Stelrad Group plc – interim results for the six months ended 30 June 2022

Continued progress across all territories.
Acquisition of DL Radiators in July 2022 strongly aligned with strategic objectives.

Stelrad Group plc ("Stelrad" or "the Group" or "the Company", LSE: SRAD), a leading specialist manufacturer and distributor of steel panel radiators in the UK, Europe and Turkey, today announces its unaudited interim results for the six months ended 30 June 2022.

Results summary*

	Six months ended 30 June 2022	Six months ended 30 June 2021	Increase/ (decrease) %
Revenue, £m	150.1	127.9	17.4
Adjusted operating profit, £m **	19.0	16.8	13.1
Adjusted operating profit margin, % **	12.7	13.1	(0.4pp)
Adjusted profit after tax, £m **	13.9	8.1	72.7
Adjusted Earnings per share, pence **	10.95	6.34	72.7
Statutory operating profit, £m	11.9	17.9	(33.5)
Statutory profit after tax, £m	0.7	8.8	(92.5)
Statutory earnings per share, pence	0.52	6.94	(92.5)
Adjusted free cash flow, £m **	(2.5)	15.1	(116.6)
Net debt (excluding lease liabilities), £m	47.5	53.2	(10.7)
Dividend per share, pence	2.92	-	n/a

**As a result of inflation in Turkey exceeding 100% over a three-year period, the Group was required to adopt IAS 29 in respect of its Turkish subsidiary for the first time in the financial statements for the six months ended 30 June 2022. The impact of the adoption of IAS 29 is a non-cash item but has a £10.9m negative impact on statutory profit after tax. See note 15 for further details.*

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

Financial and operational highlights

- Continued progress across all territories during the first half of 2022:
  - UK & Ireland – 13.1% revenue growth, 19.4% growth in adjusted operating profit.
  - Europe – 17.7% revenue growth, 11.9% growth in adjusted operating profit.
  - Turkey & International – 42.9% revenue growth, 33.3% growth in adjusted operating profit.
- Increased margin per radiator more than offset a 12.3% year-on-year decline in volumes versus exceptionally strong first half comparatives in 2021.
- Performance underpinned by pro-active margin management and an improved mix of premium steel panel radiators.
- Completion of production line transfer from UK to lower cost Turkish facility in the period.
- Net cash of £13.5 million (December 2021: £15.6 million) and undrawn available facilities of £19.0 million (December 2021: £23.5 million) provides the Group with significant financial flexibility.
- Acquisition of Italian manufacturer of heat emitters, DL Radiators for €28.3 million in July 2022.
- Rising energy costs across Europe expected to drive increased, long-term demand for more energy efficient heating solutions.
- Recommended interim dividend of 2.92 pence per share, to be paid on 28 October 2022.

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

"After entering 2022 with good momentum, we are pleased to have delivered strong financial performance during the first half of the year, testament to the underlying resilience of our business, with increased revenues and improving margins per radiator more than offsetting previously flagged volume reductions.

"Rising energy costs across Europe are sharpening consumers' focus on the need for more energy efficient heating solutions and this, combined with the ongoing decarbonisation agenda, is expected to drive increased, long-term demand for our products.

"Whilst we continue to monitor the challenging economic conditions in our end markets closely, we remain confident in the outcome for the full year and are well-positioned to drive long-term shareholder value thanks to the resilience of our business model, our market-leading positions and the strength of our customer and supplier relationships."

Analyst Conference Call

Trevor Harvey (CEO) and George Letham (CFO) will host an analyst presentation at 9:00am GMT today, Friday 12 August 2022, to talk through the Group's operational and financial performance.

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

For further information:

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Notes to Editors

Stelrad Group plc is a leading specialist 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 has four core brands: Stelrad, Henrad, Hudevad and Termo Teknik, which had approximately 18.3 per cent. share by volume of total markets in the UK, Europe, and Turkey in 2021, including 52.1 per cent. market share in the UK. In 2021, the Group held top 3 share positions in 12 countries and was #1 in the UK, Ireland, the Netherlands, Belgium and Denmark.

It is headquartered in Newcastle upon Tyne in the United Kingdom with manufacturing and distribution facilities at Mexborough in the UK, Nuth in the Netherlands and Çorlu in Turkey, employing 1,326 employees across the business, during 2021.

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

In July 2022, the Group acquired DL Radiators, an Italian radiator manufacturer located in Moimacco, near Udine, who employs approximately 350 people. Its product range includes steel panel, multicolumn steel, aluminium and towel warmer radiators. DL Radiators generated €86.9 million revenue for its financial year ended December 2021.
Further information can be found at: https://stelradplc.com/

CHIEF EXECUTIVE OFFICER'S REVIEW

Overview

Stelrad's results in the first half of 2022 continue to demonstrate the resilience of our business model and the robustness of our strategy.

The Group delivered 17.4% organic revenue growth in the first half of 2022, resulting in revenue up from £127.9 million in H1 2021 to £150.1 million this year. Adjusted operating profit rose to £19.0 million, a 13.1% increase from the £16.8 million reported in the first half of last year.

In line with our strategic objectives, Stelrad Group's recent acquisition of Italy's DL Radiators offers considerable potential for the future, extending the range of heat emitters for sale through our existing sales and distribution networks and, through DL Radiators' highly regarded brands, providing access to markets in countries and channels where the Group has historically been underrepresented.

Results and performance for the period

In the first half of 2022, good progress has been made across all territories. The UK & Ireland delivered revenue growth of 13.1%, whilst adjusted operating profit rose by 19.4%. In Europe, revenue and adjusted operating profit were up 17.7% and 11.9% respectively, whilst in our Turkey & International markets, revenue grew by 42.9%, adjusted operating profit by 33.3%.

Our growth in revenue has been driven primarily by timely and proactive margin management, as steel, logistics and energy costs increased. Profitability was enhanced by optimisation of our low-cost Turkish facility and an improvement in the mix of premium steel panel radiators sold. This improvement was achieved despite a 12.3% decrease in volume relative to the exceptionally strong first half comparatives of 2021.

Strategic priorities

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

DL Radiators acquisition

Stelrad Group completed the acquisition of leading Italian heat emitter manufacturer DL Radiators for €28.3 million in July 2022. This acquisition extends the range of radiators available to the Group's existing sales and distribution network, expands our routes to market, increases manufacturing capacity and gives the Group access to the well-established and complementary DeLonghi brand.

From its Moimacco, Italy, facility DL Radiators generated €86.9 million revenue and €5.0 million normalised EBITDA for its financial year ended December 2021, with gross assets of €62.9 million.

Its product range includes steel panel, multicolumn steel, aluminium and towel warmer radiators, providing customers with flexible heat emitter solutions in both hydronic and electric technologies, suitable for a wide variety of installations.

The acquisition is expected to be earnings enhancing in this financial year. It is well aligned with Stelrad's stated strategic objectives and will allow us to grow share both in steel panel and other heat emitter categories, to drive product mix improvement and to position the Group more effectively for decarbonisation whilst increasing our access to market through a combination of retail and trade channels.

Sustainability

Stelrad Group is fully committed to high standards of corporate responsibility, sustainability and employee engagement and aims to consider fully the long-term impact of all our business operations.

At the end of 2021, we set up a task force to develop a comprehensive and well-integrated ESG strategy, consistent with our purpose of helping to heat homes sustainably. Understanding the needs of Stelrad Group's stakeholders has been central to the development of our strategic framework "Fit for the future".

During the second half of 2022, we plan to develop our sustainability targets, including Key Performance Indicators for future publication.

Interim dividend

Based on the Group's financial results in the first half of 2022, the Board recommends an interim dividend of 2.92 pence per share. The interim dividend will be paid on 28 October 2022 to shareholders on the register on 7 October 2022.

Outlook

We continue to monitor the challenging economic conditions in our end markets closely, and particularly consumer sentiment. While we are mindful of broader macro-economic uncertainties and key leading indicators, we remain confident in the outcome for the full year. This is testament to the resilience of our business model, our market-leading positions which improved further in 2021 (Source: BRG Building Solutions), and the strength of customer and supplier relationships.

Our acquisition of DL Radiators extends the range of radiators available to our existing sales and distribution network, expands our routes to market, provides well-established complementary brands and increases our manufacturing capacity. Providing improved access to the European heat emitter market, the acquisition is in line with our strategic objectives and our role as a natural consolidator within the sector. Early integration of the business is proceeding to plan and remains in line with expectations. We expect the acquisition to be earnings enhancing in this financial year and to deliver double digit earnings accretion in future years.

Longer term, the conflict in Ukraine has highlighted structural considerations relating to European energy security and fossil fuel costs and, as a result, we believe that there will be an inevitable focus on, and acceleration of, renewable energy initiatives across Europe which in turn, will continue to drive interest in and awareness of our products.

Trevor Harvey
Chief Executive Officer
12 August 2022

FINANCE AND BUSINESS REVIEW

Group overview

The following table summarises the Group's results from operations for the six months ended 30 June 2022 and 30 June 2021.

	Six months ended 30 June 2022 £m	Six months ended 30 June 2021 £m	Increase/ (decrease) £m	Increase/ (decrease) %
Revenue	**150.1**	**127.9**	**22.2**	**17.4**
Adjusted operating profit	**19.0**	**16.8**	**2.2**	**13.1**
Exceptional items	-	(1.5)	1.5	100.0
Foreign exchange differences	(3.0)	2.6	(5.6)	(215.4)
Impact of IAS 29	(4.1)	-	(4.1)	n/a
Operating profit	**11.9**	**17.9**	**(6.0)**	**(33.5)**
Net finance costs	(1.8)	(5.5)	3.7	67.3
Monetary losses – net (IAS 29)	(5.4)	-	(5.4)	n/a
Profit before tax	**4.7**	**12.4**	**(7.7)**	**(62.1)**
Income tax expense	(4.0)	(3.6)	(0.4)	(11.1)
Profit for the period	**0.7**	**8.8**	**(8.1)**	**(92.5)**
Earnings per share (p)	**0.52**	**6.94**	**(6.42)**	**(92.5)**
Adjusted profit for the period	**13.9**	**8.1**	**5.8**	**71.6**
Adjusted earnings per share (p)[1]	**10.95**	**6.34**	**4.61**	**72.7**
Dividend per share (p)	**2.92**	**-**	**2.92**	**n/a**

[1] Adjusted earnings per share is calculated on adjusted profit after tax, being earnings before exceptional items, IAS 29 adjustments and foreign exchange differences and tax on these items.

Financial overview

Revenue for the six months ended 30 June 2022 was £150.1 million, an increase of £22.2 million, or 17.4%, on the six months ended 30 June 2021 (2021: £127.9 million). This was principally a result of the impact of selling price increases implemented in the second half of 2021, partially offset by a decrease in sales volumes. Steel price volatility continued in the first half of 2022. Selling price increases were applied in the period to recover steel and other inflationary cost increases.

Adjusted operating profit for the period was £19.0 million, an increase of £2.2 million, or 13.1%, compared to the same period last year (2021: £16.8 million). This was principally as a result of the benefit of increased margins per radiator, partially offset by a decrease in sales volumes of 12.3%.

Statutory operating profit for the period was £11.9 million (2021: £17.9 million), including the non-cash impact of IAS 29 of £4.1 million, exceptional costs of £nil (2021: £1.5 million) and the impact of foreign exchange losses of £3.0 million (2021: gains of £2.6 million).

Adjusted profit for the period increased by £5.8 million, or 71.6%, to £13.9 million. Statutory profit for the period, including the impact of IAS 29, being £4.1 million within operating profit and £5.4 million of monetary losses, decreased by £8.1 million, or 92.1%, to £0.7 million (2021: £8.8 million). Adjusted earnings per share was 10.95 pence (2021: 6.34 pence), whilst the statutory earnings per share after the impact of IAS 29 was 0.52 pence (2021: 6.94 pence).

There was a further devaluation of the Turkish Lira against all hard currencies during the first half of 2022. Historically devaluation of Turkish Lira has led to foreign exchange gains (non-cash in nature) being recorded in the income statement. The USD strengthened more significantly against Turkish Lira than both GBP and Euro in the first half of 2022, resulting in non-cash foreign exchange losses of £3.0 million (2021: gains of £2.6 million). These currency differences arise from the retranslation of our hard currency assets and liabilities in our Turkish subsidiary with the business maintaining a net hard currency asset position consistent with the Group's historical approach. Non-cash currency gains and losses have been excluded from adjusted operating profit.

At 30 June 2022 the Group had cash of £13.5 million (December 2021: £15.6 million) and undrawn available facilities of £19.0 million (December 2021: £23.5 million), with net debt excluding finance leases of £47.5 million (December 2021: £40.9 million). During the six months ended 30 June 2022, the Group's working capital increased due to an increase in inventories, with the intention of improving customer service, and this has contributed to the continued strength of our customer relationships. Working capital at 30 June, reflects a seasonal high point with the lowest level of working capital historically experienced in December each year. 2021 was exceptional in that working capital did not follow the normal seasonal patterns due to the impact of Covid-19. The Group expects a reduction in net debt by the end of the financial year.

IAS 29

As a result of inflation in Turkey exceeding 100% over a three-year period, the Group was required to adopt IAS 29 in respect of its Turkish subsidiary for the first time in the financial statements for the six months ended 30 June 2022. The impact of the adoption of IAS 29 is explained in more detail in note 15 of the consolidated interim financial statements, with the accounting policy outlined in note 2.

The impact at 31 December 2021 is accounted for as a restatement to opening reserves. A negative adjustment to operating profit in the period of £4.1 million has been removed in arriving at adjusted operating profit, as management believe that the pre-IAS 29 results give a more meaningful presentation of the Group's underlying performance due to more than 80% of assets, liabilities, revenues and costs in the Turkish subsidiary being denominated in hard currencies. Similarly, adjusted profit after tax is stated before the full impact of IAS 29 loss for the period of £10.9 million.

The impact of IAS 29 on the results for the six months ended 30 June 2022 is outlined below.

	Statutory position £m	**IAS 29**	**Pre-IAS 29 position £m**
Revenue	**150.1**	**2.3**	**147.8**
Adjusted operating profit	**19.0**	**-**	**19.0**
Exceptional items	-	-	-
Foreign exchange differences	(3.0)	(0.1)	(2.9)
Impact of IAS 29	(4.1)	(4.1)	-
Operating profit / (loss)	**11.9**	**(4.2)**	**16.1**
Net finance costs	(1.8)	-	(1.8)
Monetary losses – net (IAS 29)	(5.4)	(5.4)	-
Profit / (loss) before tax	**4.7**	**(9.6)**	**14.3**
Income tax expense	(4.0)	(1.3)	(2.7)
Profit / (loss) for the period	**0.7**	**(10.9)**	**11.6**

Revenue by geographical market

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

Revenue by geographical market	Six months ended 30 June 2022	Six months ended 30 June 2021	Increase	Increase
	£m	£m	£m	%
UK & Ireland	71.5	63.2	8.3	13.1
Europe	64.6	54.9	9.7	17.7
Turkey & International	14.0	9.8	4.2	42.9
Total	150.1	127.9	22.2	17.4

UK & Ireland

The Group's revenue in the UK & Ireland for the period was £71.5 million (2021: £63.2 million), an increase of £8.3 million, or 13.1%. This was principally a result of the impact of selling price increases implemented in the second half of 2021 partially offset by a decrease in sales volumes.

Europe

The Group's revenue in Europe for the period was £64.6 million (2021: £54.9 million), an increase of £9.7 million, or 17.7%. This was principally a result of the impact of selling price increases implemented in the second half of 2021 partially offset by a decrease in sales volumes.

Turkey & International

The Group's revenue in Turkey & International for the period was £14.0 million (2021: £9.8 million), an increase of £4.2 million, or 42.9%. This was principally a result of the impact of selling price increases implemented in the second half of 2021.

Adjusted operating profit by geographical market

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

Adjusted operating profit by geographical market	Six months ended 30 June 2022	Six months ended 30 June 2021	Increase/ (decrease)	Increase/ (decrease)
	£m	£m	£m	%
UK & Ireland	12.3	10.3	2.0	19.4
Europe	7.5	6.7	0.8	11.9
Turkey & International	2.0	1.5	0.5	33.3
Central costs	(2.8)	(1.7)	(1.1)	(64.7)
Total	19.0	16.8	2.2	13.1

UK & Ireland

The Group's adjusted operating profit in the UK & Ireland for the period was £12.3 million (2021: £10.3 million), an increase of £2.0 million, or 19.4%. This was principally as a result of the benefit of increased margins per radiator, partially offset by lower sales volumes.

Europe

The Group's adjusted operating profit in Europe for the period was £7.5 million (2021: £6.7 million), an increase of £0.8 million, or 11.9%. This was principally as a result of the benefit of increased margins per radiator, partially offset by lower sales volumes.

Turkey & International

The Group's adjusted operating profit in Turkey & International for the period was £2.0 million (2021: £1.5 million), an increase of £0.5 million, or 33.3%. This was principally as a result of the benefit of increased margins per radiator and higher sales volumes.

Central costs

Central costs for the period were £2.8 million (2021: £1.7 million), an increase of £1.1 million, or 64.7%. Costs increased principally as a result of additional expenditure arising due to the Group being listed, following the completion of the IPO in November 2021.

Exceptional items

During the period exceptional costs of £nil were incurred (2021: £1.5 million). The exceptional costs incurred in 2021 related to the cost of professional advisers employed to consider the potential recapitalisation of the Group. These costs are one-off in nature and disclosing these costs as exceptional allows the true underlying performance of the Group to be more easily reviewed.

Finance costs

The Group's finance costs for the period were £1.8 million (2021: £5.5 million). The 67.3% decrease of £3.7 million is primarily due to the repayment of the historic shareholder loans in November 2021, with these being replaced by the Group's current debt structure which has lower interest rates.

Income tax expense

The Group's income tax expense for the period was £4.0 million (2021: £3.6 million), an increase of £0.4 million, or 11.1%. On an underlying, pre-IAS 29 basis, the Group's income tax expense was £2.7 million which is a reduction of £0.9 million from 2021. The 2022 tax charge includes a £1.3 million charge due to IAS 29, with a deferred liability recognised to reflect the higher assets values arising under IAS 29. The reduction in the underlying tax charge is due to a number of factors, including: a reduction in the Turkish tax rate from 25% to 22%; a large part of the 2021 interest charge being non-deductible for tax purposes; and a higher proportion of investment in Turkey in 2022 qualifying for tax relief.

Earnings per share and adjusted earnings per share

Profit attributable to shareholders decreased by £8.1 million, or 92.5%, to £0.7 million (2021: £8.8m) and earnings per share was 0.52 pence (2021: 6.94 pence). The weighted average number of shares was 127.4 million (2021: 127.4 million). Profit attributable to shareholders before exceptional items, foreign exchange differences, the impact of IAS 29 and tax thereon increased by £5.8 million, or 71.6%, to £13.9 million (2021: £8.1 million) and consequently adjusted earnings per share was 10.95 pence (2021: 6.34 pence).

Dividends and reserves

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

The Group paid its first dividend in May 2022 which, due to the timing of the Group's admission, was the only dividend paid in respect of 2021. The 2021 dividend was determined on a pro rata basis for the period from admission to 31 December 2021.

The Group intends to pay an interim dividend of 2.92 pence per share on 28 October 2022.

The Company successfully submitted an application to the High Court of Justice of England and Wales (the "Court") to reduce the value of each ordinary share of the Company from £1.00 to £0.001; the reduction has been credited to the retained earnings of the Company, resulting in an increase in distributable reserves. Under the same application the Court approved the removal of the share premium account of the Company in full, with the reduction credited to the retained earnings of the Company. The Court approved the application on 25 January 2022. This created adequate distributable reserves in the Company to enable both the 2021 final dividend and the 2022 interim dividend distributions to be made.

Cash flows

The following table summarises the Group's cash flow for the six months ended 30 June 2022 and 30 June 2021.

	Six months ended 30 June 2022 £m	Six months ended 30 June 2021 £m	Increase/ (decrease) £m
Operating profit	11.9	17.9	(6.0)
Depreciation add back	4.2	3.8	0.4
Exceptional items add back	-	1.5	(1.5)
Gain on disposal of property, plant and equipment	(0.2)	(0.2)	-
Income statement adjustment - IAS 29	3.0	-	3.0
Share based payments	0.1	-	0.1
Working capital movements	(15.1)	(2.8)	(12.3)
Net capital expenditure	(4.3)	(3.4)	(0.9)
Adjusted cash flow from operations	(0.4)	16.8	(17.2)
Income tax paid	(2.2)	(1.8)	(0.4)
Interest received	0.1	0.1	-
Adjusted free cash flow	(2.5)	15.1	(17.6)

	Six months ended 30 June 2022	Six months ended 30 June 2021	Increase/ (decrease)
Adjusted cash flow from operations (£m)	(0.4)	16.8	(17.2)
Adjusted operating profit (£m)	19.0	16.8	2.2
Adjusted cash flow from operations conversion (%) *	(2.1)	100	(102.1)

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

The Group's adjusted free cash outflow for the period was £2.5 million (2021: inflow £15.1 million), a decrease of £17.6 million. This reflects increased working capital, with inventories higher due to a customer service led recovery in finished goods stocks.

The Group's adjusted cash outflow from operations for the period was £0.4 million (2021: inflow £16.8 million), a decrease of £17.2 million. This was principally as a result of an increase in working capital consistent with the Group's historical seasonal pattern. 2021 was exceptional in that working capital did not follow the normal seasonal patterns due to the impact of Covid-19. Adjusted operating profit for the period was £19.0 million (2021: £16.8 million), an increase of £2.2 million, following an increase in the profitability of the Group. Adjusted cash flow from operations conversion for the period was minus 2.1% (2021: plus 100.0%), a reduction of 102.1pp, mainly due to the increase in working capital which is expected to reduce by December 2022.

Capital expenditures

The Group's capital expenditures mainly relate to investment in buildings and operating plant and equipment. Key capital expenditure in the period ended 30 June 2022 related to investment in warehousing and an additional production line at the Group's facilities in Turkey. Capital expenditure for the remainder of 2022 will be in line with previous expectations, except for the incremental spend of DL Radiators, who have committed to purchase a new steel panel radiator production line at a cost of £3.6 million, to be incurred in the next 12 months.

Net debt

At 30 June 2022, statutory net debt (including finance leases) of £56.5 million (2021: £50.2 million) comprises £61.0 million (2021: £56.5 million) drawn down against the revolving credit facility and £9.0 million (2021: £9.3 million) finance leases net of £13.5 million (2021: £15.6 million) cash.

	30 June 2022	**31 December 2021**
	£m	**£m**
Revolving credit facility	61.0	56.5
Cash	(13.5)	(15.6)
Net debt before finance leases	47.5	40.9
Finance leases	9.0	9.3
Net debt	56.5	50.2

Going concern
After reviewing the Group's current liquidity, net debt, financial forecasts and stress testing of potential risks, the Board confirms there are no material uncertainties which impact the Group's ability to continue as a going concern for the period to 31 December 2023 and therefore these condensed consolidated interim financial statements have therefore been prepared on a going concern basis.

George Letham
Chief Financial Officer
12 August 2022

FORWARD-LOOKING STATEMENTS

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

The directors of Stelrad Group plc are listed in the Annual Report and Accounts for the year ended 31 December 2021.

For and on behalf of the Board

Trevor Harvey	**George Letham**
Chief Executive Officer	**Chief Financial Officer**
12 August 2022	12 August 2022

Stelrad Group plc. Registered number 13670010

INDEPENDENT REVIEW REPORT TO STELRAD GROUP PLC

Report on the condensed consolidated interim financial statements

Our conclusion

We have reviewed Stelrad Group plc's condensed consolidated interim financial statements (the "interim financial statements") in the interim results of Stelrad Group plc for the six month period ended 30 June 2022 (the "period").

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

The interim financial statements comprise:

- the condensed consolidated interim balance sheet as at 30 June 2022;
- the condensed consolidated interim income statement and condensed consolidated interim statement of comprehensive income for the period then ended;
- the condensed consolidated interim statement of cash flows for the period then ended;
- the condensed consolidated interim statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

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

Basis for conclusion

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

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

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

Conclusions relating to going concern

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

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

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

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

PricewaterhouseCoopers LLP
Chartered Accountants
Newcastle upon Tyne
12 August 2022

Stelrad Group plc
Condensed consolidated interim income statement
for the six months ended 30 June 2022

	Notes	Six months ended 30 June 2022 (not audited) £'000	Six months ended 30 June 2021 (not audited) £'000	Year ended 31 December 2021 (audited) £'000
Continuing operations				
Revenue	5	150,110	127,925	272,285
Cost of sales		(109,823)	(88,717)	(192,279)
Gross profit		40,287	39,208	80,006
Selling and distribution expenses		(18,974)	(17,276)	(35,478)
Administrative expenses (excluding exceptional items)		(6,685)	(5,331)	(11,584)
Exceptional items	5	-	(1,446)	(9,589)
Administrative expenses		(6,685)	(6,777)	(21,173)
Other operating income	6	205	2,811	3,204
Other operating expenses	7	(2,988)	(50)	-
Operating profit	5	11,845	17,916	26,559
Finance income		31	103	141
Finance costs		(1,761)	(5,602)	(10,379)
Monetary losses - net	15	(5,420)	-	-
Profit before tax		4,695	12,417	16,321
Income tax expense	8	(4,030)	(3,575)	(1,661)
Profit for the period		665	8,842	14,660

	Notes			
Earnings per share				
Basic	9	0.52p	6.94p	11.51p
Diluted	9	0.52p	6.94p	11.51p
Adjusted earnings per share				
Basic	9	10.95p	6.34p	16.92p
Diluted	9	10.93p	6.34p	16.92p

Stelrad Group plc
Condensed consolidated interim statement of comprehensive income
for the six months ended 30 June 2022

	Notes	Six months ended 30 June 2022 (not audited) £'000	Six months ended 30 June 2021 (not audited) £'000	Year ended 31 December 2021 (audited) £'000
Profit for the period		665	8,842	14,660
Other comprehensive income/(expense)				
Other comprehensive income/(expense) that may be reclassified to profit or loss in subsequent periods:				
Net gain on monetary items forming part of net investment in foreign operations and qualifying hedges of net investments in foreign operations		1,362	645	5,192
Income tax effect	8	(340)	(137)	(1,235)
Exchange differences on translation of foreign operations		(4,575)	(8,346)	(26,072)
Net other comprehensive expense that may be reclassified to profit or loss in subsequent periods		(3,553)	(7,838)	(22,115)
Other comprehensive expense not to be reclassified to profit or loss in subsequent periods:				
Remeasurement losses on defined benefit plans		(840)	(100)	(141)
Income tax effect	8	185	22	35
Net other comprehensive expense not to be reclassified to profit or loss in subsequent periods		(655)	(78)	(106)
Other comprehensive expense for the period, net of tax		(4,208)	(7,916)	(22,221)
Total comprehensive income/(expense) for the period, net of tax attributable to owners of the parent		(3,543)	926	(7,561)

Stelrad Group plc (Registered Number 13670010)

Condensed consolidated interim balance sheet

as at 30 June 2022

	Notes	30 June 2022 (not audited) £'000	30 June 2021 (not audited) £'000	31 December 2021 (audited) £'000
Assets				
Non-current assets				
Property, plant and equipment		69,139	56,861	53,694
Trade and other receivables		9	14	10
Deferred tax assets		2,399	3,487	6,284
		71,547	60,362	59,988
Current assets				
Inventories		65,452	41,039	56,781
Trade and other receivables		49,198	50,906	46,731
Income tax receivable		12	24	104
Other current financial assets		-	140	-
Cash and cash equivalents		13,488	27,914	15,563
		128,150	120,023	119,179
Total assets		199,697	180,385	179,167
Equity and liabilities				
Equity				
Share capital		127	65	127,353
Share premium		-	198	13,391
Merger reserve		(114,469)	940	(114,469)
Retained earnings		222,667	52,024	57,814
Foreign currency reserve		(60,730)	(42,900)	(57,177)
Total equity attributable to owners of the parent		47,595	10,327	26,912
Non-current liabilities				
Interest-bearing loans and borrowings	11	67,109	87,473	62,865
Deferred tax liabilities		171	-	126
Provisions		262	225	158
Net employee defined benefit liabilities	13	2,520	2,326	1,728
		70,062	90,024	64,877
Current liabilities				
Trade and other payables		78,596	75,099	83,883
Interest-bearing loans and borrowings	11	1,921	3,205	1,794
Income tax payable		1,427	1,507	1,522
Provisions		96	223	179
		82,040	80,034	87,378
Total liabilities		152,102	170,058	152,255
Total equity and liabilities		199,697	180,385	179,167

The financial statements on pages 15 to 31 were approved by the Board of Directors on 12 August 2022 and signed on its behalf by:

George Letham
Chief Financial Officer

Stelrad Group plc
Condensed consolidated interim statement of changes in equity
for the six months ended 30 June 2022

	Attributable to the owners of the parent					
	Issued share capital £'000	**Share premium £'000**	**Merger reserve £'000**	**Retained earnings £'000**	**Foreign currency £'000**	**Total £'000**
At 31 December 2020 (audited)	65	198	940	43,260	(35,062)	9,401
Profit for the year	-	-	-	14,660	-	14,660
Other comprehensive expense for the year	-	-	-	(106)	(22,115)	(22,221)
Total comprehensive income/(expense)	-	-	-	14,554	(22,115)	(7,561)
Shares issued on incorporation	50	-	-	-	-	50
"C" share redemption	(13)	-	-	-	-	(13)
Noosa share reorganization	(50)	50	-	-	-	-
Share for share exchange – old	(2)	(248)	250	-	-	-
Share for share exchange – new	115,659	-	(115,659)	-	-	-
Shares issued	11,644	13,391	-	-	-	25,035
At 31 December 2021 (audited)	127,353	13,391	(114,469)	57,814	(57,177)	26,912
IAS 29 Adjustment (note 15)	-	-	-	8,327	-	8,327
At 31 December 2021 (restated)	127,353	13,391	(114,469)	66,141	(57,177)	35,239
Profit for the period	-	-	-	665	-	665
Other comprehensive expense for the year	-	-	-	(655)	(3,553)	(4,208)
Total comprehensive income/(expense)	-	-	-	10	(3,553)	(3,543)
Capital reduction	(127,226)	(13,391)	-	140,617	-	-
IAS 29 Adjustment to retained earnings in the period (note 15)	-	-	-	17,072	-	17,072
Share based payments charge	-	-	-	50	-	50
Dividends paid (note 10)	-	-	-	(1,223)	-	(1,223)
At 30 June 2022 (not audited)	127	-	(114,469)	222,667	(60,730)	47,595

	Attributable to the owners of the parent					
	Issued share capital £'000	**Share premium £'000**	**Merger reserve £'000**	**Retained earnings £'000**	**Foreign currency £'000**	**Total £'000**
At 31 December 2020 (audited)	65	198	940	43,260	(35,062)	9,401
Profit for the period	-	-	-	8,842	-	8,842
Other comprehensive expense for the year	-	-	-	(78)	(7,838)	(7,916)
Total comprehensive income/(expense)	-	-	-	8,764	(7,838)	926
At 30 June 2021 (not audited)	65	198	940	52,024	(42,900)	10,327

Stelrad Group plc
Condensed consolidated interim statement of cash flows
for the six months ended 30 June 2022

	Six months ended 30 June 2022 (not audited) £'000	Six months ended 30 June 2021 (not audited) £'000	Year ended 31 December 2021 (audited) £'000
Operating activities			
Profit before tax	4,695	12,417	16,321
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation of property, plant and equipment	4,236	3,784	7,409
Gain on disposal of property, plant and equipment	(205)	(182)	(213)
Monetary loss IAS 29	5,420	-	-
Monetary loss IAS 29 income statement element	3,029	-	-
Share based payments	50	-	-
Finance income	(31)	(103)	(141)
Finance costs	1,761	5,602	10,379
Working capital adjustments:			
Increase in trade and other receivables	(3,972)	(14,277)	(17,380)
Increase in inventories	(7,489)	(12,083)	(31,695)
(Decrease) / increase in trade and other payables	(3,659)	23,631	40,291
Increase in provisions	57	121	158
Movement in other financial assets and liabilities	-	(151)	-
Decrease in other pension provisions	(12)	(43)	(59)
Difference between pension charge and cash contributions	17	(18)	(22)
	3,897	18,698	25,048
Income tax paid	(2,203)	(1,771)	(3,734)
Interest received	31	103	141
Net cash flows from operating activities	1,725	17,030	21,455
Investing activities			
Proceeds from sale of property, plant and equipment	209	400	487
Purchase of property, plant and equipment	(3,597)	(2,920)	(8,646)
Net cash flows used in investing activities	(3,388)	(2,520)	(8,159)
Financing activities			
Transaction costs related to refinancing	(111)	-	(1,171)
Proceeds from external borrowings	4,500	-	56,500
Repayment of external borrowings	-	(2,633)	(11,001)
Repayment of shareholder loans	-	-	(76,528)
Settlement of deferred consideration	-	-	(202)
Payment of lease liabilities	(899)	(851)	(1,666)
Share capital issued	-	-	25,085
Share capital repaid – "C" shares	-	-	(13)
Interest paid	(1,409)	(323)	(779)
Dividends paid	(1,223)	-	-
Net cash flows generated from / (used in) financing activities	858	(3,807)	(9,775)
Net (decrease) / increase in cash and cash equivalents	(805)	10,703	3,521
Net foreign exchange difference	(1,270)	(2,872)	(8,041)
Cash and cash equivalents at start of period	15,563	20,083	20,083
Cash and cash equivalents at end of period	13,488	27,914	15,563

1 Corporate information

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

2 Basis of preparation

The condensed consolidated interim financial statements for the half-year reporting period ended 30 June 2022 have been prepared in accordance with the UK-adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom' Financial Conduct Authority.

The interim financial statements do not include all of the notes of the type normally included in annual financial statements. Accordingly, this report is to be read in conjunction with the Annual Report and Accounts for the year ended 31 December 2021, which has been prepared in accordance with UK-adopted international accounting standards and with the requirements of the Companies Act 2006, and any public announcements made by Stelrad Group plc during the interim reporting period. The condensed consolidated interim financial statements have been prepared using the same accounting policies and methods of computation used to prepare the Group's 2021 Annual Report and Accounts as described on pages 88 to 96 of that report, which can be found on the Group's website at www.stelradplc.com, and the adoption of new standards and interpretations, noted below.

The condensed consolidated interim financial statements have been prepared using the following two accounting policies for the first time in the six months ended 30 June 2022:

Financial reporting in hyper-inflationary economies (IAS 29)
The financial statements of any subsidiary entity whose functional currency is the currency of a hyperinflationary economy have been restated for changes in the general purchasing power of that currency. The financial statements of entities whose functional currency is the Turkish Lira have been restated from 1 January 2022 by applying a general price index. As a result the financial statements are stated in terms of the measuring unit current at the balance sheet date. In summary:

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

The general price index used at the balance sheet date is the TUIK Index provided by the Turkish Statistical Institute. The movement in the index during the current reporting period was 42.35%.

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

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

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

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

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

Further details on the application of IAS 29 are presented in note 15.

Share based payments (IFRS 2)
The fair value of equity settled share options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured as at the date the options are granted and the charge is only amended if vesting does not take place due to non-market conditions not being met. Various option pricing models are used according to the terms of the option scheme under which the options were granted. The fair value is spread over the period during which the employees become unconditionally entitled to the options. At the balance sheet date, if it is expected that non-market conditions will not be satisfied, the cumulative expense recognised in relation to the relevant options is reversed.

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

The 2021 annual consolidated financial statements of the Group were prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) no 1606/2002 as it applies in the European Union.

The financial statements for the six months ended 30 June 2022 and the comparative financial statements for the six months ended 30 June 2021 have not been audited. However, the financial statements for the six months ended 30 June 2022 have been reviewed by the auditor, PricewaterhouseCoopers LLP. The comparative financial statements for the year ended 31 December 2021 have been extracted from the 2021 Annual Report and Accounts. The financial statements contained in this interim report do not constitute statutory accounts as defined in section 434 of the Companies Act 2006 and do not reflect all of the information contained in the Group's 2021 Annual Report and Accounts. The statutory accounts for the year ended 31 December 2021, which were approved by the Board of Directors on 14 March 2022 and have been filed with the Registrar of Companies, received an unqualified audit report which did not draw attention to any matters by way of emphasis and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

Significant changes

There have been two significant changes in the six months ended 30 June 2022 that affect the interim financial statements – the application of IAS 29 Financial reporting in hyperinflationary economies and the capital reduction. The impact of IAS 29 on the interim financial statements is outlined in note 15. Details of the capital reduction can be found in the finance and business review.

Going concern

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

The Group meets its day-to-day working capital requirements through a bank loan facility which is in place up to November 2026. At the period-end date the Group had drawn down £61.0 million of a £80 million revolving credit facility. The remainder of the facility and significant cash balances of £13.5 million were available to enable day-to-day working capital requirements to be met.

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

New standards and interpretations applied in the period

Several amendments and interpretations apply for the first time in 2022, but do not have an impact on the consolidated financial statements of the Group. These include:

- Reference to the Conceptual Framework – Amendments to IFRS 3
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
- IFRS 9 Financial Instruments – Fees in the "10%" Test for Derecognition of Financial Liabilities

New standards and interpretations not applied

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

International Accounting Standards (IAS/IFRSs)	**Effective date (period beginning on or after)**
IFRS 17 Insurance Contracts	1 January 2023
Classification of Liabilities as Current or Non-current – Amendments to IAS 1	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
Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendment to IAS 12	1 January 2023

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

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

3 Significant accounting judgements, estimates and assumptions

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

Judgements
In the process of applying the Group's accounting policies, management does not consider that it has made any judgements which would have a significant effect on the amounts recognised in the consolidated financial statements.

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

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

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

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

4 Principal risks

The Board has undertaken a review of the principal risks affecting the Group for the six months ended 30 June 2022. The Board considers that the principal risks, as discussed in the 'Risk management' section on pages 41 to 44 of the Group Annual Report and Accounts for the year ended 31 December 2021 (available on the Group's website www.stelradplc.com), remain relevant.

5 Segmental information

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

Adjusted operating profit is earnings before interest, tax, amortisation, exceptional items, foreign exchange differences and the impact of IAS 29. IAS 29 was applied for the first time in the six months ended 30 June 2022. The impact of IAS 29 has been removed in arriving at adjusted operating profit, as management believe that the pre-IAS 29 results give a more meaningful presentation of the Group's underlying performance.

Revenue by geographical market	**Six months ended 30 June 2022 (not audited) £'000**	**Six months ended 30 June 2021 (not audited) £'000**	**Year ended 31 December 2021 (audited) £'000**
UK & Ireland	71,493	63,220	130,405
Europe	64,598	54,886	118,063
Turkey and International	14,019	9,819	23,817
Total revenue	150,110	127,925	272,285

Adjusted operating profit by geographical market	Six months ended 30 June 2022 (not audited) £'000	Six months ended 30 June 2021 (not audited) £'000	Year ended 31 December 2021 (audited) £'000
UK & Ireland	12,311	10,252	21,589
Europe	7,486	6,737	12,929
Turkey and International	2,004	1,469	2,898
Central costs	(2,848)	(1,689)	(4,247)
Adjusted operating profit	18,953	16,769	33,169
Exceptional items	-	(1,446)	(9,589)
Foreign exchange differences	(2,985)	2,593	2,979
Impact of IAS 29	(4,123)	-	-
Operating profit	11,845	17,916	26,559

Non-current operating assets	Six months ended 30 June 2022 (not audited) £'000	Six months ended 30 June 2021 (not audited) £'000	Year ended 31 December 2021 (audited) £'000
UK	19,610	19,826	20,237
The Netherlands	22,939	24,684	23,606
Turkey	25,181	11,113	8,362
Other	1,409	1,238	1,489
Total	69,139	56,861	53,694

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

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

One customer has revenues in excess of 10% of revenue (six months ended 30 June 2021: one; year ended 31 December 2021: one).

6 Other operating income

	Six months ended 30 June 2022 (not audited) £'000	Six months ended 30 June 2021 (not audited) £'000	Year ended 31 December 2021 (audited) £'000
Net gain on disposal of property, plant and equipment	205	182	213
Foreign currency gains	-	2,615	2,575
Net gains on forward derivative contracts	-	-	404
Sundry other income	-	14	12
	205	2,811	3,204

7 Other operating expenses

	Six months ended 30 June 2022 (not audited) £'000	Six months ended 30 June 2021 (not audited) £'000	Year ended 31 December 2021 (audited) £'000
Foreign currency losses	2,985	-	-
Net losses on forward derivative contracts	-	22	-
Sundry other expenses	3	28	-
	2,988	50	-

8 Income tax expense

The major components of income tax expense are as follows:

	Six months ended 30 June 2022 (not audited) £'000	Six months ended 30 June 2021 (not audited) £'000	Year ended 31 December 2021 (audited) £'000
Consolidated income statement			
Current income tax:			
Current income tax charge	2,305	2,986	4,179
Adjustments in respect of current income tax charge of previous period	(255)	(79)	(68)
Deferred tax:			
Relating to origination and reversal of temporary differences	2,299	1,138	(2,095)
Relating to change in tax rates	(319)	(470)	(355)
Income tax expense reported in the income statement	4,030	3,575	1,661

	Six months ended 30 June 2022 (not audited) £'000	Six months ended 30 June 2021 (not audited) £'000	Year ended 31 December 2021 (audited) £'000
Consolidated statement of comprehensive income			
Tax related to items recognised in other comprehensive income/(expense) during the period:			
Deferred tax on actuarial loss	(185)	(22)	(35)
Current tax on monetary items forming part of net investment and on hedges of net investment	340	137	1,235
Income tax expensed to other comprehensive income/(expense)	155	115	1,200

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

Changes in the corporate income tax rate

The UK Government has announced its intention to increase the UK corporation tax rate to 25% by 1 April 2023. This rate change has now been substantively enacted. When recognising deferred tax within the balance sheet, the Group has used a blended rate which represents the rate at which deferred tax is expected to unwind.

9 Earnings per share

	Six months ended 30 June 2022 (not audited) £'000	Six months ended 30 June 2021 (not audited) £'000	Year ended 31 December 2021 (audited) £'000
Net profit for the period attributable to owners of the parent	665	8,842	14,660
Exceptional items	-	1,446	9,589
Foreign exchange differences	2,985	(2,593)	(2,979)
Impact of IAS 29	9,610	-	-
Tax on exceptional items, IAS 29 and foreign exchange differences	680	374	282
Adjusted net profit for the period attributable to owners of the parent	13,940	8,069	21,552

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

	Six months ended 30 June 2022 (not audited)	Six months ended 30 June 2021 (not audited)	Year ended 31 December 2021 (audited)
Basic weighted average number of shares in issue	127,352,555	127,352,555	127,352,555
Effect of dilutive potential ordinary shares	201,503	-	-
Diluted weighted average number of shares in issue	127,554,058	127,352,555	127,352,555
Earnings per share			
Basic earnings per share (pence per share)	0.52	6.94	11.51
Diluted earnings per share (pence per share)	0.52	6.94	11.51
Adjusted earnings per share			
Basic earnings per share (pence per share)	10.95	6.34	16.92
Diluted earnings per share (pence per share)	10.93	6.34	16.92

10 Dividends paid and proposed

	Six months ended 30 June 2022 (not audited) £'000	Six months ended 30 June 2021 (not audited) £'000	Year ended 31 December 2021 (audited) £'000
Declared and paid during the period			
Equity dividend on ordinary shares:			
Final dividend for 2021: 0.96p per share (2020: nil)	1,223	-	-
Interim dividend for 2021: nil	-	-	-
	1,223	-	-

	Six months ended 30 June 2022 (not audited) £'000	Six months ended 30 June 2021 (not audited) £'000	Year ended 31 December 2021 (audited) £'000
Dividend proposed (not recognised as a liability)			
Equity dividend on ordinary shares:			
Final dividend for 2021: 0.96p per share (2020: nil)	-	-	1,223
Interim dividend for 2022: 2.92p per share (2021: nil)	3,719	-	-

11 Financial liabilities

Financial liabilities – interest-bearing loans and borrowings

	Effective interest rate %	Maturity	30 June 2022 (not audited) £'000	31 December 2021 (audited) £'000
Current interest-bearing loans and borrowings				
Lease liabilities			1,921	1,794
			1,921	1,794
Non-current interest-bearing loans and borrowings				
Lease liabilities			7,125	7,524
Revolving credit facility	SONIA + 2.25%	9 Nov 2026	61,000	56,500
Unamortised loan costs			(1,016)	(1,159)
			67,109	62,865
Total interest-bearing loans and borrowings			69,030	64,659

The £80 million revolving credit facility is jointly financed by National Westminster Bank plc and Barclays PLC. It was first drawn on 10 November 2021, when the Group refinanced its external debt as part of the IPO, and is secured on the assets of certain subsidiaries within the Group. The revolving credit facility was increased in July 2022 – see note 16 for further details.

12 Commitments and contingencies

Commitments

Amounts contracted for but not provided in the financial statements amounted to £1,274,000 (31 December 2021: £1,389,000) for the Group. All amounts relate to property, plant and equipment.

Contingent liabilities

Termo Teknik Ticaret ve Sanayi A.S. has issued letters of guarantee and letters of credit to its steel suppliers amounting to \$22,946,000 (31 December 2021: \$30,089,000) and \$27,626,000 (31 December 2021: \$40,518,000) respectively. Termo Teknik Ticaret ve Sanayi A.S. has also issued letters of guarantee denominated in Turkish Lira totaling TL9,548,000 (31 December 2021: TL9,497,000).

As part of the £80 million revolving credit facility, entered into in November 2021, and continuing following the amendment to the facility agreement outlined in note 16, the Group is party to a cross-collateral agreement secured on specific assets of certain Group companies. No liability is expected to arise from the agreement.

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

13 Pensions and other post-employment plans

	30 June 2022 (not audited) £'000	31 December 2021 (audited) £'000
Net employee defined benefit liability		
Turkish scheme	2,458	1,655
Other retirement obligations – non-IAS 19	62	73
	2,520	1,728

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 £2,458,000 (31 December 2021: £1,655,000). There are no assets held in this plan (31 December 2021: nil). The expected contributions to the plan for the next year to cover benefits paid are £196,000. The service cost in the period was £81,000 (six months ended 30 June 2021: £112,000).

UK scheme

The UK has one defined contribution pension scheme.

There were no outstanding contributions (31 December 2021: £nil) due to the scheme at the balance sheet date.

Other overseas retirement obligations

The Group operates a number of defined contribution pension schemes in its overseas entities and also has certain other retirement obligations. This liability at the period end mainly relates to pre-pension payments that are due to Belgian employees who have retired early of £20,000 (31 December 2021: £39,000).

IAS 19 accounting – Turkish scheme only

Amounts recognised in the balance sheet

	30 June 2022 (not audited) £'000	31 December 2021 (audited) £'000
Defined benefit obligation	2,458	1,655
Net pension liability	2,458	1,655

Principal actuarial assumptions

	30 June 2022 (not audited)	31 December 2021 (audited)
Discount rate (per annum)	20.25%	19.00%
Future salary increases (per annum)	15.50%	14.25%

Quantitative sensitivity analysis

	30 June 2022 (not audited) Discount rate (per annum)		30 June 2022 (not audited) Future salary increases (per annum)	
	+1% £'000	-1% £'000	+1% £'000	-1% £'000
(Decrease)/increase in defined benefit obligation – Turkish scheme	(170)	194	179	(159)

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.

14 Related party disclosures

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

15 IAS 29 Financial reporting in hyperinflationary economies

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

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

Reconciliation of opening equity at 1 January 2022

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

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

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

	At 1 January 2022 (not audited) £'000
Property, plant and equipment	9,395
Inventories	1,183
Prepayments	33
Deferred tax liability	(2,284)
IAS 29 adjustment	8,327

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

The impact of the restatement of the opening reserves of entities whose functional currency is the Turkish Lira was £17,072k, this is credited to the statement of changes in equity in the period and subsequently reversed through the "monetary losses – net" line in the income statement.

	Six months ended 30 June 2022 (not audited) £'000
Retained earnings credit	17,072

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

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

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

16 Post balance sheet events

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

Due to the acquisition date being so close to the date of signing of these interim financial statements, it is impractical to provide any further disclosure related to the acquisition at this stage.

The £80 million revolving credit facility jointly financed by National Westminster Bank plc and Barclays PLC was increased by £20 million by means of an accordion increase on 8 July 2022. The amended and restated facility agreement is made up of a £76.027 million revolving credit facility and a €28.346 million term loan facility.