cent. to Investec calculated by reference to the gross proceeds receivable by them pursuant to the Offer;

(e) Investec has the ability to terminate the Underwriting Agreement prior to Admission, exercisable in certain circumstances which are customary in agreements of this nature including, *inter alia*, Admission occurring no later than 10 November 2021 (or such later date as the Company and Investec may agree), there being no breach of warranty or the occurrence of certain *force majeure* events;

(f) the Company has agreed to pay the costs, charges, fees and expenses of the Offer (together with any related VAT) and the Selling Shareholders have each agreed to pay any stamp duty and/or stamp duty reserve taxes arising on the sale of their Sale Shares;

(g) each of the Company, the Directors and the Major Shareholder have given certain representations, warranties and undertakings to Investec, subject to certain limitations, including, inter alia, in respect of the lock up arrangements applying to Ordinary Shares held by them on Admission as described in paragraph 8 "*Lock up arrangements*" of *Part IX* "*Details of the Offer*" of this document;

(h) the Company has given an indemnity to Investec on customary terms;

(i) Investec has agreed, subject to and in accordance with the terms of the Underwriting Agreement, to act as sponsor to the Company in connection with the Offer and Admission for the purposes of the Listing Rules; and

(j) The Underwriting Agreement will become unconditional on Admission. If any of the above mentioned conditions are not satisfied (or waived, where capable of waiver) by, or the Underwriting Agreement is terminated prior to, Admission, the application for Admission will be withdrawn from the FCA and Admission will not occur (and the Offer will not proceed as a result).

18.2 **Relationship Agreement**

On 5 November 2021, the Company entered into the Relationship Agreement with the Major Shareholder which will, conditional on Admission, for such time as the Major Shareholder, together with its Associates, holds, in aggregate, voting rights of the Ordinary Shares Ordinary Shares in the Company representing at least 10 per cent. of the voting rights of the Ordinary Shares in issuance by the Company from time to time, regulate the on-going relationship between the Company and the Major Shareholder following Admission.

The principal purpose of the Relationship Agreement is to ensure that where, following Admission, the Major Shareholder, together with its Associates, holds, in aggregate, Ordinary Shares in the Company representing at least 10 per cent. of the voting rights of the Ordinary Shares Ordinary Shares in issuance by the Company from time to time, the Company is capable of carrying on its business independently of the Major Shareholder and its Associates.

The provisions of the Relationship Agreement imposing obligations on the Major Shareholder will remain in full force and effect, in respect of the Major Shareholder, for so long as they, together with its Associates, hold, in aggregate, Ordinary Shares representing at least 10 per cent. of the voting rights of the Ordinary Shares in issuance by the Company from time to time (save that the Major Shareholder may terminate the Relationship Agreement if the Company ceases to be admitted to listing on the Official List).

Under the Relationship Agreement, the Major Shareholder has agreed that:

(i) transactions and arrangements between it (and/or any of its Associates) and the Company will be conducted at arm's length and on normal commercial terms;

(ii) neither it nor any of its Associates shall take any action that would have the effect of preventing the Company from complying with its obligations under the Listing Rules; and

(iii) neither it nor any of its Associates shall propose or procure the proposal of a shareholder resolution which is intended or appears to be intended to circumvent the proper application of the Listing Rules;

For so long as the Major Shareholder together with any of its Associates holds, in aggregate, at least 10 per cent. but less than 20 per cent. of the voting rights of the Ordinary Shares, the Major Shareholder shall be entitled to appoint (and remove and reappoint) one non-executive representative director to the Board, or if the Major Shareholder together with any of its Associates holds, in aggregate, 20 per cent. or more of the voting rights of the Ordinary Shares, then the Major Shareholder shall be entitled to appoint (and remove and reappoint) two non-executive representative directors to the Board (each such appointee, a "**Shareholder Director**"). The Major Shareholder’s first appointed Shareholder Directors are Edmund Lazarus and Nicholas Armstrong.

For as long as the Major Shareholder together with any of its Associates hold, in aggregate, at least 10 per cent. of the Ordinary Shares, but less than 20 per cent. of the voting rights of the Ordinary Shares, the Major Shareholder shall be entitled to appoint (and remove and reappoint) one person to act as an observer at any meetings of the Board. In addition, for so long as the Major Shareholder (together with any of its Associates) holds 20 per cent. or more of the voting rights of the Ordinary Shares, the Major Shareholder is entitled to nominate a Shareholder Director to be a member of the Nomination Committee.

Furthermore, for so long as the Major Shareholder (together with any of its Associates) holds 10 per cent. or more of the voting rights of the Ordinary Shares, the Major Shareholder is entitled to appoint an observer to each of the Nomination Committee, Audit and Risk Committee and Remuneration Committee. The Major Shareholder will not appoint an observer to the Nomination Committee whilst a Shareholder Director is a member of such committee.

Subject to applicable law and regulation, the Major Shareholder will have the benefit of certain information rights, including for the purposes of its accounting and other regulatory requirements.

The Relationship Agreement is governed by the laws of England and Wales.

18.3 **ABF Facility Agreement**

On 18 December 2019, Stelrad Limited, Henrad N.V., Caradon Stelrad B.V., as original clients, Stelrad Management Limited and Stelrad Radiator Holdings Limited, as original obligors and Stelrad Radiator Holdings Limited, as parent entered into an amended and restated agreement originally dated 10 July 2015 (the "**ABF Facility Agreement**") with RBS Invoice Finance Limited ("**RBSIF**"). The ABF Facility Agreement consists of: (i) a £28 million revolving credit facility, comprising a receivables facility and inventory facility (together, the "**Revolving Credit Facility**") and (ii) a £4.9 million term loan facility, comprising a plant and machinery facility and property facility (the "**ABFF Term Loan Facility**"). The ABFF Term Loan Facility and Revolving Credit Facility are made available to finance the Group's general corporate and working capital needs and the partial financing of the Sponsor Loan Notes (as defined therein).

The Revolving Credit Facility matures on 18 December 2022 and has an effective interest rate of LIBOR / EURIBOR + 1.5 per cent. dependent on which entity draws the facility while the ABFF Term Loan Facility matures on 18 December 2022, with an effective interest rate of LIBOR / EURIBOR + 2.25 per cent. dependent on which entity draws the facility. Each of the facilities provided under the ABF Facility Agreement may be repaid at any time. However, the plant & machinery facility and the property facility are to be repaid in accordance with an amortisation schedule.

All amounts owed under the ABF Facility Agreement are secured by a security package established in favour of RBSIF, consisting of security interests over specific assets of certain members of the

Group. The ABF Facility Agreement and any non-contractual obligations arising out of or in connection with it are governed by English law.

The ABF Facility Agreement contains customary representations and warranties and customary restrictive covenants, (including restriction on dividends and share redemptions, disposals of assets, amalgamation, demergers, mergers, consolidation, acquisitions and change of business, a negative pledge and restrictions on the incurrence of indebtedness). The ABF Facility Agreement also contains an undertaking to maintain insurances on and in relation to the business of the original clients and various information undertakings, including the requirement to provide certain compliance certificates for each original client, deliver presentations about the ongoing business of the Group, deliver financial information and budgets. In addition, the ABF Facility Agreement includes the following financial covenants (i) obligors to maintain a consolidated fixed charge ratio of at least 1.50 to 1.0 for the previous 12 month period, (ii) an aggregate of cash balance requirement of not less than £8,500,000 on the commencement date, and (iii) obligors to maintain a senior adjusted leverage ratio of no more than 6.0 to 1.0 (prior to 1 July 2020), and 4.0 to 1.0 (after 1 July 2020).

As at the date of this document, the total amount drawn on the Revolving Credit Facility was £nil.

18.4 **Lombard Agreements**

Stelrad Limited entered into two term loan facilities agreement with Lombard North Central PLC ("**Lombard**") dated 23 July 2019 ("**LL1 Agreement**") and 25 July 2019 ("**LL2 Agreement**") (together, the "**Lombard Facility**") with a combined loan amount of £5.9 million.

The Lombard Facility were made available to finance radiator production lines and various radiator presses. The LL1 facility is repayable over 60 months with a payment of £66,666.66 due the first month and subsequent payments of £33,333.33 due each month. A facility fee of £1,000 is payable by Stelrad Limited on the first payment due. Interest will be payable on a monthly basis under the LL1 facility at a rate calculated by the base rate of LIBOR plus the add-on percentage of 2.25 per cent. The LL2 facility is repayable over 60 months with a payment of £65,587.63 due each month. A facility fee of £1,000 is payable by Stelrad Limited on the first payment due. Interest will be payable on a monthly basis under the LL2 facility at a rate calculated by the base rate of LIBOR plus the add-on percentage of 2.5 per cent. The LL2 facility is secured by way of a charge over various assets of certain members of the Group. During 2020, a six month payment holiday was taken on the LL1 facility and the LL2 facility thereby extending the loan period by six months.

18.5 **Shareholder Loan Notes**

Management Loan Notes

Noosa created a loan note instrument dated 1 December 2014 in favour of Trevor Harvey, George Letham, Robert Keith Ellis and Kevin Woolley constituting a £7,606,893 fixed rate unsecured loan notes (the "**Management Loan Notes**"), with a maturity date of 25 September 2033. On the 17 July 2015, the capital on the Management Loan Notes was repaid, resulting in £4,266,813.52 outstanding on the principal amount.

The Management Loan Notes constitute unsecured and unsubordinated obligations of Noosa and purport to rank *pari passu* and rateably with other future unsecured obligations of the Noosa, except for those obligations as may be preferred by law. The Management Loan Notes bear interest at the rate of 15 per cent., payable quarterly in arrears ("**Interest Payment Date**"). Noosa may defer the payment of interest due on any Interest Payment Date to the next Interest Payment Date (such payment can be made a number of times). Any postponed interest shall be compounded. The events of default under the Management Loan Notes include winding-up of, insolvency of and security enforcement proceedings against Noosa. The Management Loan Notes are governed by English law and the English courts have exclusive jurisdiction to settle any dispute arising from or connected with the Management Loan Notes.

The Management Loan Notes are to be repaid immediately following Admission as part of the Pre-IPO Reorganisation.

Bregal Loan Notes

SRGL created a loan note instrument dated 1 December 2014 in favour of Bregal Fund III LP constituting a £41,328,232 fixed rate unsecured loan note (the "**Bregal Loan Notes**"), with a maturity date of 25 September 2033. On the 17 July 2015, the capital on the Bregal Loan Notes was repaid, resulting in £23,181,588.02 outstanding on the principal amount.

The Bregal Loan Notes constitute unsecured and unsubordinated obligations of SRGL and purport to rank *pari passu* and rateably with other future unsecured obligations of the SRGL, except for those obligations as may be preferred by law. The Bregal Loan Notes bear interest at the rate of 15 per cent., payable quarterly in arrears ("**Interest Payment Date**"). SRGL may defer the payment of interest due on any Interest Payment Date to the next Interest Payment Date (such payment can be made a number of times). Any postponed interest shall be compounded. SRGL may satisfy payment of the outstanding interest amount by issuing PIK Notes (as defined therein). PIK Notes are subject to terms and conditions identical to the Bregal Loan Notes and shall rank ahead of the principal amount Bregal Loan Notes and all interest accrued. The events of default under the Bregal Loan Notes include winding-up of, insolvency of and security enforcement proceedings against SRGL. The Bregal Loan Notes are governed by English law and the English courts have exclusive jurisdiction to settle any dispute arising from or connected with the Bregal Loan Notes.

The Bregal Loan Notes are to be repaid immediately following Admission pursuant to the Reorganisation.

18.6 **New RCF Agreement**

In preparation for the Offer, Stelrad Radiator Holdings Limited, the Company, Stelrad Limited and certain other members of the Group entered into a revolving credit facility agreement (the "**New RCF Agreement**") with Barclays Bank plc and National Westminster Bank plc on 2 November 2021.

Under the New RCF Agreement, a revolving credit facility in an aggregate amount of up to £80 million (the "**New RCF**") will be made available to Stelrad Radiator Holdings Limited, the Company and Stelrad Limited and any other member of the Group which accedes to the New RCF Agreement as a borrower (subject to the terms of the New RCF Agreement). The New RCF will be available to be drawn in Sterling and Euros (with the potential for drawings in other currencies with lender consent). The New RCF Agreement features an accordion option allowing the size of the New RCF to be increased by up to an additional £40 million, subject to certain conditions.

The following are conditions to initial utilisation under the RCF (in addition to other customary conditions precedent):

- evidence of Admission with £8.6 million or more of net proceeds and confirmation of closing date leverage of no greater than 1.75:1.00; and
- evidence that the Group's existing indebtedness has or will be repaid simultaneously with first utilisation.

Utilisations under the New RCF will be available for application towards the general corporate and working capital purposes of the Group (including refinancing of certain existing debt, the funding of permitted acquisitions and permitted joint ventures and the financing of the costs and expenses associated with the Offer).

Each loan made under the New RCF will be repayable on the last day of its interest period. The termination date of the New RCF will be the date which falls three years after the closing date; an extension option will be included allowing the termination date to be extended by one year on up to two occasions (such that the maximum tenor will be five years).

Interest will be payable under the New RCF Agreement at a percentage rate per annum which is the aggregate of the margin and a reference rate (in most circumstances calculated on the basis of SONIA or, in the case of drawdowns in Euro, EURIBOR), subject to the terms of the New RCF Agreement. The opening margin will be 2.25 per cent per annum and will apply for a minimum of

6 months after the closing date. Subsequently, the margin will vary as follows (subject to the customary terms of the New RCF Agreement in this respect):

Leverage	**Margin (% per annum)**
Greater than or equal to 2.50:1	2.75%
Less than 2.50:1 but greater than or equal to 2.00:1	2.50%
Less than 2.00:1 but greater than or equal to 1.50:1	2.25%
Less than 1.50:1	2.00%

The following fees will be payable to the lenders or the agent under the New RCF Agreement:

- a commitment fee on unutilised available commitment under the New RCF at a rate of 35 per cent. of the margin per annum;
- an upfront arrangement fee equal to 0.75 per cent. of the New RCF commitment as at the date on which the New RCF Agreement is signed; and
- customary agency fees.

The New RCF Agreement will, initially, be guaranteed by a number of Group members, including but not limited to, the Company, Stelrad Radiator Group Limited, Stelrad Radiator Holdings Limited, Stelrad Limited, Henrad N.V., Caradon Stelrad B.V., Termo Teknik Holdings Limited, Hudevad Radiator Design A/S and Caradon Polska sp zoo (which are original parties to the New RCF Agreement or will accede as guarantors shortly after closing). An ongoing guarantor coverage test will apply, including the following requirements (and Group members will be required to accede to the New RCF Facility Agreement as guarantors as necessary, to ensure that this test is satisfied) (subject to limited exceptions):

(a) the New RCF guarantors, taken together, must represent at least 90 per cent. of EBITDA, gross assets and revenues of the Group (but excluding the Turkish business of the Group) and at least 40 per cent. of the aggregate EBITDA, gross assets and revenues of the Group; and

(b) all Material Companies must be guarantors (a "Material Company" including, but not limited to, each subsidiary of the Company (i) representing 2.5 per cent. or more (or, in the case of Chinese subsidiaries, 5 per cent. or more) of consolidated EBITDA, consolidated gross assets or consolidated revenues (but excluding the Turkish business of the Group); or (ii) that holds shares in a borrower or a guarantor.

Subject to any limitations arising under local law, as well as customary principles as to cost and feasibility, each borrower and guarantor will grant security over all or substantially all of its assets (including bank accounts, receivables and certain shares) in respect of the obligations arising under or in connection with the New RCF. Security will also be granted in respect of the issued share capital of certain Group members, including each borrower (other than the Company) and guarantor.

The New RCF Agreement contains standard prepayment and cancellation provisions, including:

- mandatory prepayment and cancellation upon:
    - a change of control of the Company; or
    - a disposal of all or substantially all of the assets of the Group; and
- mandatory prepayment and cancellation as a result of illegality.

The Group will be required to make other customary payments under the New RCF Agreement, including payments in relation to indemnities, tax gross-up and the finance parties' costs and expenses.

The New RCF Agreement also sets out a number of events that, if they occurred, would allow the lenders to refuse to make / roll over an advance under the New RCF.

The New RCF Agreement contains customary representations and warranties and various undertakings, including without limitation:

- restrictive covenants (including in relation to acquisitions, joint ventures, disposals, incurring indebtedness, making loans, granting security or guarantees and other matters);
- undertakings designed to ensure the preservation of the business and its assets; and
- information undertakings, including the requirement to notify of certain events such as material litigation and deliver financial information.

The New RCF Agreement also includes various events of default customary for a financing of this nature including, but not limited to, non-payment, failure to comply with financial covenant and other obligations, misrepresentation, insolvency, insolvency proceedings, cross default, creditors' process, material litigation, unlawfulness and invalidity, cessation of business, change of ownership, repudiation and rescission of the finance documents, audit qualification and material adverse change.

The New RCF Agreement includes financial covenants (measured semi-annually on a rolling 12-month basis) requiring that, on each test date:

- the ratio of total net debt to EBITDA (adjusted in connection with acquisitions and disposals in the relevant calculation period) is not greater than 3.00:1.00; and
- the ratio of EBITDA to net finance charges is no less than 4.00:1.00.

18.7 Share Exchange Agreement

The Share Exchange Agreement between the Company and the Major Shareholder and Management, was entered in on 5 November 2021 and provides that, immediately prior to Admission, as part of the Pre-IPO Reorganisation, the Major Shareholder and Management will transfer the ordinary shares which they hold in Noosa (comprising £200,000 of ordinary shares held by the Major Shareholder and approximately £50,000 of ordinary shares held by Management of which approximately £13,000 was issued in July 2019) to the Company in exchange for an issue of new ordinary shares in the Company on a value-for value basis. See paragraph 4.2 "*Pre-IPO Reorganisation steps*" of this *Part X* "*Additional Information*" for further information.

19. RELATED PARTY TRANSACTIONS

Save for (i) the entry into the Share Exchange Agreement described in paragraph 18.7 "*Share Exchange Agreement*" of this *Part X* "*Additional Information*", (ii) the subscription agreements entered into by the Independent Non-Executive Directors in connection with the Subscription, (iii) the payment of an instalment of the monitoring fee referred to in Note 27 set out in Part *VII* "*Historical Financial Information*" of this document on 31 August 2021, (iv) the redemption on 15 October 2021 of £13,000 of preference shares (together with nominal interest of £125) issued by Noosa to certain members of Management, and (v) as disclosed in Note 27 set out in *Part VII* "*Historical Financial Information*" of this document, no member of the Group entered into any related party transactions between 1 January 2018 and the date of this document.

On 15 October 2021, the deferred consideration of £202,000 referred to in Note 27 set out in *Part VII* "*Historical Financial Information*" of this document was paid to the Existing Shareholders. In addition, the final instalment of the monitoring fee referred to in Note 27 set out in Part *VII* "*Historical Financial Information*" of this document will be paid before Admission following which the ownership agreement referred to in Note 27 will terminate.

Immediately after Admission, the Company also intends to repay all amounts outstanding under the Shareholder Loan Notes described in paragraph 18.5 "*Shareholder Loan Notes*" of this *Part X* "*Additional Information*" pursuant to the Refinancing.

20. LEGAL AND ARBITRATION PROCEEDINGS

There are no, nor have there been any, governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) during a period covering at least the previous 12 months which may have, or have had in the recent past, significant effects on the Company's and/or the Group's financial position or profitability.

21. WORKING CAPITAL

In the opinion of the Company, taking into account the net proceeds receivable by the Company from the subscription of New Shares in the Offer and the committed facilities available to the Group, the Group has sufficient working capital for its present requirements, that is for at least the next 12 months following the date of this document.

22. NO SIGNIFICANT CHANGE

There has been no significant change in the financial position or financial performance of the Group since 30 June 2021, the date to which the latest historical financial information of the Group was prepared.

23. MANDATORY TAKEOVER BIDS, SQUEEZE-OUT RULES, SELL-OUT RULES AND TAKEOVER BIDS

23.1 Mandatory takeover bids

The City Code on Takeovers and Mergers (the "**Code**") applies to the Company. Under Rule 9 of the Code, if an acquisition of interests in shares were to increase the aggregate holding of an acquirer and persons acting in concert with it to an interest in shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer and, depending upon the circumstances, persons acting in concert with it, would be required (except with the consent of the Panel) to make a cash offer for the outstanding shares at a price not less than the highest price paid for any interest in shares by the acquirer or his/her concert parties during the previous 12 months. A similar obligation to make such a mandatory offer would also arise when a person who (together with any persons acting in concert) was interested in shares which in aggregate carried not less than 30 per cent. of the voting rights of the Company but did not hold shares which carried more than 50 per cent. of such voting rights acquired an interest in any other shares which increased the percentage of shares carrying voting rights in which he/she was interested.

Immediately following Admission, it is expected that the Major Shareholder will hold approximately 49.55 per cent. of the issued share capital of the Company.

23.2 Squeeze-out rules

Under the Companies Act, if a "takeover offer" (as defined in section 974 of the Companies Act) is made for the Ordinary Shares and the offeror were to acquire, or unconditionally contract to acquire, not less than 90 per cent. in value of the shares to which the offer relates (the "**Takeover Offer Shares**") and not less than 90 per cent. of the voting rights attached to the Takeover Offer Shares, within three months of the last day on which its offer can be accepted, it could acquire compulsorily the outstanding shares not assented to the offer. It would do so by sending a notice to outstanding shareholders telling them that it will acquire compulsorily their shares and then, six weeks later, it would execute a transfer of the outstanding shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for outstanding shareholders. The consideration offered to the shareholders whose shares are acquired compulsorily under the Companies Act must, in general, be the same as the consideration that was available under the takeover offer.

23.3 Sell-out rules

The Companies Act also gives minority shareholders a right to be bought out in certain circumstances by an offeror who has made a takeover offer. If a takeover offer related to all the Ordinary Shares and at any time before the end of the period within which the offer could be accepted the offeror held or had agreed to acquire not less than 90 per cent. of the Ordinary Shares to which the offer relates, any holder of Ordinary Shares to which the offer related who had not accepted the offer could by a written communication to the offeror require it to acquire those Ordinary Shares. The offeror would be required to give any shareholder notice of his or her right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of the minority shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period. If a shareholder exercises his or her rights, the offeror is bound to acquire those Ordinary Shares on the terms of the offer or on such other terms as may be agreed.

23.4 Takeover bids

No public takeover bid has been made in relation to the Company during the last financial year or the current financial year.

24. COSTS AND EXPENSES

The aggregate costs and expenses of the Offer and Admission (including the listing fees of the London Stock Exchange, professional fees and expenses and the costs of printing and distribution of documents) payable by the Company are estimated to amount to £6.9 million (including VAT).

25. STATUTORY AUDITORS

The statutory auditors of the Group for the financial years ended 31 December 2018, 31 December 2019 and 31 December 2020 was PwC of Central Square South, Orchard Street, Newcastle upon Tyne NE1 3AZ. PwC is a member of the Institute of Chartered Accountants in England and Wales.

26. CONSENTS

26.1 PwC has given and has not withdrawn its written consent to the inclusion in this document of its accountants' report on the Historical Financial Information as set out under *Section A* "*Accountants' Report on the Historical Financial Information*" of *Part VII* "*Historical Financial Information*", and its accountants' report on the Unaudited Pro Forma Financial Information as set out under *Section A* "*Accountants' Report on the Unaudited Pro Forma Financial Information*" of *Part VIII* "*Unaudited Pro Forma Financial Information*", and has authorised the contents of those parts of the document which comprise its reports for the purposes of Rule 5.3.2R(2)(f) of the Prospectus Regulation Rules.

26.2 CIL, with registered office at 30 King Street, London EC2V 8EH has given, and has not withdrawn, its written consent to the inclusion of the information from the report it prepared at the request of the Company in this document which has been sourced to CIL. For purposes of Prospectus Regulation Rule 5.3.2R(2)(f), CIL has authorised the information included in this document which is sourced to CIL and accepts responsibility for the inclusion of such information in this document. To the best of the knowledge of CIL, such information is in accordance with the facts and contains no omission likely to affect its import. This declaration is included in this document in compliance with item 1.2 of Annex 1 of the Prospectus Delegated Regulation.

27. GENERAL AND DOCUMENTS AVAILABLE FOR INSPECTION

27.1 Copies of the following documents will be available for inspection for a period of 12 months following Admission on the Company's website at www.stelradplc.com and during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) for a period of 12 months from the date of publication of this document at the Company's registered office:

(a) the New Articles of Association;

(b) PwC's accountants' report set out in *Section A* "*Accountants' Report on the Historical Financial Information*" of *Part VII* "*Historical Financial Information*";

(c) PwC's accountants' report set out in *Section A* "*Accountants' Report on the Unaudited Pro Forma Financial Information*" of *Part VIII* "*Unaudited Pro Forma Financial Information*";

(d) the consent letters referred to in paragraph 26 "*Consents*" of this *Part X* "*Additional Information*";

(e) the CIL Report; and

(f) this document.

27.2 The documents set out above in paragraph 27.1 are also available for inspection at the Company's registered office for a period of 12 months from the date of publication of this document. Any inspection of these documents in person may only take place in accordance with the measures imposed by the UK Government in connection with the COVID-19 pandemic.

PART XI
DEFINITIONS

The definitions set out below apply throughout this document, unless the context requires otherwise.

"**ABF Facility**"	has the meaning given in has the meaning given in paragraph 18.3 "*ABF Facility Agreement*" of *Part X* "*Additional Information*" of this document;
"**ABFF Term Loan Facility**"	has the meaning given in paragraph 18.3 "*ABF Facility Agreement*" of *Part X* "*Additional Information*" of this document;
"**ABL**"	means Asset Based Lending;
"**ABP**"	means the Stelrad Annual Bonus Plan;
"**acting in concert**"	shall have the meaning given to it in the Code;
"**Admission**"	means Admission to Listing and Admission to Trading;
"**Admission to Listing**"	means admission of all of the Ordinary Shares to the premium listing segment of the Official List of the FCA;
"**Admission to Trading**"	means admission of all of the Ordinary Shares to the London Stock Exchange's main market for listed securities;
"**Articles of Association**"	means the articles of association of the Company;
"**Associate**"	means the term "associate", when used in the context of a controlling shareholder which is a body corporate, in the Listing Rules from time to time;
"**Audit and Risk Committee**"	means the audit and risk committee of the Board;
"**Board**"	means the board of Directors of the Company;
"**Bregal Loan Notes**"	has the meaning given in paragraph 18.5 "*Shareholder Loan Notes*" of *Part X* "*Additional Information*" of this document;
"**Brexit**"	means the UK's exit from the EU;
"**BRG**"	means BRG Building Solutions, carrying on business as BRG Enterprises Solutions LTD;
"**BRG Market Studies**"	means the "European Radiators Option (31 Countries)" and "China Radiators Option 2021" studies;
"**Business Day**"	means a day (excluding Saturdays, Sundays and public holidays in England and Wales) on which banks generally are open for business in London for the transaction of normal banking business;
"**CIL**"	means CIL Management Consultants;
"**Chief Executive Officer**"	means Trevor Harvey;
"**Code**"	means the City Code on Takeovers and Mergers;
"**Committees**"	means an audit and risk committee, a remuneration committee and a nomination committee established by the Company;
"**Companies Act**"	means the Companies Act 2006 as from time to time amended;

"**Company**"	means Stelrad Group PLC, a company incorporated in England and Wales, with registered number 13670010 and its registered office at 69-75 Side, Newcastle Upon Tyne, Tyne And Wear, United Kingdom, NE1 3JE;
"**Contribution**"	means the total revenue from sale of the Group's products less any cost of direct materials, variable distribution costs, variable selling costs, direct labour cost and other variable costs;
"**Core Geographies**"	means UK, Benelux, Germany, France, Turkey and Poland;
"**Corporate Governance Code**"	means the UK Corporate Governance Code published by the Financial Reporting Council in July 2018, as amended from time to time;
"**COVID-19**"	means the novel strain of coronavirus;
"**CREST**"	means a computerised system for the paperless settlement of sales and purchases of securities and the holding of uncertificated securities operated by Euroclear in accordance with the CREST Regulations;
"**CREST Regulations**"	means the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755) as amended from time to time;
"**Deeds of Election**"	the share sale election deeds entered into by each of members of Management pursuant to which, amongst other things, each such member of Management has irrevocably instructed the Company to agree the sale of their Sale Shares as agent for and on behalf of such member of Management;
"**Directors**"	means the directors of the Company, and "**Director**" means one of them;
"**DSBP**"	means the Stelrad Deferred Share Bonus Plan;
"**Disclosure Guidance and Transparency Rules**"	means the disclosure guidance and transparency rules made by the FCA under part VI of FSMA (as set out in the FCA Handbook), as amended from time to time;
"**EED**"	means the energy efficiency directive EU/2012/27;
"**EU**"	means the European Union;
"**EU Prospectus Regulation**"	means Regulation (EU) 2017/1129;
"**Euroclear**"	means Euroclear UK & Ireland Limited, the operator of CREST;
"**Executive Directors**"	means Trevor Harvey and George Letham;
"**Existing Shares**"	means the Ordinary Shares that will be in issue immediately prior to Admission;
"**Existing Shareholders**"	means the Major Shareholder and Management;
"**Existing Facilities**"	means the ABF Facility and the Lombard Facility;
"**FCA**" or "**Financial Conduct Authority**"	means the Financial Conduct Authority, granted powers as a regulator under FSMA;
"**FCA Handbook**"	means the FCA's handbook of rules and guidance;

"**Financial Adviser**"	means Clearwater Corporate Finance LLP;
"**Financial Instruments and Exchange Act**"	means the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended);
"**FRC**"	means the Financial Reporting Council in the UK;
"**FSMA**"	means the Financial Services and Markets Act 2000 as amended from time to time;
"**GDPR**"	means the General Data Protection Regulation;
"**Group**"	means SRGL and each of its direct and indirect subsidiaries and subsidiary undertakings prior to the completion of the Pre-IPO Reorganisation (which is expected to be completed immediately prior to Admission), and thereafter, the Company and its direct and indirect subsidiaries from time to time;
"**HMRC**"	means Her Majesty's Revenue and Customs;
"**IFRS**"	means UK adopted international accounting standards;
"**Independent Non-Executive Directors**"	means Terry Miller O.B.E., Nicola Bruce and Martin Payne;
"**Investec**" or the "**Sponsor**"	means Investec Bank plc;
"**ISIN**"	means International Securities Identification Number;
"**IT**"	means information technology;
"**LEI**"	means Legal Entity Identifier;
"**LIBOR**"	means London Interbank Offered Rate;
"**Listing Rules**"	means the listing rules made by the FCA under part VI of FSMA (as set out in the FCA Handbook) as amended from time to time;
"Lombard Facility"	has the meaning given paragraph 18.4 "*Lombard Agreements*" of *Part X* "*Additional Information*" of this document;
"**London Stock Exchange**"	means London Stock Exchange plc;
"**LTIP**"	means the Stelrad Long-Term Incentive Plan;
"**Major Shareholder**"	means The Bregal Fund III L.P. acting by its general partner Bregal General Partner III Jersey LP acting by its general partner Bregal Capital General Partner Jersey Limited;
"**Management**"	means Robert Ellis, Trevor Harvey, Kevin Woolley and George Letham;
"**Management Loan Notes**"	has the meaning given in paragraph 18.5 "*Shareholder Loan Notes*" of *Part X* "*Additional Information*" of this document;
"**New Articles of Association**"	means the new articles of association to be adopted by the Company with effect from Admission, as approved by the Shareholders at the General Meeting, and as described in paragraph 7 "*Articles of Association*" of *Part X* "*Additional Information*" of this document;

"**New RCF**"	means the revolving credit facility described in paragraph 18.6 "*New RCF Agreement*" of *Part X* "*Additional Information*" of this document;
"**New Shares**"	means 11,627,907 Ordinary Shares proposed to be issued by the Company pursuant to the Offer;
"**Nil Rate Amount**"	means a tax-free allowance threshold;
"**Nomination Committee**"	means the nomination committee of the Board;
"**Non-Executive Directors**"	means Edmund Lazarus, Robert Ellis, Nicholas Armstrong, Terry Miller O.B.E., Nicola Bruce and Martin Payne;
"**Noosa**"	means Noosa Holdings Jersey Ltd;
"**Offer**"	means the offering of 11,627,907 New Shares by the Company and 32,558,130 Sale Shares by the Selling Shareholders described in *Part IX* "*Details of the Offer*";
"**Offer Price**"	means the price per Ordinary Share at which Ordinary Shares are to be offered and sold under the Offer;
"**Official List**"	means the official list of the Financial Conduct Authority;
"**Ordinary Shares**"	means ordinary shares in the capital of the Company with a nominal value of £1.00;
"**Panel**"	means the Panel on Takeovers and Mergers;
"**PFIC**"	means a passive foreign investment company
"**PRA**"	means the Prudential Regulation Authority;
"**PR Regulation**"	means Commission Delegated Regulation (EU) 2019/980 supplementing the UK Prospectus Regulation as regards the format, content, scrutiny and approval of the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Commission Regulation (EC) No 809/2004 as it forms part of retained EU law as defined by the European Union (Withdrawal) Act 2018;
"**Pre-IPO Reorganisation**"	shall have the meaning given to it in paragraph 4 "*Reorganisation*" of *Part X* "*Additional Information*" of this document;
"**Premium Listing**"	means a premium listing under Chapter 6 of the Listing Rules;
"**Prospectus**"	means this document;
"**Prospectus Delegated Regulation**"	means Commission Delegated Regulation (EU) 2019/980 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018;
"**Prospectus Regulation Rules**"	means the prospectus regulation rules made by the FCA under part VI of FSMA (as set out in the FCA Handbook) as amended from time to time;
"**PwC**"	means PricewaterhouseCoopers LLP of Central Square South, Orchard Street, Newcastle upon Tyne NE1 3AZ, United Kingdom;

"**Qualified Investors**"	means persons who are qualified investors as defined in the UK and EU Prospectus Regulation;
"**Radiators**"	means standard steel panel radiators, premium steel panel radiators, LST radiators, towel warmers and decorative steel tubular radiators and other steel "column" radiators;
"**Radiator Contribution**"	means the total revenue from sale of Radiators less any cost of direct materials, variable distribution costs, variable selling costs, direct labour cost and other variable costs;
"**Refinancing**"	has the meaning given in the paragraph headed "*Reasons for the Offer and Use of Proceeds*" in *Part IX* "*Details of the Offer*"
"**Registrar**"	means Computershare Investor Services PLC, with its registered office at The Pavilions, Bridgewater Road, Bristol BS99 6ZZ;
"**Regulation S**"	means Regulation S under the Securities Act;
"**Remuneration Committee**"	means the remuneration committee of the Board;
"**Revolving Credit Facility**"	has the meaning given in paragraph 18.3 "*ABF Facility Agreement*" of *Part X* "*Additional Information*" of this document;
"**RIS**" or "**Regulatory Information Service**"	means one of the regulatory information services authorised by the FCA to receive, process and disseminate regulatory information from listed companies;
"**Relationship Agreement**"	means the relationship agreement to be entered into between the Major Shareholder and the Company effective upon Admission;
"**relevant persons**"	means Qualified Investors who are (i) persons who have professional experience in matters relating to investments who fall within the definition of "investment professionals" in Article 19(5) of the Order, (ii) persons who are high net worth entities falling within Article 49(2)(a) to (d) of the Order, or (iii) other persons to whom this document may otherwise lawfully be communicated;
"**Relevant State**"	means each member state of the European Economic Area;
"**Sale Shares**"	means Ordinary Shares offered for sale by the Selling Shareholders;
"**Securities Act**"	means the United States Securities Act of 1933 as amended from time to time;
"**Selling Shareholders**"	means those persons who are proposing to sell Sale Shares in the Offer, whose names and addresses are set out in paragraph 15 "*The Selling Shareholders*" of *Part X* "*Additional Information*" of this document;
"**Senior Independent Director**"	means Terry Miller O.B.E.;
"**SFO**"	means the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong;
"**Shareholder Loan Notes**"	means the Bregal Loan Notes and the Management Loan Notes;
"**Shareholders**"	means holders of Ordinary Shares from time to time;
"**Sole Bookrunner**"	means Investec Bank plc;

"**Sole Global Co-ordinator**"	means Investec Bank plc;
"**Sponsor**"	means Investec Bank plc;
"**SRGL**"	means Stelrad Radiator Group Limited;
"**SRHL**"	means Stelrad Radiator Holdings Limited;
"**Standards for Investment Reporting**"	means investment reporting standards applicable to engagements in connection with an investment circular, published by the FRC;
"**Subscription**"	has the meaning given to it in paragraph 5.1(b)(ii) "*Share Capital Authorities*" of *Part X* "*Additional Information*" of this document;
"**subsidiaries**" or "**subsidiary**"	has the meaning given in section 1159 of the Companies Act;
"**subsidiary undertakings**"	has the meaning given in section 1162 of the Companies Act;
"**Takeover Offer Shares**"	means shares subject to a takeover offer as defined in section 974 of the Companies Act;
"**Turkish Lira**" or "**TL**"	means Turkish liras, the official currency of the Republic of Turkey;
"**UK MAR**" or "**UK Market Abuse Regulation**"	means the Market Abuse Regulation (Regulation (EU) 596/2014), as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018;
"**UK MiFIR**"	means Regulation (EU) 600/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018;
"**UK MiFIR Product Governance Rules**"	means the FCA Handbook Product Intervention and Product Governance Sourcebook;
"**UK Prospectus Regulation**"	means Regulation (EU) 2017/1129 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018;
"**uncertificated**" or "**uncertificated form**"	in relation to shares, means recorded on the relevant register as being held in uncertificated form in CREST, and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST;
"**Underwriting Agreement**"	means the agreement among the Company (for itself and as agent for and on behalf of each of the members of Management pursuant to the Deeds of Election), the Directors, the Major Shareholder and Investec dated 5 November 2021;
"**United Kingdom**" or "**UK**"	means the United Kingdom of Great Britain and Northern Ireland;
"**United States**" or "**US**" or "**U.S.**"	means the United States of America, its territories, its possessions and all areas subject to its jurisdiction; and
"**U.S. Dollar**"	means United States Dollars, the official currency of the United States of America.

All times referred to are London time unless otherwise stated.

All references to legislation in this document are to the legislation of the United Kingdom unless the contrary is indicated. Any reference to any provision of any legislation shall include any amendment, modification, re-enactment or extension thereof.

Words importing the singular shall include the plural and *vice versa*, and words importing the masculine gender shall include the feminine or neutral gender.

PART XII
GLOSSARY

"**CAGR**"	means compound annual growth rate;
"**DST**"	means decorative steel tubular;
"**HSE**"	means Health, Safety and Environment;
"**HVAC**"	means heating, ventilation and air conditioning;
"**RMI**"	means repair, maintenance and improvement;
"**SDRT**"	means stamp duty reserve tax;
"**SKU**"	means stock keeping unit;
"**TRVs**"	means thermostatic radiator valves;

SCHEDULE OF CHANGES

The registration document published by SRGL on 7 October 2021 (the "**Registration Document**") contained the information required to be included in a registration document for equity securities by Annex 1 of the UK Prospectus Regulation. The Prospectus, which otherwise contains information extracted without material amendment from the Registration Document (except as set out below), also includes information required to be included in a securities note for equity securities as prescribed by Annex 11 of the UK Prospectus Regulation and summary information for equity securities as prescribed by Article 7 of the UK Prospectus Regulation. The Prospectus updates and replaces in whole the Registration Document. Any investor participating in the Offer should invest solely on the basis of the Prospectus, together with any supplement thereto.

This schedule of changes to the Registration Document (the "**Schedule of Changes**") sets out, refers to, or highlights material updates to the Registration Document.

Capitalised terms contained in this Schedule of Changes shall have the meanings given to such terms in the Prospectus unless otherwise defined herein.

Purpose

The purpose of this Schedule of Changes is to:

(a) highlight material changes made in the Prospectus, as compared with the Registration Document;

(b) highlight the new disclosure made in the Prospectus to reflect information required to be included in a securities note; and

(c) highlight the new disclosure made in the Prospectus to reflect information required to be included in a summary.

1. **Registration Document Changes**

1.1 The risk factor entitled "*The terms of the Group's financing arrangements may limit the flexibility of its operations*" has been amended to describe the impact of the New RCF Agreement specifically rather than future financing arrangements generally. Please see page 15 of the Prospectus.

1.2 A new risk factor entitled "*The Group will incur increased costs and regulatory burden as a result of being a listed company*" has been added into the Prospectus, describing the new obligations the Company will incur as a result of having its shares admitted the premium listing segment of the Official List of the FCA and to trading on the London Stock Exchange's main market for listed securities. Please see page 20 of the Prospectus.

1.3 The information under the section entitled "*Directors, Company Secretary, Registered Office and Advisers*" on page 19 of the Registration Document has been updated in the Prospectus to reflect the details of the Non-Executive Directors, Company Secretary, Sponsor and Sole Global Co-ordinator, Legal Adviser to the Sponsor and Sole Global Co-ordinator and the Registrars. Please see page 33 of the Prospectus.

1.4 The information in the table under the heading "*Directors*" in *Part III* "*Directors and Corporate Governance*" of the Registration Document has been updated in the Prospectus to reflect the appointment of the Non-Executive Directors and the Directors' new dates of appointment. The profiles of the new Non-Executive Directors have also been added. Please see pages 68 to 70 of the Prospectus.

1.5 The information under the heading "*Corporate Governance*" and the description of the committees on page 55 of the Registration Document have been amended in the Prospectus to reflect the Company's expected corporate governance structure following Admission. Please see pages 70 to 73 of the Prospectus.

1.6 New information has been added in the Prospectus to the paragraph entitled "*Current Trading and Prospects*" in *Part VI* "*Operating and Financial Review*" concerning the Group's trading since 30 June 2021 up to and including 30 September 2021. Please see page 82 of the Prospectus.

1.7 New information has been added in the Prospectus to the paragraph entitled "*Liquidity and Capital Resources*" in *Part VI* "*Operating and Financial Review*" concerning the Group's sources of liquidity and the New RCF Agreement. New information has also been added concerning the Directors' expectations as regards the Group's leverage ratio. Please see pages 100 to 101 of the Prospectus.

1.8 New information has been added in the Prospectus to the paragraph entitled "*Capitalisation*" in *Part VI* "*Operating and Financial Review*" concerning the Group's repayment of amounts outstanding under the ABF Facility, Lombard Facility and Shareholder Loan Notes. Please see pages 103 to 104 of the Prospectus.

1.9 New information has been added in the Prospectus to the paragraph entitled "*Capitalisation*" in *Part VI "Operating and Financial Review"* concerning the New RCF. Please see pages 104 to 106 of the Prospectus.

1.10 A new section entitled *Part VIII* "*Unaudited Pro Forma Financial Information*" has been added to the Prospectus. Please see pages 151 to 154 of the Prospectus.

1.11 The paragraph entitled "*Issued Share Capital*" on pages 131 to 132 of the Registration Document has been updated in the Prospectus to reflect the Company's expected share capital structure immediately prior to and immediately following Admission. Please see pages 163 to 164 of the Prospectus.

1.12 A new paragraph entitled "*Reorganisation*" has been added into the Prospectus to reflect the corporate reorganisation undertaken by the Group following publication of the Registration Document as well as changes that will take place after Admission. Please see pages 164 to 166 of the Prospectus.

1.13 A new paragraph entitled "*Share Capital Authorities*" has been added into the Prospectus with information including resolutions passed by the shareholders of the Company. Please see pages 166 to 169 of the Prospectus.

1.14 The information under the heading "*Articles of Association*" on pages 132 to 136 of the Registration Document has been amended in the Prospectus to reflect the articles of association of the Company that will take effect from Admission. Please see pages 171 to 179 of the Prospectus.

1.15 The information under the heading "*Other Directorships*" in the Prospectus has been amended to reflect the directorships and memberships of Terry Miller, Nicola Bruce and Martin Payne. Please see pages 179 to 183 of the Prospectus.

1.16 The paragraph entitled "*Directors' Service Agreements and Letters of Appointment*" on page 140 of the Registration Document has been updated in the Prospectus to reflect the terms of the Executive Directors' new service agreements and the Non-Executive Directors' new letters of appointment that will come into effect on Admission. Please see pages 184 to 186 of the Prospectus.

1.17 The paragraph entitled "*Directors' and Other Interests*" on page 142 of the Registration Document has been updated in the Prospectus to reflect the interests of the Directors in the share capital of the Company at the date of this document and immediately following Admission. Please see pages 186 to 187 of the Prospectus.

1.18 A new paragraph entitled "*Remuneration*" has been added into the Prospectus, describing the Company's remuneration policies in relation to the Directors. Please see pages 187 to 189 of the Prospectus.

1.19 The paragraph entitled "*Employee Share Plans*" on pages 189 to 193 of the Prospectus has replaced the paragraph entitled "*Share Incentive Arrangements*" on page 142 of the Registration Document. The new paragraph includes the new employee share plans conditional on Admission.

1.20 The paragraph entitled "*Major Shareholders*" on page 143 of the Registration Document has been updated in the Prospectus to reflect the Company's expected major shareholders immediately prior to and immediately following Admission. Please see page 193 of the Prospectus.

1.21 A new paragraph entitled "*The Selling Shareholders*" has been added into the Prospectus to reflect interests in Ordinary Shares of the Selling Shareholders immediately prior to and immediately following admission. Please see pages 193 to 194 of the Prospectus.

1.22 New information has been added to the Prospectus under the paragraph entitled "*Subsidiaries*" concerning the Company's subsidiaries. Please see page 194 of the Prospectus.

1.23 A new paragraph entitled "*Underwriting Agreement*" has been added into the Prospectus, describing the arrangements entered into between the Company, the Major Shareholder, the Directors and Investec, pursuant to which Investec agreed to underwrite the Offer. Please see pages 198 to 199 of the Prospectus.

1.24 A new paragraph entitled "*Relationship Agreement*" has been added into the Prospectus, describing the arrangements entered into between the Company and the Major Shareholder, pursuant to which the Company will be capable of carrying on its business independently of the Major Shareholder and its Associates. Please see pages 199 to 200 of the Prospectus.

1.25 New information has been added to the Prospectus under the paragraph entitled "*Shareholder Loan Notes*" concerning the Management Loan Notes and the repayment of the Bregal Loan Notes. Please see pages 201 to 202 of the Prospectus.

1.26 A new paragraph entitled "*New RCF Agreement*" has been added into the Prospectus, describing the New RCF to be made available to the Company. Please see pages 202 to 204 of the Prospectus.

1.27 New information has been added in the Prospectus to the paragraph entitled "*Related Party Transaction*", including updates as a result of the Offer and the Reorganisation. Please see page 204 of the Prospectus.

1.28 A new paragraph entitled "*Working Capital*" has been added into the Prospectus, in relation to the Company's working capital. Please see page 205 of the Prospectus.

2. **Securities Note Information**

2.1 A new section entitled "*Risks relating to the Offer and the Ordinary Shares*" has been added into the Prospectus to describe the risks relating to the Offer and the Ordinary Shares, including an active or liquid market for the Ordinary Shares not developing, the significant interest of the Major Shareholder, the volatility of Ordinary Share prices, the reliance of future dividend payments on the Group's financial performance, the Company's reliance itself on dividends and cash payments from subsidiaries, substantial future sales of Ordinary Shares, unavailability of pre-emption rights for non-UK holders of Ordinary Shares, dilution of holders of Ordinary Shares and exchange rate fluctuation.

2.2 New sections entitled "*Expected Timetable for the Offer*", "*Offer Statistics*" and *Part IX* "*Details of the Offer*", have been added into the Prospectus, describing the means through which the Ordinary Shares will be offered pursuant to the Offer. Please see page 31, page 32 and pages 155 to 162 of the Prospectus.

2.3 A new section entitled *Part IV* "*Capitalisation and Indebtedness Statement*" has been added into the Prospectus, describing the capitalisation and indebtedness of the Company as at 31 August 2021. Please see pages 74 to 75 of the Prospectus.

2.4 A new paragraph entitled "*Information on the Ordinary Shares*" has been added into the Prospectus, in relation to the Company's Ordinary Shares, including the creation of the New Shares, subject to and conditional upon Admission. Please see pages 170 to 171 of the Prospectus.

2.5 A new paragraph entitled "*United Kingdom Taxation*" has been added into the Prospectus to provide a general guide to certain UK tax considerations relevant to the acquisition, ownership and disposition of Ordinary Shares. Please see pages 194 to 198 of the Prospectus.

2.6 New paragraphs have been added into the Prospectus describing certain provisions under the Code as applicable to the Company from Admission. Please see paragraph 23 of *Part X* "*Additional Information*" on pages 205 to 206 of the Prospectus.

2.7 A new paragraph entitled "*Costs and Expenses*" has been added into the Prospectus, setting out the aggregate costs and expenses of the Offer and Admission. Please see page 206 of the Prospectus.

3. **Summary Information**

3.1 A new section entitled "*Summary Information*" has been added into the Prospectus, to reflect the addition of a summary as required by Article 7 of the Prospectus Regulation. Please see pages 2 to 8 of the Prospectus.