Robust strategy. Resilient performance.

Stelrad Group plc
Annual Report 2023

Stelrad Group plc

OUR CORE PURPOSE

Helping to heat homes sustainably

» Read more on page 26

STRATEGIC PILLAR

Driving better environmental performance

» Read more on page 29

STRATEGIC PILLAR

Enabling an exceptional workforce

» Read more on page 33

UNDERPINNING FOUNDATIONS

Conducting business responsibly

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STRATEGIC REPORT

GOVERNANCE REPORT

FINANCIAL STATEMENTS

ADDITIONAL INFORMATION

Resilient performance, strategically positioned for market improvement

Revenue
£308.2m
(2022: £316.3m)

Operating profit
£26.7m
(2022: £22.6m)

Adjusted operating profit[1]
£29.3m
(2022: £34.0m)

Free cash flow[1]
£17.8m
(2022: £12.7m)

EPS
12.11p
(2022: 3.38p)

Adjusted EPS[1]
13.62p
(2022: £19.11p)

Financial and operational highlights

- Revenue down 2.6%, 12.9% on a like-for-like basis, to £308.2 million, driven by subdued new build and renovation activity due to high inflation and interest rate environment.
  - UK & Ireland: revenue down 0.5% (0.6% like-for-like) broadly flat despite market headwinds.
  - Europe: revenue down 0.4% (21.2% like-for-like) as a result of depressed levels of RMI activity.
  - Turkey & International: revenue down 25.8% (30.5% like-for-like) driven primarily by volume decline in China.
- 13.0% rise in contribution per radiator, the sixth consecutive year on year increase, driven by proactive price and cost management.
- Volume mix of higher added-value premium steel panel radiators maintained despite challenging market backdrop.
- Operating profit rose to £26.7 million, an increase of £4.1 million, benefiting from foreign exchange gains and the discontinuation of IAS 29 accounting, partially offset by adverse sales volumes and higher depreciation charges.
- Adjusted operating profit of £29.3 million was adversely impacted by a 5.2% volume decline and a £3.7 million increase in depreciation and amortisation charges, partially offset by proactive margin management and cost reduction initiatives.
- Cost base management initiatives implemented in the second half of 2023, resulting in an exceptional charge of £2.9 million in the current year, with benefits to be realised from 2024 onwards.
- Strong cash flow performance driven by working capital management and a return to a maintenance level of capital spend.
- Leverage at 31 December 2023 was 1.47x (2022: 1.62x), based on net debt before finance leases.
- Recommended unchanged final dividend of 4.72 pence per share (2022 final dividend: 4.72 pence per share), to be paid on 29 May 2024, reflecting the Board's confidence in the Group's prospects and balance sheet.

(1) The Group uses some alternative performance measures to track and assess the underlying performance of the business. Alternative performance measures are defined in the glossary of terms on page 21 and reconciled to the appropriate financial statements line item in note 33. Note 33 also outlines the limitations of using alternative performance measures.

stelradplc.com
Visit us online to see how we are innovating to drive sustainability

We are Europe's leading radiator manufacturer and our core purpose is helping to heat homes sustainably

Our products

Standard steel panel radiators

Premium steel panel and low surface temperature steel panel radiators

Towel warmers

Column and decorative steel tubular radiators

Electric, hybrid and dual fuel radiators

Data source: BRG Building Solutions.

Our brands

Stelrad®

Europe's number one brand

Stelrad, our premier brand, is sold across the world.

HENRAD

The Netherlands' number one brand

With a strong presence in the Netherlands, Belgium, the UK and France, Henrad is a channel differentiated European brand.

termoteknik

Turkey's number five brand

Mainly sold into Turkey and Eastern European markets, the Termo Teknik brand offers a high ratio of quality to cost.

HUDEVAD RADIATOR DESIGN

Premium design brand

Representing the best of Danish design, Hudevad is a favourite brand of architects, interior designers and commercial specifiers.

DL RADIATORS

Innovative design brand

Combining advanced technology with designer style, the DL Radiators brand offer includes heat emitters suitable for a wide variety of heat sources and heating systems.

Our markets

500+ customers

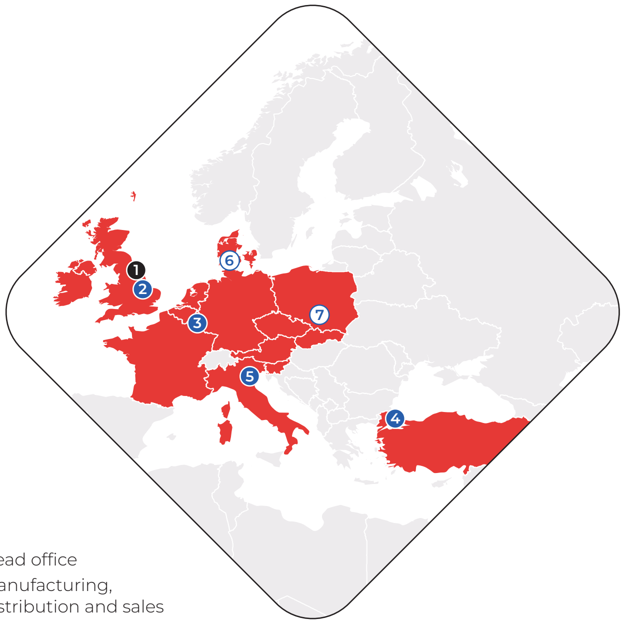
40+ countries

1,400+ people

Market-leading international presence

Supported by an extensive sales and marketing network, Stelrad's well-invested, state-of-the-art manufacturing and distribution operations are designed to provide our customers with high levels of service and product availability, wherever they are based.

» Read more in our market overview on page 10



1. Head office
Newcastle upon Tyne, UK
2. UK Radiators
Mexborough, UK
3. Continental Radiators
Nuth, Netherlands
4. Termo Teknik
Çorlu, Istanbul, Turkey
5. Radiators SpA
Moimacco, Italy
6. Hudevad
Kolding, Denmark
7. Caradon Polska
Kraków, Poland

- Head office
- Manufacturing, distribution and sales
- Distribution warehouse
- Sales presence

Revenue

Stelrad Group	UK & Ireland	Europe	Turkey & International
£308.2m	£139.4m	£149.1m	£19.7m

» Read more in our financial statements on page 98

Our ESG strategy

FIT FOR THE FUTURE

Consistent with our core purpose, **helping to heat homes sustainably**, Fit for the Future is Stelrad's sustainability framework. It sets out our approach to delivering both our business strategy and our sustainability commitments to stakeholders and the environment. It reflects Stelrad's vision of the significant role we can play in the transition to a low – and ultimately zero – carbon heating industry.

Underpinned by the fundamental issues of safety, governance and responsible supply chain management, Fit for the Future has two strategic pillars.

Driving better environmental performance focuses on reducing Stelrad's environmental impact whilst engaging, educating and influencing others to transition effectively to the heating systems of the future. **Enabling an exceptional workforce** ensures our people contribute positively to the delivery of our strategy and our sustainability objectives.

» Read more in the Sustainability section on page 26
» Read more about our markets on page 10

Our investment case

"In 2023, Stelrad's resilient performance in challenging market conditions was testament to our robust strategy, our management experience and the commercial and operational agility to respond effectively to the prevailing macroeconomic environment. The integration of Radiators SpA and continued focus on home heating decarbonisation ensure the Group is well positioned for future growth as markets recover.

Trevor Harvey
Chief Executive Officer

Leading market position

#1

steel panel radiator market share position in Europe, market leadership in seven countries – the UK, Ireland, France, the Netherlands, Belgium, Denmark and Greece – and a Top 3 position in a further nine

A long-term player of scale in the European heat emitter market

- Operating in a market with high barriers to entry
- Providing cost leadership and unrivalled operational flexibility from a multisite manufacturing and logistics platform

» **Read more about our markets on page 10**

Robust business model

14.9%

design radiator mix, including premium steel panel radiators, an increase of 2.4 percentage points versus 2022, 6.0 percentage points since 2021

Attractive long-term dynamics led by replacement demand in mature European markets

- Proven financial resilience through challenging economic cycles, including 2008's global financial crisis, the Covid-19 pandemic and the current macroeconomic environment
- Broad geographic spread and underlying growth in higher value design radiators, coupled with focused and agile cost management

» **Read more about our business model on page 12**

Data source: BRG Building Solutions.

Experienced management and effective strategy

500+

customers in 40 countries

A lean, customer-orientated leadership team with unparalleled sector experience

- Flat management structure with clear focus on quality, customer service and innovation
- Effective channel management driven by a multibrand strategy and proactive adaptation to evolving routes to market

» Read more about our strategy on page 14
» Read more about our Board of Directors on pages 58 and 59

Strong financial position

80.2%

growth in contribution per radiator between 2018 and 2023

A track record of consistent growth

- Sector-leading margins
- Strong cash generation and return on capital employed

» Read more about our KPIs on page 20

Long-term focus on decarbonisation and ESG

41.5%

energy from renewable sources

With a growing range of innovative heat emitters and our **Fit for the Future** framework ensuring delivery of both our business strategy and sustainability commitments, Stelrad is positioned effectively for the transition to low and zero carbon heating over the coming decades

- Anticipated pan-European legislation relating to home heating and reduced fossil fuel use is expected to present favourable growth drivers for higher output heat emitters suitable for lower temperature heating systems
- Stelrad and all its stakeholders will benefit from long-term sector transition to a more sustainable heating model

» Read more about our ESG priorities on page 27

Strong performance in a challenging market environment

“

Despite well-documented headwinds impacting volumes in new build and RMI across Europe, Stelrad continues to deliver a robust financial performance and is making clear progress on sustainability and its strategic objectives.

Bob Ellis
Chair

Dear shareholders

Stelrad has delivered another extremely robust financial performance during 2023, despite challenging macroeconomic conditions. Inflationary pressures, higher interest rates and the resulting pressure on household budgets over the past year negatively impacted the housing market and constrained investment in renovation. Our performance in this environment is testament to the resilience and flexibility of the Group's business model, the strength of Stelrad's market positioning and the robustness of its strategy.

In the face of these challenges, management's considerable experience of trading through numerous other challenging market cycles enabled the business to navigate wider market conditions successfully and deliver another robust financial performance during the period, with proactive price and cost management leading to a 13.0% increase in contribution per radiator.

Although the Group is not anticipating an improvement in macroeconomic conditions during 2024, Stelrad is confident that it is well positioned for a sustained period of profitable growth when markets recover.

Performance and results

Operating profit was £26.7 million, after exceptional items of £2.5 million and amortisation of customer relationships of £0.1 million. After adjustment for these items, Stelrad's adjusted operating profit(1) of £29.3 million was in line with market expectations, despite a 5.2% reduction in volume and a 2.6% revenue reduction. The Group responded quickly and effectively to 2023's difficult trading environment, leveraging its market leadership position and maintaining clear focus on its key strategic objectives.

Purpose

Stelrad's purpose is **helping to heat homes sustainably**. Through its evolving product range, its relationships with both suppliers and channels to market and its influence on heating system specifiers, the Group has a pivotal role to play in the transition to low – and ultimately zero – carbon heating systems. Meaningful progress was made in 2023, through an enhanced and expanded product portfolio and the publication of Stelrad's first Environmental Product Declarations ("EPDs").

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Environmental, social and governance ("ESG") objectives

Achieving our purpose, **helping to heat homes sustainably**, demands relentless focus on reducing Stelrad's own environmental impact, a consistently high level of employee engagement and high standards of corporate governance. These elements are at the heart of Stelrad's culture and values.

Our sustainability framework, **Fit for the Future**, is consistent with that core purpose, setting out our approach to delivering both our business strategy and our sustainability commitments to stakeholders and the environment. It reflects Stelrad's vision of the significant role the Group can play in the transition to a low – and ultimately zero – carbon heating industry.

Board

George Letham, Chief Financial Officer and Executive Director of the Company, stepped down from the Board on 22 November 2023. George joined in 2003 and has played an instrumental role in improving Stelrad's market position and financial performance. He has been retained on a part-time basis for a six-month period, in the capacity of Strategic Adviser to the Chief Executive Officer.

Following a rigorous recruitment process supported by an external search firm, George has been succeeded by Annette Borén, a highly experienced CFO who brings with her a proven track record in delivering financial leadership, operational excellence and strategic growth across different geographies and sectors. Most recently, she was CFO for Northern Europe at Hilti, a world leader in the manufacture of construction tools. Annette brings with her a wealth of experience which will enable her to make a significant contribution to the continued growth and success of the Group.

During the period, Terry Miller, Non-Executive Director and Senior Independent Director, stepped down from the Board and its Committees on 31 December 2023. She was replaced by Katherine Innes Ker as Senior Independent Director, who joined the Board on 1 February 2024 and brings significant listed company board experience in a Non-Executive capacity.

On behalf of the Board, I would like to express our appreciation for George's contribution and commitment during 20 years at Stelrad, which leaves the Group in a strong position for future growth. We wish George all the very best in his retirement. I would also like to thank Terry for the contribution that she has made to the Company over the past two years and to wish her well for the future.

Governance

In line with its status as a company with a premium listing on the Main Market of the London Stock Exchange, Stelrad is committed to high levels of corporate governance. Our compliance with the 2018 edition of the UK corporate governance code is set out in the Governance Report on page 57.

Dividend

The Board is recommending an unchanged final dividend of 4.72 pence per share. The final dividend will be paid on 29 May 2024 to shareholders on the register on 26 April 2024, subject to approval by shareholders at the Annual General Meeting on 22 May 2024.

Summary

Stelrad's management strength and experience, in combination with a robust strategy and a resilient business model, enabled the Group to deliver a strong financial performance in 2023 despite the significant headwinds impacting market demand.

Although these headwinds are set to continue into 2024, Stelrad is well-positioned to capitalise as markets recover.

The flexibility of the Group's business model, market leading positions, and the strength and breadth of the customer and supplier relationships means that the Group looks forward with confidence to achieving its key strategic objectives.

Bob Ellis
Chair
8 March 2024

Well positioned to outperform the market and capitalise once markets improve

"Stelrad's financial performance in 2023 is testament to the resilience and flexibility of our business which has enabled us to deliver results in line with expectations. We have been able to significantly offset a decline in volumes with proactive margin management initiatives, positioning the Group well to capitalise once markets improve.

Trevor Harvey
Chief Executive Officer

Overview

2023 saw a continuation of the macroeconomic headwinds and challenging trading conditions that persisted throughout 2022. Nevertheless, our strong performance in the year is testament to the resilience and flexibility of our business model, the strength of our market positioning and the robustness of our strategy, combined with management experience of successfully navigating previous market cycles.

This experience meant that we were able to proactively leverage the flexibility of our well-invested operational platform, implementing cost-saving initiatives in the second half of 2023 that will lead to tangible benefits from 2024 onwards.

We made significant progress over the course of 2023, integrating the Radiators SpA acquisition and expanding our product portfolio compatible with low and zero carbon heating systems – including the launch of our first UK electric heat emitter range – and we continue to leverage our scale and market leadership to ensure Stelrad is well-positioned for market recovery.

Strong financial performance, proactive response to market headwinds

In 2023, Stelrad's revenue fell by 2.6% versus the prior year to £308.2 million, including the full year benefit of the Radiators SpA acquisition and equating to 12.9% like-for-like reduction. Operating profit was £26.7 million (2022: £22.6 million), an increase of £4.1 million, whilst adjusted operating profit(1) was £29.3 million (2022: £34.0 million), in line with market expectations.

In the UK & Ireland, 2023 revenue was 0.5% lower than in 2022, a strong performance given the wider market uncertainty during the period, whilst adjusted operating profit increased by 7.8%. In Europe, 0.4% decline in revenue resulted in an adjusted operating profit reduction of 34.7%, reflecting lower volumes, low margins in Radiators SpA and a mix shift. In Turkey & International markets, driven by volume decline in China, revenue and adjusted operating profit fell by 25.8% and 34.4% respectively.

Market conditions in 2023 remained extremely challenging, with a combination of high inflation and high interest rates suppressing both housebuilding and renovation demand and driving continued distributor focus on inventory reduction, notably across mainland Europe.

Despite this market backdrop, Stelrad improved contribution per radiator for the sixth year running, delivering a further 13.0% increase relative to 2022. This contribution growth countered a 5.2% decrease in volume over the same period, which represented a reduction of 12.5% on a like-for-like basis.

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Operational flexibility

Our flexible operational platform, based on Stelrad's standardised core heat emitter design and with our long-established, low-cost Turkish facility at its core, continues to provide significant competitive advantage. In combination with proactive price management, this has driven consistent year on year contribution improvement.

During the second half of 2023, we further optimised our operational facilities to enable a programme of cost-saving initiatives which will benefit the Group from 2024 onwards. The Group has optimised production across its Western European facilities with increased volumes transferred to our low cost facility in Corlu, Turkey. In addition, we have reduced fixed costs in Western Europe. The Group expects market environments to remain challenging in 2024 with the continuation of cost and wage inflation, and this reorganisation positions the Group well to mitigate these adverse factors.

Improved product mix

The Radiators SpA acquisition brought a considerable improvement in Stelrad's product mix in 2023. Higher added-value premium steel panel and other design radiators accounted for 8.9% of the Group's sales by volume in 2021, rising to 12.5% in 2022. This increased to 14.9% in 2023, a 6.0 percentage points improvement versus 2021 and up 2.4 percentage points relative to the prior year.

Total volume of the design radiator category, including premium steel panel products, rose by 13.2% in 2023 relative to 2022 and was 43.8% higher than in 2021, the year before the Radiators SpA acquisition took place. As markets recover, the underlying long-term growth trend for all design radiators, and notably premium steel panel products, means that Stelrad is well placed to capitalise on its improved market share position and enhanced product portfolio.

Within the design radiator category, premium steel panel radiator volume represents a key performance indicator for Stelrad. Although volume in 2023 declined by 4.9%, premium steel panel mix of total steel panel radiator volume increased by 0.2 percentage points, from 6.0% to 6.2%.

Radiators SpA

The strategic acquisition case for Radiators SpA is compelling, with the business already providing the Group with market share growth, increased access to key territories and channels to market and a product range orientated towards higher added-value designs, including those suitable for decarbonised heating systems. A combination of challenging market conditions and low levels of profitability with a major customer meant that 2023 financial performance was below expectations. Whilst macroeconomic headwinds will continue into 2024, improved product mix through new product introduction at that key account is anticipated to deliver improved profitability overall.

Outlook

Stelrad's resilience in the face of significant macroeconomic headwinds demonstrates the robustness and flexibility of the Group's business model and the effectiveness of our long-term strategy, driven by our four key strategic objectives: growing market share, improving product mix, optimising routes to market and positioning effectively for decarbonisation.

After challenging for many years, Stelrad has now gained market leadership of both the steel panel radiator category and the hydronic heat emitter market in total, across the combined market of Europe, the UK and Turkey.

Across our core markets, Stelrad is leveraging its strong brands and Radiators SpA's wider product portfolio to improve our positioning for decarbonisation, as evidenced by the launch of our first range of electric radiators into the small but growing UK market.

We continue to expand our range of higher heat output emitters, fully compatible with the low temperature hydronic systems heated by low and zero carbon sources. In 2024, we are preparing to launch Stelrad Green Series, our first radiator range using steel manufactured with 90% lower embodied CO_2 emissions.

Although we expect macroeconomic headwinds to continue into 2024, our considerable management experience through other challenging market cycles will enable us to navigate this turbulence to deliver a robust financial performance.

In combination with our focused strategy, this positions Stelrad effectively for a sustained period of profitable growth as markets recover, benefiting from strong underlying replacement demand across Europe and the long-term regulatory tailwinds for decarbonised energy efficient heating systems.

Trevor Harvey
Chief Executive Officer
8 March 2024

Our strategy in action

New products for decarbonised home heating

Stelrad launched its first UK range of electrical radiators in the second half of 2023, benefiting from Radiators SpA's comprehensive electric portfolio to introduce an innovative and targeted range of heat emitters, including towel warmer, aluminium and designer ranges, into the small but growing UK electrical radiator market. The introduction was well received in both new build and replacement market segments, generating specification by a leading UK housebuilder and stocking commitments from leading electrical distributors. The Electric Series leverages Radiators SpA's know-how and Stelrad's strong customer relationships, positioning Stelrad effectively in a segment with significant decarbonisation growth potential.

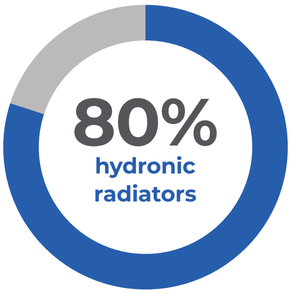
» Read more on page 18

Data source: BRG Building Solutions.

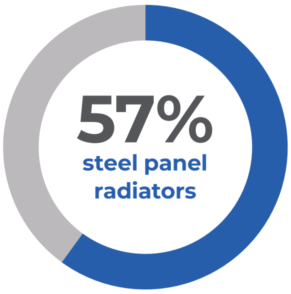
Market-leading scale in steel panel radiators, flexible low-cost manufacturing facilities and an extensive, customer focused logistics platform underpin Stelrad's resilient long-term performance

The European heating market is driven by replacement demand. As 80% of currently installed heating systems function through water circulation, hydronic radiators dominate the European market now and are expected to do so in the future. Steel panel radiators are the most popular hydronic heat emitter and will be a key enabler of the transition to low-carbon, low-temperature heating systems.

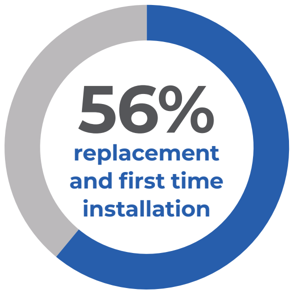
Residential heating systems by type



Hydronic heat emitters by type



Steel panel radiator demand drivers



Stelrad operates across three core geographies

UK & Ireland

51%

2022 market share

UK & Ireland represented 45% of the Group's 2023 revenue and Stelrad maintained a clear market leadership position in 2022, the latest year for which data is available.

Europe

11%

2022 market share

European sales represented 48% of Stelrad's 2023 revenue. The Group moved into the number one position in France and Greece in 2022 and retained market leadership in its core markets of Belgium, the Netherlands and Denmark, with a challenger position in six countries and number three position in three more, including Germany.

Turkey & International

7%

2022 market share

With a number five share position in both Turkey and China, Stelrad's third geography represented 7% of 2023 revenue.

» **Read more about our strategy in action on page 16**

Data source: BRG Building Solutions.

Our robust strategy is aligned with underlying market trends

Historical market stability continues to be impacted by macroeconomic headwinds

Link to strategy 1 Growing market share

In 2023, the hydronic radiator market faced ongoing challenges as high inflation, high interest rates and low consumer confidence impacted volume across all geographies and market sectors. These challenges are expected to continue prior to volume stabilisation during the latter stages of 2024. Following the Covid-19 pandemic in 2020, volume in 2021 rebounded immediately to typical 2009 to 2019 historical levels but post-2024, we are prepared for a more measured recovery as economic conditions and underlying demand improve.

Our opportunity

In 2023, Stelrad's operational flexibility and agile response to macroeconomic conditions enabled a restructuring programme to optimise capacity for market demand levels, an exercise facilitated by our previous programme of investment to ensure low-cost manufacturing from state-of-the-art assets. Coupled with high levels of customer service and product availability from our logistics platform, Stelrad remains well positioned to ride out these short-term challenges and profit from healthy long-term fundamentals. Our position of scale provides a clear opportunity to act as a consolidator, gaining share as smaller players exit the market.

» **Read more on page 14**

Replacement is the primary volume driver

Link to strategy 3 Optimising routes to market

In 2022, the latest year for which data is available, replacement and first time installation represented 71% of steel panel radiator market volume in the UK, 61% across mature Western European markets and 52% in Eastern Europe and Turkey. New residential construction remains the secondary volume driver, representing 35% market volume in Europe, the UK and Turkey combined. Despite the short-term effects of current macroeconomic conditions, strong underlying demand for new homes remains in many geographies, including the UK and Turkey.

Our opportunity

Stelrad continues to adapt quickly to evolving routes to the replacement radiator market, having developed a stronger retail and online channel presence in 2023, both through organic growth and via the Radiators SpA acquisition. This complements the Group's historically strong position with traditional trade distributors, where Stelrad's scale, strong brands, high levels of specification and well-invested logistics operation position the Group effectively to capitalise on future market recovery. Close relationships with new build residential housing specifiers also position Stelrad effectively for longer-term growth as conditions improve.

» **Read more on page 15**

Fundamentals for premium design radiators remain strong

Link to strategy 2 Improving product mix

In 2023, the prevailing economic climate has driven greater customer focus on lower cost solutions. The heat emitter category has proved no exception, with the market volume of premium steel panel and other design radiators being more impacted than that of standard steel panel radiators. The long-term fundamentals for design radiators remain positive, however. Alongside an increasing interior design focus in mature markets will be an anticipated rise in home heating system renovation, driven by heat source decarbonisation.

Our opportunity

In 2023, following the acquisition of Radiators SpA, Stelrad's premium steel panel and design radiator volume was 13.2% higher than in 2022 and 43.8% higher than in 2021. With a combination of state-of-the-art, low cost manufacturing operations and the widest range of premium steel panel radiators on the market, the Group offers an affordable design radiator which can be installed as a direct replacement for standard steel panel products. In addition, Stelrad's leading brands and unrivalled channel access provide further opportunities to develop Radiators SpA's portfolio across our core markets as consumer confidence and disposable income recover.

» **Read more on page 14**

A positive outlook for radiators in decarbonised heating systems

Link to strategy 4 Positioning effectively for decarbonisation

With changes both in legislation and in consumer attitudes, the installation of lower temperature heating systems will drive a trend in both new and existing homes for larger, higher value hydronic radiators with greater heat output. Electric heat emitter volume is also likely to grow, as renewable energy sources deliver lower cost electricity, with electricity prices becoming increasingly decoupled from those of fossil fuels.

Our opportunity

Stelrad's position as a trusted adviser to all kinds of specifiers provides a clear opportunity for the Group to engage and educate them, in order to influence the selection of heat emitters appropriate for low and zero carbon heating systems, whether hydronic or electric. We continue to introduce compatible, sustainable, fully recyclable heat emitters to our portfolio. In addition, we are leveraging Stelrad's market position in core countries to maximise the potential of Radiators SpA's electric, hybrid and dual fuel radiators.

» **Read more on page 15**

Stelrad's resilient business model generates sustainable long-term value for our stakeholders

Our resources

People
Stelrad has a lean organisation of 1,400 permanent employees and the most stable and experienced management team in the industry, with 18 years' average experience.

International network
Benefiting from a manufacturing, distribution and sales and marketing presence across the vast majority of key global radiator markets, Stelrad endeavours to provide exceptional technical, logistical and commercial support for specifiers, distributors, retailers, installers and consumers.

Brands
Stelrad has a portfolio of strong, industry recognised brands, each with long-established, loyal customers. Stelrad is the number one steel panel radiator brand across the combined market for Europe, the UK and Turkey. Henrad and Termo Teknik are leading, industry recognised steel panel radiator brands, whilst the DL Radiators brand is well established and technically innovative across a range of heat emitter technologies. Hudevad is a premium Danish design brand favoured by specifiers in the profitable commercial and high-end residential sectors.

Operational assets
Stelrad has a flexible, well-invested, efficient and low cost Group operational platform, following our recent five-year investment programme, which focused on manufacturing automation and logistics infrastructure, coupled with the acquisition of Radiators SpA's multiproduct manufacturing facility.

What makes us different

Brand strength
As the market-leading steel panel radiator brand across the combined European, UK and Turkish markets, Stelrad is at the heart of the Group's powerful multibrand strategy. Using Stelrad's portfolio of strong brands enables the Group to optimise channels to market and to maximise access to specifiers in all segments.

Product availability
Aiming to provide best-in-class lead times, Stelrad has the largest radiator distribution centres in the UK and mainland Europe, with respective capacities of 350k and 200k units, and our customers are further supported by additional regional distribution hubs. As retailers and trade distributors target reduced stockholding levels, this provides Stelrad with significant competitive advantage.

Range innovation
Stelrad pioneered premium steel panel and vertical steel panel radiators, offering a unique combination of design aesthetic, ease of installation and value for money, and achieved high levels of Western European market penetration. With an innovative upselling approach, the Group has a clear objective to expand the under-developed UK market. With the acquisition of Radiators SpA in 2022, Stelrad's portfolio extended to include electric, hybrid and dual fuel heat emitters suitable for low and zero carbon heating systems.

Standardised core design
The Group's core steel panel radiator design is used in all standard and premium steel panel ranges produced in the Çorlu, Mexborough and Nuth facilities. This ensures high-quality levels at the lowest possible cost by enabling production flexibility, cost efficiency and risk mitigation.

ESG fit for the future

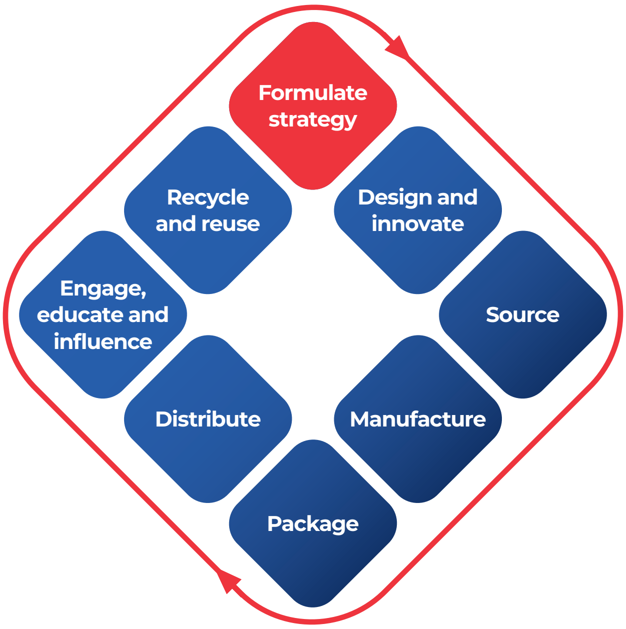
Helping to heat homes sustainably
Consistent with our core purpose, helping to heat homes sustainably, Fit for the Future is Stelrad's sustainability framework. It sets out our approach to delivering both our business strategy and our sustainability commitments to stakeholders and the environment. It reflects Stelrad's vision of the significant role we can play in the transition to a low – and ultimately zero – carbon heating industry.

» Read more on page 27

Driving better environmental performance
Stelrad recognises the urgent need to reduce global emissions and manage resources efficiently. We are committed to reducing our environmental footprint, focusing on energy and material usage, the lifecycle impact of our products and the decarbonisation of heating. We will innovate, introducing products as part of a coherent offer for low and zero carbon heating systems. We will understand and quantify our impacts, targeting improvements as part of a long-term net zero journey, optimising our packaging design and reducing the environmental impact of the raw materials we use.

How we create value

Driving better environmental performance is a core element of Stelrad's strategy. We innovate to provide an appropriate, coherent heat emitter offer for low-temperature heating regardless of heat source. We engage with our value chain to minimise environmental impact, using our position of influence to encourage positive behavioural changes from heating system specifiers.



Shared value

People

Our people are fundamental to delivering our strategy and driving the future performance of the Group. We aim to be a responsible employer and a safe place to work. We offer competitive pay, attractive benefits and continuous investment in training.

Customers

Trusted relationships with our customers and high standards of business conduct are critical to our Group's performance. We continuously seek to build and strengthen these key relationships and conduct business with integrity and in a professional manner.

Suppliers

Our suppliers are intrinsic to our business performance. Maintaining a fully integrated supply chain ensures security of supply and speed to market, driving both quality and competitiveness, whilst gaining the support of our suppliers as we undertake sustainability initiatives.

Investors

Helping investors understand our business model, strategy and sustainability initiatives through providing balanced and understandable information is key to their engagement and motivation to support future investment opportunities. This engagement is also fundamental to fulfilling regulatory requirements.

Communities and the environment

Striving to make a positive impact in the communities where it is based, Stelrad has clear ESG initiatives in each of our main operational territories. We are aware of the impact the Group has on the environment and this is a critical part of our decision making and business planning process.

Enabling an exceptional workforce

Our people are fundamental to the success of our business and we are proud of our culture of collaboration and teamwork at Stelrad. We are passionate about providing a workplace fostering an inclusive, encouraging environment where everybody can thrive and contribute to the Group's future growth. We support all areas of our workforce, with particular focus on employee engagement, training and development, wellbeing and diversity and inclusion. Outside of our business, we invest in community initiatives tailored to local needs across our different geographical sites.

Conducting business responsibly

Conducting business responsibly is the key foundation in everything we do, underpinning all of Stelrad's activities. As well as the fundamental principles of international labour standards and human rights, we are guided by a strong business culture and a clear set of values overseen by the Board. Our strengths in corporate governance, safety, supply chain management and labour standards enable progress in all aspects of sustainability and corporate strategy. Our number one priority is to keep our employees and contractors safe and healthy and we aim for zero harm across all our operations.

Stelrad's strategy is driven by four key objectives

1 Growing market share

Links to risks 1 2 3 4 5 6 7 8 9

Strive for cost leadership

Now In addition to our position of scale as the leading radiator manufacturer, Stelrad invested for cost leadership, with a programme upgrading all manufacturing facilities, including our low-cost Turkish operation.

Future We will leverage our cost-leading multisite manufacturing platform for maximum profitable growth as smaller, higher cost competitors exit the market.

Provide market-leading product availability

Now Standardised core product design across three of our facilities ensures production planning flexibility. Our market-leading UK and European distribution centres, supported by dedicated inventory in key geographies, offer best-in-class logistics.

Future The Group will maximise the benefits of its distribution centres, increasing availability for premium steel panel and other design radiators to expand the market for higher added-value ranges.

Selectively target share growth in key geographic markets

Now Stelrad is market leader in seven countries, holding a Top 3 position in nine more. In 2022, the acquisition of Radiators SpA enabled further share gains, notably in France and Germany.

Future We will further develop relationships with established players in core geographies, adapting to evolving routes to market and leveraging our strong brands to build our presence in key countries.

Act as a market consolidator

Now Stelrad, perceived by customers as a long-term player of scale, is a proven market consolidator.

Future For smaller competitors, challenging market conditions will increase pressure on profitability, providing opportunities for Stelrad to gain share organically through business gains or competitor exits.

2 Improving product mix

Links to risks 1 2 3 4 5 6

Accelerate upselling to premium steel panel and design products

Now In 2023, Stelrad's mix of higher added-value design radiators was 14.9%, representing 2.4 percentage points growth compared to the prior year and up 6.0 percentage points relative to 2021, driven by the acquisition of Radiators SpA.

Future Stelrad is well positioned for profitable growth as radiator markets across Europe recover from the impact of current macroeconomic conditions. The underlying positive trend for design products is anticipated to accelerate mix improvement over the long term. We will continue to leverage our brand strength and market leadership position in our core countries to expand the market for design radiators, notably in the UK, where premium steel panel penetration is at low levels relative to the European average.

Pursue complementary acquisition opportunities

Now Having acquired Radiators SpA in 2022 and Danish premium design brand Hudevad in 2018, Stelrad has developed a significantly stronger presence in higher added-value radiator categories. The Group's key focus is on maximising sales of this more extensive design portfolio through our well-established international sales and distribution network, across all of Stelrad's key geographic markets.

Future At a manufacturer level, the design radiator market is fragmented, with many small players. Driven by cost of living increases, the category has experienced greater relative volume decline than high-volume products such as standard steel panel radiators. As a result, design radiator producers without a position of scale in high-volume radiator manufacturing will face additional pressure on profitability. This may provide Stelrad with options for potential acquisitions.

Risk key

1 Business disruption
2 Customers
3 Loss of competitive advantage
4 Supply chain risk
5 IT failure or cyber breach
6 People and culture
7 Health and safety
8 Political and economic environment
9 Climate change

3 Optimising routes to market

Links to risks 1 2 3 4 5 6

Adapt quickly to channel evolution

Now Stelrad's multibrand strategy has allowed the Group to manage the evolving dynamics of market channel evolution effectively. As a result, we continue to maintain unrivalled access to all routes to market, including the traditional trade distribution model, major DIY and retail outlets including the Kingfisher Group and pure play internet operators.

Future Stelrad will continue to maintain and develop close customer relationships across our core geographies, investing in our leading brands to maximise profitable growth as routes to market evolve and the distribution channel consolidates. Following the acquisition of Radiators SpA, the Group will continue to develop sales through leveraging improved access to DIY and other retail channels.

Embrace digital transformation

Now In 2023, despite challenging market conditions, the Group's sales through UK online channels have continued to increase and are strongly orientated towards higher added-value design radiators. As new products are introduced, we continue to invest in Building Information Modelling ("BIM") and specification databases for building products, to ensure consulting engineers and architects can easily access our technical data and incorporate our heat radiators into their heating system specifications.

Future Stelrad will continue to develop digital capability and a strong online presence to reinforce and develop awareness of our leading brands with all potential specifiers and installers, regardless of their preferred market channel.

4 Positioning effectively for decarbonisation

Links to risks 1 3 4 6 8 9

Maximise sales of products compatible with low-temperature systems

Now In the heat emitter market, the full impact of decarbonising heating systems will take decades to be felt, due to long replacement cycles and a significant installed base. Decarbonising heat sources is the primary legislative focus across Europe, which is driving a corresponding requirement for heat emitters compatible with low-temperature systems. During 2023, Stelrad continued to develop our higher output hydronic offer and launched our first electric range into the UK market.

Future Stelrad's emphasis will be on maximising sales of Radiators SpA's electric, hybrid and dual fuel ranges in core markets and raising awareness of our higher heat output hydronic heat emitters.

Develop products appropriate for low-temperature and decarbonised systems

Now Stelrad is working in partnership with a key supplier to introduce a UK radiator range featuring steel manufactured using renewable energy, with significantly lower embodied CO_2 emissions.

Future Continuing to leverage Radiators SpA's technological capability, notably in hybrid and electric radiators, will enable Stelrad to provide heat emitters for all decarbonised heat sources.

Leverage our market position to unlock adjacent opportunities

Now As decarbonisation initiatives gain momentum, Stelrad's brand strength, channel access and operational infrastructure position the Group effectively to play a pivotal role in the development of European heating distribution channels.

Future Further diversification into complementary product areas relating to the long-term decarbonisation of heating systems will be enabled by Stelrad's strong, trusted brands and leading access to routes to market.

» **Read more in our associated strategy in action on page 18**

Strategy in action

Growing market share

According to 2022 data*, the latest available, Stelrad was #1 in the European steel panel radiator market for the first time in the Group's history, having made further important gains in market share and position.

Stelrad continues to outperform its peer group

In 2022, Stelrad's share rose by 0.4 percentage points to 18.8%. In contrast, the Group's three traditional European competitors lost a combined 4.0 percentage points between 2021 and 2022, with exposure to the Russian market being a notable contributing factor to this decline.

Number 1 in seven countries and Top 3 in nine more

Stelrad secured a Top 3 position in 16 countries, according to 2022's latest available steel panel market data, gaining two #1 positions and two Top 3 positions relative to 2021. The Group was a clear market leader in the UK, where share exceeded 50%, France, Belgium, the Netherlands, Ireland, Denmark and Greece.

* Data source: BRG Building Solutions.

> In 2022, Stelrad's positive share growth trend continued, with increased penetration of our ten core geographic markets providing the Group with a strong foundation for future growth as markets recover.

Trevor Harvey
Chief Executive Officer

Europe, the UK and Turkey

#1
market position

In 2022, Stelrad's share of the European steel panel radiator market increased by 0.4 percentage points relative to the prior year and has risen by 2.1 percentage points since 2020. Driven by both organic growth and the acquisition of Radiators SpA, the Group recorded its highest ever market share of 18.8%.

18.8% ↑ 0.4

2022	18.8%
2021	18.4%
2020	16.7%

Stelrad's ten core countries

#1
market position

In its ten core geographic markets, Stelrad increased 2022 share by 1.5 percentage points relative to the prior year, achieving a total share of 26.5%. This represented 3.9 percentage points' growth since 2020 and demonstrates the successful implementation of our focused share growth strategy.

26.5% ↑ 1.5

2022	26.5%
2021	25.0%
2020	22.6%

France

#1
market position

Stelrad now leads the French market, having gained 4.2 percentage points, share in 2022 versus the prior year. In just three years since 2020, the Group has moved from #3 to #1 position and has grown share by 10.8 percentage points to reach 30.6%. In the process, Stelrad has overtaken long-established competitors. Growth has mainly been driven by organic share gains through traditional distribution channels.

30.6% ↑ 4.2

2022	30.6%
2021	26.4%
2020	19.8%

Germany

#3
market position

In 2022, Stelrad's 10.1% share of the German market represented a 4.1 percentage points gain relative to the prior year, and this was the first year in which Group share exceeded 10%. The acquisition of Radiators SpA was the key driver for share growth in this important European market, moving the Group from #5 to #3 position.

10.1% ↑ 4.1

2022	10.1%
2021	6.0%
2020	6.0%

Poland

#2
market position

Although Polish market volume in 2022 was significantly impacted by the ongoing conflict in Ukraine, Stelrad had a positive year for share growth, reaching 10.7% in total and exceeding 10% for the first time. A 1.6 percentage points rise took the Group from #3 to #2 position.

10.7% ↑ 1.6

2022	10.7%
2021	9.1%
2020	8.7%

Sweden

#2
market position

In 2022, Stelrad's share in Sweden was 22.5%, firmly consolidating the Group's challenger position with a 2.7 percentage points gain relative to 2021, an increase of 15.6 percentage points since 2020. This significant gain was driven by business development with leading European distributor Saint-Gobain.

22.5% ↑ 2.7

2022	22.5%
2021	19.8%
2020	6.9%

Positioning effectively for decarbonisation

Vertical

Now manufactured in our low-cost facility in Çorlu, Turkey, as well as Nuth, Netherlands, Stelrad's vertical radiator portfolio is growing as market demand increases for these space-efficient, high-output heat emitters.

K3

Sharing the same length and height dimensions, K3 triple panel, triple convector radiators offer around 38% higher heat output than a K2 double panel, double convector radiator and around 140% higher heat output than the single panel, single convector equivalent.

H900

In 2023, Stelrad launched an H900 range into the UK market. Although little known in the UK, 900mm high steel panel radiators are widely available in mainland Europe, offering over 36% higher heat output than the equivalent 600mm size, the UK's most common height dimension.

Vento

Vento is a hybrid radiator, combining Stelrad's standardised steel panel radiator design with automatically controlled additional electrical convection. Vento is available in both standard and premium designs.

Electric Series

Our first UK electrical radiator range launched in the second half of 2023. Radiators SpA's electric heat emitter portfolio provided an innovative range of heat emitters targeted at the small but growing UK electrical radiator market. Electric Series leverages Radiators SpA's know-how and Stelrad's strong customer relationships to position the Group effectively in a segment with decarbonisation growth potential.

Green Series

In the first half of 2024, Stelrad will launch the first UK radiator range featuring steel with 90% lower embodied CO_2 emissions, produced in the UK and certified through an independently verified insetting scheme. Green Series also uses no plastic in the outer packaging, further reducing its environmental impact.

> Stelrad is innovating to meet growing demand for low and zero carbon heating: we continue to develop and expand our portfolio, working with specifiers to support the transition to low-temperature and, ultimately, zero carbon heating systems.

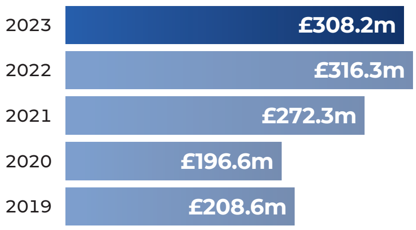
Trevor Harvey
Chief Executive Officer

Measuring and analysing the Group's performance

Management considers a variety of financial and non-financial measures 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 alternative performance measures.(1)

Revenue

£308.2m



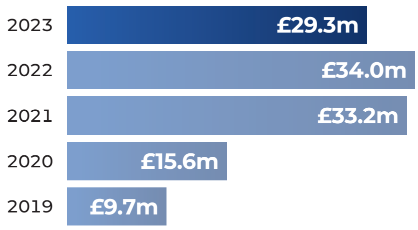
Links to strategy 1 2 3 4

Description
The Group generates revenue from three operating segments: the UK & Ireland, Europe, and Turkey & International. Revenue arises from the sale of products to consumers and represents the gross invoiced sales less credit notes and rebates.

Performance
Revenue declined by 2.6% mainly due to a decrease in like-for-like sales volumes, partially offset by the full year benefit of the Radiators SpA acquisition and the impact of selling price increases. Revenue fell by 12.9% on a like-for-like basis.

Adjusted operating profit(1)

£29.3m



Links to strategy 1 2 3 4

Description
Adjusted operating profit is the Group's key profit measure to show performance from operations.

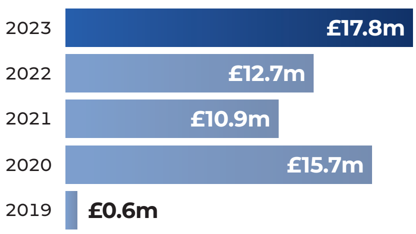
Performance
Adjusted operating profit fell by 13.8%. The reduction in adjusted operating profit was mainly the result of a reduction in sales volumes year on year and an increase in depreciation in the year – mainly a legacy of the IAS 29 revaluation of Turkish fixed assets and the impact of a full year depreciation charge for Radiators SpA. The impact of lower volumes has been partially offset by proactive price and cost management initiatives.

Strategy key

1. Growing market share
2. Improving product mix
3. Optimising routes to market
4. Positioning effectively for decarbonisation

Free cash flow(1)

£17.8m



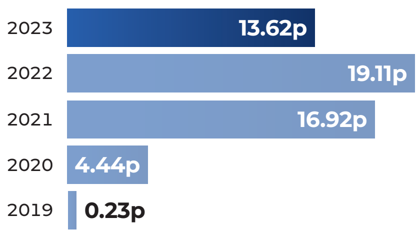
Links to strategy 1 2 3 4

Description
Free cash flow shows the cash available to make distributions to shareholders.

Performance
Despite a small decrease in EBITDA, a higher tax spend and rising interest costs, free cash flow improved in the year due to proactive management of working capital and a return to lower levels of capex spend.

Adjusted EPS(1)

13.62p



Links to strategy 1 2 3 4

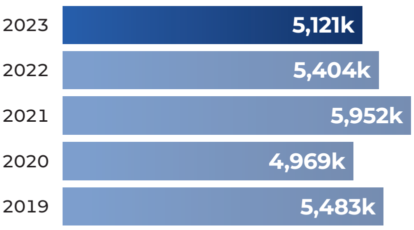
Description
Adjusted EPS is the adjusted profit for the year of the Group per share in issue.

Performance
Adjusted EPS fell in the period, impacted by a reduction in adjusted operating profit and increased interest costs, partially offset by reduced tax charges.

(1) The Group uses some alternative performance measures to track and assess the underlying performance of the business. Alternative performance measures are defined in the glossary of terms on page 21 and reconciled to the appropriate financial statements line item in note 33. Note 33 also outlines the limitations of using alternative performance measures.

Total radiator volumes sold

5,121k units



Links to strategy 1 3

Description

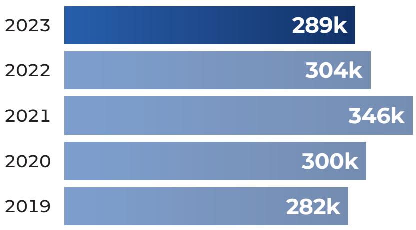
The sales volumes of radiators across all geographical segments in the reporting period.

Performance

Volumes decreased by 5.2% in the year (like-for-like decline of 12.5%), with markets continuing to decline due to global macroeconomic uncertainty.

Total premium panel radiator volumes sold

289k units



Links to strategy 2

Description

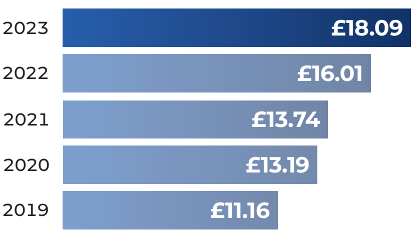
The sales volumes of premium panel radiators sold across all geographical segments. Premium panel radiators include vertical radiators and are differentiated from standard steel panel radiators by their higher margin and design. Increasing premium panel penetration will enhance the profitability of the Group.

Performance

Premium panel volumes fell by 4.9% due to a decline in overall volumes. Premium panel penetration was in line with 2022, supported by the full year benefit of the acquisition of Radiators SpA, where the proportion of premium panel sales is higher.

Contribution per radiator

£18.09



Links to strategy 2 4

Description

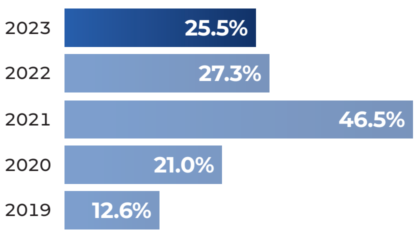
The value of contribution generated per radiator sold.

Performance

Contribution per radiator has increased by 13.0% (16.5% like-for-like increase), benefiting from the continued transfer of production to lower cost facilities and increased selling prices, partially offset by the impact of inflationary price rises.

Return on capital employed[1]

25.5%



Links to strategy 1 2 3 4

Description

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

Performance

Return on capital employed reduced in the year, primarily due to a 13.8% reduction in adjusted operating profit, partially offset by a 7.6% reduction in business capital employed due to lower capital expenditure and lower working capital.

Glossary of terms

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

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

Adjusted operating profit: operating profit before exceptional items, amortisation of customer relationships, foreign exchange differences (until 31 December 2022) and the impact of IAS 29 (until 31 December 2022).

Adjusted profit for the year: earnings before exceptional items, amortisation of customer relationships, foreign exchange differences (until 31 December 2022), the impact of IAS 29 (until 31 December 2022) and tax thereon.

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

CAGR: compound annual growth rate.

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

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

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

EBITDA: profit before interest, taxation, depreciation, amortisation, exceptional items, foreign exchange differences (until 31 December 2022) and the impact of IAS 29 (until 31 December 2022).

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

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

RMI: repair, maintenance and improvement activities.

We are committed to engaging our stakeholders in all aspects of our strategic vision

Decision making by the Board

1 Board information

- Board training and induction, including s172 training
- Board papers including financial and non-financial information
- Advice and presentations by internal and external experts
- Board engagement with key stakeholders

2 Board discussion

- s172 considerations are taken into account in the Board's discussions, including the long-term impacts on the Group, its stakeholders and the wider environment
- s172 is taken into account in the Board's decision making
- The Board satisfies itself that information provided is sufficient, accurate and comprehensive to enable decision making, and further information is requested if required
- The Executive Management team provides information on a timely basis and further assurance where required

3 Board decision

- Actions are taken to implement the Board's decisions

4 Board review

- The Board is provided with information on outcomes and actions of its decisions

Section 172 statement

The Board of Directors of Stelrad Group plc, both individually and together, consider that they have acted in good faith and in a way that would be most likely to promote the long-term success of the Group and Company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1)(a–f) of the Act) when making decisions during the year ended 31 December 2023.

The Board considers its key stakeholders to be its people, customers, suppliers and investors, and also recognises the importance of the communities and environment in which the Group operates. The Board takes the views of its stakeholders seriously in setting and implementing the Group strategy and believes that good stakeholder engagement is key to the long-term success of Stelrad Group plc. Stakeholder considerations also form part of any Board discussions which lead to decision making.

Each year the Group undertakes a detailed business planning process, during which the Group sets out its short and long-term plans and, as part of this process, carefully assesses any consequences of these plans. The main objective of the business planning process is to define a direction that will most likely promote the success of the Group for all stakeholders. The Board will also, on an ad-hoc basis, consider other decisions, both strategic and operational, and in doing so will ask the Group to explore various alternatives and the likely consequences of each.

The remainder of this section of the Annual Report sets out how Stelrad Group plc and the Board have engaged with key stakeholders. In addition to the information provided here, the Group's business model on pages 12 and 13 and the Group's strategy on pages 14 and 15 outline how the Group engages with its stakeholders and how the business creates value for each of them. Furthermore, our ESG strategy and activity, which directly or indirectly impact all of our stakeholders, are outlined in the Sustainability Report on page 26.

As the Board of Directors, our intention is to behave responsibly towards our stakeholders at all times and treat them fairly, so that they all benefit from the successful delivery of our plan.

» **Read more in our Corporate Governance Report on page 57**

Our stakeholders

People

Customers

Suppliers

Investors

Communities and the environment

People

Why we engage

Our people are fundamental to delivering our strategy and driving the future performance of the Group. We aim to be a responsible employer and an attractive place to work. We offer competitive pay, attractive benefits and continuous investment in training. The views of our people are an important input in the ongoing development of the training, benefits and working environment we provide. The health, safety and wellbeing of our people is a primary consideration in the way we do business and is a critical part of our decision making process.

As a key element of our engagement with our people, we seek to maintain strong collaborative relationships with our trade unions and employee representatives. Through a combination of these relationships, periodic employee surveys and ongoing communication with our people, we believe that our employee engagement approach is effective and appropriate for the Group.

The Board as a whole shares responsibility for ensuring that employee engagement is sufficiently robust and regularly appraises the appropriateness of the approach and the need for alternative methods of engagement.

How we engage

- Regular access to and provision of training and development
- Individual performance reviews
- Recognition and reward
- Regular communications including newsletters
- Annual Report
- Employee surveys
- Board member visits to sites
- Code of Conduct
- Equality, Diversity and Inclusion Policy

Outcomes

- Communication of relevant and timely information and sharing of knowledge
- Improved level of engagement, lower absence rates and higher retention rates
- Development and improvement of skills throughout the workforce
- Improved awareness and support for health and wellbeing issues
- Processes improved, initiatives developed and management buy-in at all different levels – facilitated by the Group's Code of Conduct
- High standards of health and safety performance maintained

» **Read more about our workforce in our Sustainability Report on page 33 and succession planning within the Nomination Committee Report on page 71**

Stakeholder engagement *continued*

Customers

Why we engage

Trusted relationships with our customers and high standards of business conduct are critical to our Group's performance. We continuously seek to build and strengthen these key relationships and conduct business with integrity and in a professional manner.

How we engage

- Management of ongoing customer relationships
- Customer events and product launches
- Participation in industry forums, exhibitions and events
- Brand websites and social media
- Annual Report
- Supporting customers with design of low-temperature heating systems
- Proactive and high-quality customer service

Outcomes

- Continued customer satisfaction and loyalty
- Establishment of long-term partnerships
- Successful and mutually beneficial product development as we transition to zero carbon heating systems

» **Read more about how we are positioning effectively for decarbonisation through our product range on page 18**

Suppliers

Why we engage

Our suppliers are intrinsic to the performance of our business. Maintaining a fully integrated supply chain means that we can ensure security of supply and speed to market, in addition to achieving a high-quality, competitive supply, whilst gaining the support of our suppliers as we undertake sustainability initiatives.

How we engage

- Ongoing supplier performance and relationship building meetings
- Supplier reviews and audits
- Partnering with key suppliers to develop initiatives for innovative solutions in a collaborative manner
- Collaboration as appropriate on product development
- Effective communication of quality, cost competitiveness and future order requirements
- Timely payment of suppliers
- Annual Report

Outcomes

- Stable sourcing, product quality and competitive pricing
- Long-term partnering, reducing supply chain volatility
- Fair payment terms
- Support of our ESG initiatives

» **Read more in our spotlight on steel purchasing on page 30 and our spotlight on partnerships on page 31**

Investors

Why we engage

We consider that helping our investors to understand our business model, strategy and sustainability initiatives is key to ensuring that they are engaged in the business and motivated to support future investment opportunities that may arise. Continued investor engagement is also fundamental to fulfilling regulatory requirements and to providing fair, balanced and understandable information about the business to enable informed investment decisions to be made.

How we engage

- Annual Report
- Annual General Meeting
- Corporate website including dedicated investor section
- Results presentations and post-results engagement with shareholders
- Regular investor roadshows, comprising both one-to-one meetings with our largest institutional shareholders and investor group meetings taking place following results announcements
- Regular in-depth feedback on investor views provided by our corporate brokers
- Expansion of analyst coverage as a further way of communicating to investors

Outcomes

- Maximising demand for the Group's shares
- Support for investment opportunities including potential acquisitions or capital investment programmes

Communities and the environment

Why we engage

The Group's ESG strategy is key to ensuring our ESG ambitions are realised. In 2023 ESG was a significant area of focus for the Board and will remain so going forward. The Group has clear ESG initiatives in each of the main territories in which it operates, all of which strive to enable the Group to make a positive impact in the communities where it is based. The Group is aware of the impact it has on the environment and this is a critical part of our decision making and business planning process.

How we engage

- Community investment initiatives
- Sponsorship and employee volunteering
- Contributing to development of local, regional and national initiatives
- Regular engagement with local authorities and businesses to identify and support the delivery of educational and vocational initiatives
- Participation in initiatives to help reduce the environmental impact of our business
- Supporting customers with design of low-temperature heating systems
- Sustainability steering group and sustainability working group

Outcomes

- Support and development of local educational institutions
- Longstanding sponsorship of local sport clubs, regular charitable events and fundraising
- Cleaner and friendlier areas for the local communities
- Successful product development as we transition to zero carbon heating systems

» **Read more about our environmental performance in our Sustainability Report on page 29**

Reporting clear progress in sustainability

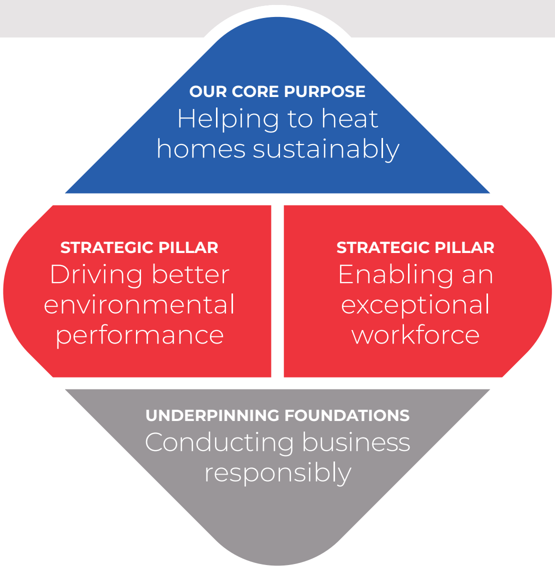
Trevor Harvey
Chief Executive Officer

Highlights of 2023

- Expansion of Scope 3 carbon emissions measurement from the UK to cover the whole Group (see page 32).
- Incorporation of Radiators SpA into our expanded set of sustainability metrics, and development of Group sustainability targets (see page 28).
- Development of Group policies covering sustainable procurement, the environment, information security and anti-corruption and bribery (see page 56).
- Verification and publication of our first Environmental Product Declarations ("EPDs") (see page 29).
- Reduction in lost time severity rate of 15% towards our long-term goal of zero harm (see page 35).

Next steps for 2024

- Further development of metrics and targets, in line with international frameworks.
- Development of an action plan for packaging changes, aiming to drive improvement on our key packaging metrics.
- Launch of a low-carbon radiator series in the UK, utilising low-carbon steel.
- Further measurement of lifecycle impacts, leading to additional EPDs.



2023 was our first full year operating Fit for the Future, the strategic sustainability programme we developed in 2022. Sustainability is central to achieving our core purpose, and I am delighted with the progress we have made since establishing key governance structures and the metrics needed to drive Stelrad's future progress in this area.

We calculated Scope 3 emissions at Group level for the first time last year (see page 32) and set a carbon intensity target for the future. Achieving that target as markets recover and production volumes increase will require us to minimise increases in our operational carbon emissions through reducing the impact of the steel we purchase, investing in our manufacturing processes and using more renewable energy. In 2023, we made progress towards this objective by increasing the percentage of energy use from renewable sources, from 8.7% in 2021 to 41.5% in 2023.

We developed additional sustainability-related policies to strengthen our approach in key areas (see page 56) and we will continue to develop these further over the coming years. A good example is the expansion of our supplier auditing process across all of Stelrad's business units. This ensures a consistent approach and comparable standards across the Group.

We are also enabling our customers to make sustainable choices.

We published our first environmental product declarations detailing the environmental impact of our products. This was developed in response to customer requests and reflects our determination to promote sustainability and increase customer satisfaction by working in partnership with stakeholders throughout our value chain.

In 2024, we will be launching a low-carbon radiator range in the UK, enabling Stelrad's customers to reduce the carbon impact of the products they buy, whilst contributing to the decarbonisation of our supply chain and the mitigation of climate change more widely.

Within Stelrad's operational facilities, we made good progress on safety in 2023 with reductions in all key metrics, notably a 15% reduction in lost time severity rate and a 7% reduction in all safety incidents. This is especially pleasing, as it took place in the year when we integrated Radiators SpA into our Group safety processes and identified important opportunities for future improvement. Safety will continue to be a key focus for 2024 as we strive for zero harm, prioritising further improvements to foster a safe and supportive working environment.

After making clear progress last year, we remain committed to maintaining momentum throughout 2024 and beyond, building on the foundational improvements we have established and ensuring we fulfil our core purpose, helping to heat homes sustainably.

Trevor Harvey
Chief Executive Officer
8 March 2024

Our Fit for the Future framework covers a variety of strategic issues as shown in the table below. These were determined through an in-depth consultation process with a wide range of the Group's key stakeholders. These were then further developed to ensure the framework matches the structure, capabilities and processes of the Group.

Driving better environmental performance

1 Decarbonisation of heating

Description – Reducing the amount of carbon produced by domestic and commercial heating systems

Objective – Ensure we maintain a coherent offering suitable for lower carbon heating systems, regardless of the heat source

2 Energy and carbon

Description – Managing business activities that consume energy and emit greenhouse gases into the atmosphere, contributing to climate change

Objective – Target improvements as part of a long-term journey to net zero carbon emissions, within our operations and our wider value chain

3 Upstream lifecycle impacts

Description – Managing the environmental impact of a product in the extraction, processing and distribution of raw materials

Objective – Understand and quantify our indirect impacts, and engage elements of our value chain to minimise these impacts

4 Packaging

Description – Managing the lifecycle environmental impacts of the packaging used to protect products during transportation

Objective – Develop an approach to packaging products that is fit for the future, environmentally and commercially

Enabling an exceptional workforce

5 Training and development

Description – Developing the skills needed to maintain and enhance our market position

Objective – Review and strengthen existing training and development programmes

6 Diversity and inclusion

Description – Enhancing the presence of differences such as gender or ethnicity within the workplace, and ensuring that all people share a sense of belonging

Objective – Be representative of the communities in which we operate and broaden the diversity of our population

7 Employee engagement

Description – Understanding the motivations of employees and working to foster an engaged workforce

Objective – Develop employee engagement programmes with ongoing two-way communication

8 Employee wellbeing

Description – Supporting employees' mental, emotional and physical health

Objective – Provide and foster a safe and supportive working environment that promotes personal wellbeing

Conducting business responsibly

9 Health and safety

Description – Protecting the health and safety of the workforce during all business-related activities

Objective – Aim for continuous improvement in accident frequency rates by nurturing a positive safety culture throughout the business

10 Supply chain management

Description – Identifying and managing issues within the supply chain, and promoting the improvement of standards

Objective – Engage with suppliers to optimise sustainability in our supply chain

11 Corporate governance and ethics

Description – Ensuring the system of rules and processes fosters ethical business practices and supports the needs of all stakeholders

Objective – Maintain high ethical and corporate governance standards and a culture of accountability

Sustainability metrics

We present here our key sustainability metrics, with further metrics shown on page 40. We have added metrics for Scope 3 carbon emissions and the recycled content of packaging materials this year. These additional metrics reflect historical focus areas where we have improved our data collection.

The inclusion of data from Radiators SpA led to historical recalculation to provide a consistent baseline for comparison. Where 2021 data for Radiators SpA is unavailable, this is shown as "n/a". Intensity metrics were also affected by a change in methodology to ensure greater consistency.

In 2023, further reductions in our Scope 1 and 2 carbon emissions were achieved and these are now 63% lower than the 2021 baseline, although a market-driven production volume reduction was a clear contributory factor. Our main underlying improvement was driven by the increased use of renewable energy, which rose to 41.5%. This contributed to an emissions intensity figure that is now 42% below the 2021 baseline. Scope 3 emission reductions of 16% were also achieved, driven by a reduction in purchased goods.

On packaging, our use of recycled content increased significantly, driven by the shrink film used in Termo Teknik. Unfortunately, we used more plastic per tonne of product due to changes in the mix of products and production locations, and an increase in transit distance.

Metric	2023	2022	2021
Driving better environmental performance			
Total market-based Scope 1 and 2 emissions (tCO_2e)	**12,122**	14,827	32,757
Market-based Scope 1 and 2 emissions intensity (tCO_2e/t)	**0.10**	0.11	0.18
Total Scope 3 emissions (tCO_2e)	**445,479**	531,456	n/a
Energy from renewable sources (%)	**41.5%**	39.5%	8.7%
Plastic packaging intensity (kg/t)	**12.1**	11.4	n/a
Recycled content of packaging material used (%)	**68.1%**	60.5%	n/a
Enabling an exceptional workforce			
Training days per employee	**2.9**	2.6	n/a
Voluntary labour turnover rate	**8.0%**	7.3%	n/a
% of women in workforce	**10.5%**	11.1%	n/a
Conducting business responsibly			
Lost time frequency rate[1]	**8.82**	9.19	10.94
Lost time severity rate[1]	**54.06**	63.45	49.27
% of key suppliers with up-to-date audits	**64.3%**	19.7%	n/a

(1) Any incident resulting in an employee not being able to attend work the following day is regarded as a lost time incident.

Definitions of these key metrics are available on page 37.

We managed to increase our training days per employee from the high level seen in 2022 and also kept our voluntary labour turnover at similar levels.

The percentage of women in the workforce also declined (see page 34 for more detail).

We saw improvements in our key safety metrics, reflecting our ongoing focus in this area (see page 35 for more detail).

Following development during 2022, our enhanced supplier auditing process is now embedded across the Group. 64% of suppliers have been audited, ahead of the initial target of 55% – demonstrating significant buy-in from our suppliers.

Sustainability targets

The following table outlines our ambitions for a selection of our key sustainability metrics.

Metric	Ambition
Market-based Scope 1 and 2 emissions intensity (tCO_2e/t)	45% reduction from 2021 by 2030
Energy from renewable sources (%)	45% by 2030
% of key suppliers with up-to-date audits	Above 75% by 2030

Our carbon reduction target focuses on achieving a 45% intensity reduction from the 2021 baseline by 2030. We continue to monitor emissions and, longer term, we aim to set an absolute reduction target aligned with science. Conscious of the market-driven reduction in production volume, we do not feel that is appropriate at this point.

Increasing the share of renewable energy in our mix will be a key enabler to further carbon reductions. Our target of 45% by 2030 is reflective of the significant increases we have already made, and the relative difficulty of further increases.

Finally, we aim to maintain a position where at least 75% of key suppliers have been audited within agreed timescales. Each of these targets will be kept under review.

In addition to the above, we aim to maintain a performance above important thresholds on a further selection of our key metrics, including the recycled content of packaging, voluntary labour turnover and training days per employee. Two of these metrics have been included in our executive remuneration scheme for 2024 (see page 75).

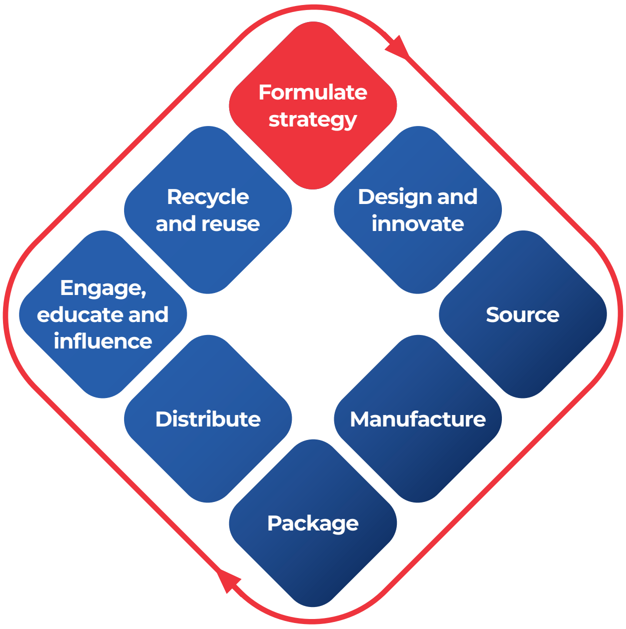
Our focus for improving safety and women's representation will be strengthening our culture and processes, developing targeted initiatives to encourage female representation and progressing towards doing zero harm.

There is significant ongoing work on understanding the potential impact of any changes to our packaging. As these initiatives progress, we will look to set long-term targets.

Driving better environmental performance

Our approach to driving better environmental performance focuses on a number of areas, including our energy and materials usage, the impact of our products over their lifecycle and the decarbonisation of heating.

In 2023, our understanding of our environmental impacts increased further, with the completion of additional lifecycle assessments ("LCAs"), the publication of our first environmental product declarations ("EPDs"), and the collection of Group-level Scope 3 carbon emissions data. This helps us to identify targeted actions to improve our environmental performance across all stages of our business model, as we outline below.



1. Formulate strategy

Environmental considerations feature strongly in our strategy. Our key objectives are outlined on page 14 and are closely aligned to environmental factors. The strategic importance of the environment reinforces the need to properly understand our impacts. In 2023 we took important steps to increase our understanding by calculating our Group-wide Scope 3 emissions for the first time and publishing our first EPDs.

Our Scope 3 emissions analysis has confirmed the significant impact of raw materials. Purchased goods and services account for 91% of the total carbon emissions of our value chain with the biggest contribution from steel and steel components. More information on our approach to sourcing steel is described on page 30. Other major contributors to our overall carbon footprint include our use of energy in our operations and the transportation of products and raw materials. The following sections outline some examples of how we are working to reduce our environmental footprint in these areas. More information on our Scope 3 emissions is shown on page 32 and is also published in our carbon balance sheet on our corporate website.

We also published our first EPDs, covering standard panel radiators in Europe and Scandinavia. These were published to ensure that we provide full information to our customers, enabling them to easily assess the environmental impact of our products on their projects. The EPDs reinforce the finding from our Scope 3 analysis that the greatest impact comes from our raw materials, with c.80% of the carbon footprint of our radiators attributable to module A1 – raw materials. The studies also emphasise the benefit of the recovery and recycling of steel at the end of life of the radiator, which significantly reduces the full lifecycle impact of our products – benefits that would not be possible if alternative, harder to recycle materials were used.

2. Design and innovate

We are always looking to bring innovative products to market, and we believe that innovation is key to our business. This is especially important as we develop our higher heat output product portfolio, prioritising products that are particularly suited to the heating systems of the future.

This year saw two significant developments to our product offering. Firstly, we utilised the capabilities of Radiators SpA to expand our offering of electric radiators in new markets including the UK. These products can contribute to the elimination of fossil fuel-using heating systems, and we expect sales of these products to increase over the coming years.

The second development was the launch of the Green Series in the UK. This series has been developed in partnership with a key steel supply partner and uses steel certified to be responsible for 90% lower carbon emissions than standard. Our engagement with this scheme offers us and our customers the opportunity to directly contribute to decarbonising the steel industry by funding carbon reduction projects. The Green Series will be available for purchase from April 2024.

3. Source

The results from our existing LCAs and our Scope 3 emissions measurement emphasise the importance of the materials that we use, and how we conduct our sourcing processes. We regularly audit our key suppliers, aiming to raise standards across the supply chain. To further strengthen our procurement activities, in 2023 we developed a sustainable procurement policy. This policy applies to all employees within the Group and aims for our procurement activities to result in the best combination of whole-life costs and benefits by considering appropriate environmental, social and economic factors in all purchasing decisions. The policy outlines our procurement principles and details our objectives in the areas of human rights, labour standards, environment, energy and carbon, materials and resources.

Our sustainable procurement objectives include proactively tackling modern slavery and labour exploitation, protecting nature, reducing the energy use in our supply chain, increasing the use of low and zero emission transport methods, seeking reductions in materials consumption, reducing usage of single-use plastic, and increasing the use of clauses in procurement contracts that encourage positive environmental or social outcomes.

Steel makes up c.96% of the weight of our products, and our steel sourcing activities are key. The spotlight on steel purchasing shows some of the methods we are taking to increase sustainability in this area.

Driving better environmental performance continued

Spotlight on steel purchasing

We proactively engage with our key steel suppliers to understand their decarbonisation plans, given the environmental impact of the steel supply and the significance of steel to Stelrad's products. Alongside tracking their progress, we encourage our key steel suppliers to accelerate their decarbonisation plans, and we plan to increase our work with steel partners on investigating options for lower-carbon steel. The launch of the Green Series in the UK is a good example of how this can contribute to our offering whilst increasing investment in the decarbonisation of the steel industry.

The full decarbonisation of the steel supply chain is a long-term process. In the short term, we are actively reducing the impact of the steel we buy. This includes promoting greater efficiency in materials usage and using lower gauge steel. In 2023, 17.8%, or 19.6kt, of our steel purchases were classified as lower gauge, an increase from 16.3% in 2022. This growth is partially attributable to increased purchasing in the UK and changes made in Radiators SpA in 2023 to reduce the steel gauge used on our column products by 5.5%.

4. Manufacture

The environmental impact of our manufacturing is relatively small in comparison to other elements of the supply chain, but it is still an area of focus, and one where we have greater control. We measure our carbon impact through our two key sustainability metrics of Scope 1 and 2 carbon emissions and emissions intensity. Since our baseline in 2021, both of these metrics significantly reduced. Emissions intensity has reduced by 42%, driven primarily by increasing the amount of renewable energy purchased and by efforts to reduce energy usage and increase energy efficiency. Gross emissions reduced even further, by 63%, due to market-driven reductions in production volumes. Any future recovery in market conditions may increase absolute emissions.

We have focused on reducing Scope 3 emissions in the areas in which we have the greatest influence, including employee commuting. In 2023, we completed a number of initiatives designed to encourage more environmentally friendly commuting. These include investments at Continental Radiators to install eight electric car charging points, and to improve site access for bicycles, as well as the implementation of a cycle to work scheme in the UK. This is in addition to our ongoing provision of buses for employees in Turkey. These actions should reduce the number of internal combustion cars visiting our sites.

Beyond energy and carbon, our water usage reduced by 7.1% from 2022. The amount of waste we generated fell 13.1% to 7,547 tonnes, and we continue to divert virtually all waste from landfill, achieving 97.7% in 2023. In 2024, we intend to increase the detail of the mapping of our waste streams, improving our understanding of the types of waste generated and how it is processed.

Spotlight on energy usage

A key method to decarbonise operations is to reduce the use of fossil fuels. Improving efficiency in our manufacturing operations, supported by significant investment, continues to be a key focus for us, including adapting existing processes to run on electricity rather than fossil fuels. One example of this took place in Italy in 2023, where the heat shrink oven was replaced with an electric version. This machine was used in packaging our products and consumed approximately 13,600m^3 of natural gas each year. It is estimated that the replacement will reduce energy consumption by 124MWh each year – c.1% of the site's total natural gas usage in 2023. A further example is in the UK, where our LPG-consuming forklift trucks will be replaced with electric versions in 2024.

The impact of such initiatives is shown by the increase in the proportion of energy derived from electricity. In 2021, this was 48%, and this has increased to 52% in 2023. The reduction in our carbon impact from using electricity rather than fossil fuels is increased when we utilise renewable electricity. We are targeting 45% of our energy use from such sources by 2030.

5. Package

Packaging is an essential part of our offering, as our products are heavy and bulky and can be damaged if packaged incorrectly. Over the last two years we engaged in a significant project to understand the packaging we use and identify opportunities to reduce its environmental impact without compromising the quality of protection. This is supported by two key sustainability metrics, measuring the recycled content of packaging that we use and the intensity of plastic used in our packaging.

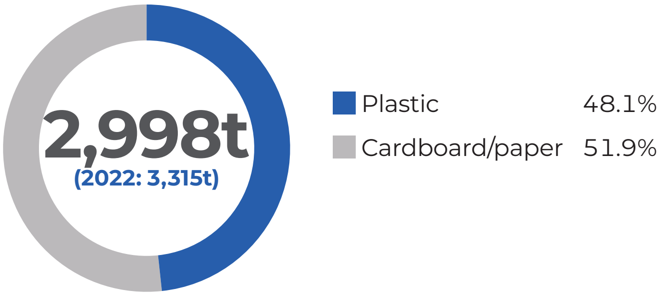
Our improved packaging data helps us to identify key areas of focus and any potential for sharing best practice. Our use of packaging is greatest in Termo Teknik to ensure that products are not damaged when shipping from Turkey. This includes using materials such as polystyrene and bubble wrap, which are harder to recycle and have a greater environmental impact. This partly explains the increase in plastic packaging intensity seen in 2023, with a greater proportion of products manufactured in Turkey.

Although there are definite possibilities for improvement, there are many positive aspects of our packaging use. 94% of our cardboard and paper and 16% of our plastic is made from 100% recycled material, and 94% of our packaging is, in turn, recyclable. Our key sustainability metric measuring recycled content increased to 68.1%, driven by changes to plastics used for bags, bubble wrap and shrink film.

We have also identified a number of actions to improve performance against these metrics in future, including removing plastic bags from some of our hardware packs, reducing the gauge of shrink wrap and polystyrene used on some products and altering the grade of plastics used to increase recyclability. Some of these improvements are already in place; others will be delivered in the near future.

In 2023, we used 2,998 tonnes of packaging material, down 9.5% from 2022 due to reduced production volumes. This is broken down by material type as shown below:

Packaging used (2023), by material type



6. Distribute

Our distribution activities deliver products from our six manufacturing and warehousing facilities to c.40 different countries. Increased efficiency is a key aim, and we are flexible in our approach to ensure we maximise vehicle utilisation rates, deliver in full pallet loads where possible and minimise the cost and energy involved. Final distribution to customers is routinely managed with route optimisation software.

We also promote the efficient use of hauliers through back-haul arrangements wherever suitable. We have specific arrangements with major customers to reduce empty running of vehicles and increase optimisation. Additionally, our use of third party hauliers further increases flexibility and the potential for back loads. We are also addressing the carbon impact of our own car fleet and aim for all vehicles across the Group to emit less than 50g CO_2e per km. Currently, 45% of cars in the Group meet this standard with a significant increase in low-emission vehicles used in Europe compared to 2022.

7. Engage, educate and influence

To continue to contribute to the decarbonisation of heating, we educate and inform our customers and other value chain participants. We engage in communication campaigns explaining how radiators can be used in a variety of scenarios and with a range of heat sources.

Achieving our goals is made easier through developing partnerships with key influencers, and we are strengthening our industry involvement, for example, with trade associations. A key activity for us is the design of heating systems and the spotlight on partnerships below outlines how we have approached this in our key UK market.

Spotlight on partnerships

Over the years, we have formed a variety of different partnerships with agencies, heat source manufacturers and other value chain participants. The objective of these was twofold – the production of more accurate and efficient heating designs, enabled through better data sharing, and, secondly, the improved generation of leads and additional business for Stelrad.

In response to the growth of alternative heating systems such as heat pumps, we further increased our engagement with this market, in part by forming a partnership with Renewable Energy Domestic Designs ("REDD"). REDD provides a heating and plumbing design service to a variety of sectors, with a focus on the new build housing sector. It is also involved in designing the heating systems of the future, including contributing to the Energy House 2.0 facility at the University of Salford. REDD now handles c.50% of the queries we receive for heating systems, with a large proportion of those designs incorporating alternative heat sources to gas boilers.

8. Recycle and reuse

It is estimated that the lifecycle of our radiators is in excess of 30 years. Steel is 100% recyclable and benefits from one of the highest recycling rates of all materials. The benefit of this recyclability is quantified in our EPD, where benefits from recycling at the end of life equate to c.52% of the carbon footprint of the initial product.

We are also working to improve the circularity of the packaging we use. We aim to both improve the recyclability of our packaging, primarily by replacing hard to recycle plastics with alternatives such as cardboard, and increase the recycled content of the packaging we use – this is monitored as part of our key sustainability metrics. In 2023 we increased the recycled content of our packaging from 60.5% to 68.1%.

Driving better environmental performance continued

Streamlined Energy and Carbon Reporting

The table below summarises our energy usage and associated emissions for the Group during 2023.

Our chosen intensity metric is tCO_2e per tonne of product produced. The results of this intensity metric are as follows, showing the change relative to our baseline year of 2021:

Scope 1 and 2 intensity	**2023**	2022	2021	Baseline variance
Market-based	**0.10**	0.11	0.18	(42.4)%
Location-based	**0.18**	0.20	0.17	5.8%

		2023			2022			
		UK	**Non-UK**	**Total**	UK	Non-UK	Total	YoY variance
Consumption (MWh)	Scope 1	**6,539**	**36,506**	**43,045**	7,359	44,631	51,990	(17.2)%
	Scope 2	**6,349**	**39,399**	**45,749**	6,899	45,653	52,552	(12.9)%
	Total	**12,889**	**75,905**	**88,794**	14,258	90,284	104,542	(15.1)%

		Tonnes of carbon dioxide equivalent (tCO_2e)						
		2023			2022			
		UK	**Non-UK**	**Total**	UK	Non-UK	Total	YoY variance
Scope 1		**1,234.6**	**6,838.3**	**8,072.9**	1,377.8	8,282.3	9,660.1	(16.4)%
Scope 2	Market-based	**3.1**	**4,046.3**	**4,049.3**	0.5	5,166.2	5,166.7	(21.6)%
	Location-based	**1,314.8**	**12,613.4**	**13,928.2**	1,334.1	15,707.3	17,041.4	(18.3)%
Total Scope 1 and 2	Market-based	**1,237.7**	**10,884.5**	**12,122.2**	1,378.4	13,448.5	14,826.8	(18.2)%
	Location-based	**2,549.4**	**19,451.7**	**22,001.1**	2,711.9	23,989.6	26,701.5	(17.6)%
Scope 3 category 1		**88,114**	**336,999**	**425,113**	52,572	447,425	499,997	(15.0)%
Scope 3 category 4		**1,103**	**7,625**	**8,728**	2,474	11,789	14,263	(38.8)%
Other Scope 3 emissions		**1,978**	**9,660**	**11,638**	1,962	15,234	17,196	(32.3)%
Total gross Scope 3 emissions		**91,195**	**354,284**	**445,479**	57,008	474,448	531,456	(16.2)%
Total Scope 1, 2 and 3 emissions	Market-based	**92,433**	**365,168**	**457,601**	58,386	487,897	546,283	(16.2)%
	Location-based	**93,744**	**373,736**	**467,480**	59,720	498,438	558,157	(16.2)%

Reporting methodology

Our emissions are reported on a consolidation, operational control approach, as defined by the GHG Protocol. All emissions have been calculated following the GHG Protocol's Corporate Accounting and Reporting Standard. All seven greenhouse gases defined by the Kyoto Protocol have been accounted for and reported on a tonnes of carbon dioxide equivalent (tCO_2e) basis.

Where available, country-specific emissions factors have been utilised for our global operational emissions. Residual emissions factors have also been used for non-renewable energy reported under market-based calculations and, where possible, these have been sourced for our countries of operation.

Purchased goods and services account for 90.9% of Stelrad's total location-based emissions. Other significant emissions categories include upstream transportation and distribution (1.9%), fuel-related emissions (0.9%) and end-of-life treatment of sold products (0.7%). All other categories are either not applicable, or account for 0.5% or less of Scope 3 emissions.

Indirect use of energy by sold products is optional to report in category 11. This would include the indirect energy use of boilers, which, if included, would represent more than 99% of total emissions. This is therefore not included in our inventory. More details can be found in our Carbon Balance Sheet Report, published on our website at stelradplc.com/sustainability/driving-better-environmental-performance/.

Enabling an exceptional workforce

Our people are fundamental to the success of our business, and we are proud of our culture of collaboration and teamwork. We are passionate about providing a workplace that fosters an encouraging and inclusive environment where everybody can thrive and contribute to our future growth. We support all areas of our workforce, with particular focus in the areas of employee engagement, training and development, wellbeing and equality, diversity and inclusion. Outside of our business, we invest in community initiatives tailored to local needs across our different geographical sites. To help us monitor our progress, we report our key sustainability metrics of training days, voluntary labour turnover and women in the workforce on page 28.

Our people

Our geographical footprint is shown on page 3. Across the Group, we employ a total of 1,414 people, with 1,206 of those outside the UK. Given this geographic span, we have a diversity of cultural norms as well as a breadth of differing statutory requirements. Our culture, with its emphasis on respect, integrity, service, stewardship and excellence, bridges and values the rich heritage of our people and the diversity we have within our business. Our strategy of local-led implementation ensures we are delivering for our employees in each country and our flat management structure assists us in maintaining close working relationships across the Group.

Training and development

We have a highly skilled and experienced workforce with a deep understanding of our industry. Our people are at the heart of everything we do. We offer a wide range of training and development opportunities that are relevant to our industry because we know that our success depends on our collective ability to grow, learn and adapt. We measure the number of training days provided as a key metric and this increased in 2023.

Manufacturing excellence

As a manufacturing-led business, the majority of our workforce are operatives, and we provide opportunities for people to develop their skills with extensive on the job training. For example, within our manufacturing plants, we maintain a competency matrix which identifies the range of skills required for each task within the manufacturing process. Individuals are developed across the competency matrix through a detailed programme of training and assessment. This is complemented by external market insight, technical skills and knowledge development received through partnerships with various suppliers and subject matter experts.

Underpinning this is our commitment to supporting all employees with a continuous health and safety training programme. For example, in Continental Radiators, all managers participated in training on "creating a socially safe working environment" in the last year.

Leadership excellence

Leadership is developed at several layers in the organisation. This year in Continental Radiators, a bespoke leadership programme was delivered to 36 employees, with the aim of developing leadership skills across the current and emerging leadership populations. The participants were from production, logistics, maintenance and engineering, and all were presented with a diploma to recognise their successful completion of the programme. Connected to this was a one-day leadership event for all managers in manufacturing and supply chain, aiming to ensure that management and operatives are aligned. For 2024, a follow-up programme is scheduled for other employees who are enthused to participate, along with an advanced class for participants who have potential for further development.

Future focus

We continue to invest in developing employees of the future. This takes a number of formats, including internship and apprenticeship schemes across the Group. Within the UK we currently have four apprentices in place, with one apprentice having recently been shortlisted for the Heating & Plumbing Award for "Apprentice of the Year". In Continental Radiators, we participate in "Procestechniek & Maintenance Limburg" ("PML"), which is a formal platform to address the shortage of operators and maintenance technicians in the industry. We also offer scholarships and internships in both Turkey and Continental Radiators.

Employee engagement

Reflective of our business model, our approach to employee engagement is decentralised and tailored to local workforces. We listen to and communicate with our employees through multiple approaches, including employee feedback schemes, team meetings, employee magazines and employee dinners. Whilst these differ in each location, the focus is on establishing ongoing two-way dialogue with all employees to ensure that they have a voice in the workplace. This is reinforced through formal employee representation partnerships, and we have well-established, positive relationships with trade union partners across our main sites.

The success of this approach to two-way employee engagement, supported by paying competitive salaries, providing meaningful work and investing in our people, is reflected in maintaining our voluntary labour turnover rate of 8.0%. A more detailed review of employee engagement at Board level is shown on page 90.

Equality, diversity and inclusion

As an international group, we recognise and enjoy the benefits of working with a diverse group of colleagues. We are proud to have a diverse and inclusive workforce which reflects the communities in which we operate, and we are committed to providing an environment where everyone feels valued and respected.

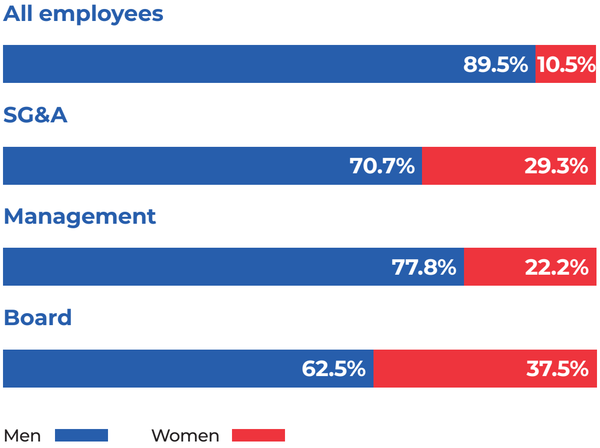
Our Group Equality, Diversity and Inclusion Policy guides and shapes our approach to embedding equality, diversity, and inclusion into our key people processes. The employee lifecycle process provides a structured framework for this, whilst providing the appropriate flexibility for actions to be developed in different areas of the business that reflect the decentralised business model, the different legislative requirements and the cultural norms in each of the jurisdictions in which we operate.

This year, in line with the new Board diversity disclosure listing rule, we are reporting on the composition of the Board and Executive Management in relation to gender and ethnicity. Details of this can be found on page 72. In addition, we continue to voluntarily report on gender pay statistics in the UK, with a full report available on our website.

Enabling an exceptional workforce continued

Gender

Consistent with the demographics of the wider manufacturing sector, the majority of our workforce is male, although female representation in sales, general and administration ("SG&A") positions remains higher, at 29.3%. We are pleased to have appointed Annette Borén to the role of Chief Financial Officer this year, increasing the diversity within our talented Executive Management team. We recognise that further increasing the representation of women in our business and in leadership roles is important to our future success, which is why the percentage of women in the workforce is a key sustainability metric.



Spotlight on gender diversity

In Continental Radiators, we participated in Girls' Day, a national event focused on introducing girls to science, technology and manufacturing at a young age. The event attracted approximately 179 girls who completed four hands-on activities in the company of career guides – female technical employees from supportive companies. Denise Sweelssen, our Operations Director, and Sandra van Os, one of our operatives, participated as guides in the event. The career guides help the attendees on the activities whilst discussing their roles, why they chose a technical career and how they overcame obstacles.

Additionally, our management and human resources teams in Radiators SpA attended a training course addressing the increased importance of language as it relates to gender identity, raising awareness and understanding of this important issue.

Wellbeing

We continued to develop our health and wellbeing support with a focus on physical and mental wellbeing. This is underpinned by detailed policies and resources that support employees' wellbeing, including workplace physicians and nurses, external specialist services, preventative medical examinations and an Employee Assistance Programme.

Activities to promote improved wellbeing this year include the construction in Turkey of a spacious and modern catering area and break areas within the factory site.

Spotlight on supporting education

This year we participated in a range of career development activities, including providing work experience and hosting open days and school leaver days across the Group. In the UK, we continued to support the Advanced Manufacturing Engineering (BTEC) programme at Sheffield College as part of the Employer Skills Academy. Additionally, in September, the UK opened its doors to the community as part of Make UK's National Manufacturing Day, showcasing potential careers and providing "through the keyhole" tours of the business to local schools.

In Continental Radiators, we participated in a festival with Zuyd Hogeschool that connects students with local companies for traineeships and job opportunities. Additionally, we provided a tour and information session for 56 local school children aged eleven and twelve. The students were able to witness first hand the range of valuable and interesting occupations available in manufacturing.

Construction is also underway on a larger and more modern employee changing room. In the UK, six of our senior managers were trained as mental health first aiders, aiming to raise awareness of mental health in the workplace and to equip participants with the skills to promote mental wellness and identify and provide support as appropriate.

Community

We remain committed to ensuring that each of our businesses fosters strong, tailored relationships with its local community. We are proud of the positive impact that we made to our local community this year, including supporting education, charitable donations and local sponsorships and partnerships.

In 2023, Radiators SpA was one of the first 500 contributors to a fundraiser to support Project Autism FVG. The purpose of the project is to enable severely autistic children who are currently housed in an institution to live together with their families in a newly constructed inclusive village. In addition, Christmas gift packs were given to all employees and to the parish of Moimacco for distribution to local families in need of support. In the UK, the Social, Charity and Community forum continued its fundraising work and provided sponsorship to a number of employee fundraising events in the year. Additionally, in September, 47 of our UK employees embarked on a 14-mile sponsored walk to raise funds for Cancer Research UK and the Bluebell Wood Children's Hospice. As well as supporting physical and mental wellbeing, the event raised a total of £5,600, which will be split between the two charities.

Conducting business responsibly

Conducting business responsibly is a key foundation in everything we do and underpins all our business activities. Our approach is guided by a strong culture and a clear set of values overseen by the Board. Our strengths in corporate governance, safety, supply chain management and labour standards enable our progress in other elements of sustainability and corporate strategy.

Health and safety

Our number one priority is to keep our employees and contractors safe and healthy, and we aim for zero harm across all our operations. During 2023, our key priorities were to maintain long-term progress in our sites in the UK, Continental Radiators and Termo Teknik, whilst fully incorporating Radiators SpA into our health and safety processes. Our performance at Group level registered some highlights, with lost time severity rate ("LTSR") falling significantly, and our lost time frequency rate ("LTFR") reducing by 4%. However, our total incident rate remained at similar levels to 2022. A key stand out is the performance of our Turkish site, where significant investment in process automation and operator training, coupled with providing videos to support work instructions, led to a material improvement in safety performance. LTFR in Turkey more than halved, from 7.7 in 2022 to 3.4 in 2023, resulting in a site where performance had been comparatively lower becoming the best performing site on safety in 2023.

2023 saw the UK set a new record of 971 days without a lost time incident ("LTI"). Unfortunately, three LTIs were recorded in the UK since the record ended in March. The incorporation of Radiators SpA into our safety metrics and processes has identified a number of opportunities for improvement. LTFR in Italy was seven times higher than in the rest of the Group, and reducing this will be a key focus in 2024. Our expectation is that this will improve as our safety culture and processes become embedded.

Fatality rate

2023	0
2022	0
2021	0

Lost time frequency rate

2023	8.8
2022	9.2
2021	10.9

Lost time severity rate

2023	54.1
2022	63.5
2021	49.3

Total recordable incident rate

2023	5.8
2022	5.8
2021	7.4

Definitions of these metrics are available on page 37.

Spotlight on safety

Manual handling is one of the main safety risks we face. Our products are heavy and can cause injuries if handled incorrectly. One of our main safety strategies is therefore to identify manual handling within our processes and act to reduce this. We utilise many tactics, including redesigning workflows, rearranging production, utilising handling equipment such as cranes and forklifts and investing in automated handling equipment.

The last of these tactics has been instrumental to the improvement in safety performance of Termo Teknik. For example, we identified points within the production process where radiators were being lifted from a platform to floor level. We invested in high-speed robots to conduct this activity instead. These robots utilise a radiator grip attachment specifically designed for this process and, between them, can handle up to eight million radiators, at a weight of c.160kt, a year. There are plans to extend this approach in other areas during 2024.

Corporate standards

We maintain high standards, ensuring we respect fundamental principles of human rights and comply with all applicable laws and regulations. This approach is enacted locally but supported by a range of Group policies.

During 2023, we expanded our suite of policies, ensuring greater consistency. This included updates to our Group Code of Conduct, which sets the standards of behaviour which every employee is expected to uphold. We also developed new Group policies covering information security, anti-corruption and bribery, sustainable procurement and the environment. These new policies must be observed by all employees and any individual working on our behalf. Local policies must not fall below the Group standards.

One way in which we assess and communicate our corporate standards is through the EcoVadis platform, which all our manufacturing sites are members of. In 2023, we achieved improvements in many areas and have been rewarded with EcoVadis silver medals in the UK and Continental Radiators and bronze medals in Radiators SpA and Termo Teknik.

Supply chain management

Our high standards also extend to our suppliers. In 2022 we developed a process for auditing and assessing our suppliers in a range of areas including health and safety, human rights, the environment and product quality. We continued to develop this process in 2023, rolling it out across the Group. At the end of the year, we had completed audits on 64% of our key suppliers and we have a target of reaching and maintaining this above 75% of our key supplier base by 2030.

TCFD Report

This is the third report in which we make disclosures against the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD"). We can report further progress towards full alignment with the publication of Group Scope 3 emissions (see page 32) and the introduction of several sustainability targets (see page 28). These targets include a carbon emissions intensity reduction target. The remaining gap in our disclosure is on strategy resilience and scenario analysis. This is yet to be completed as we wish to ensure any scenario analysis is as meaningful and relevant as possible. This necessitates more work on building organisational knowledge and capabilities. This omission means that we are not compliant with the UK Government's Climate-related Financial Disclosures ("CFD") regulations as we are yet to provide disclosures against requirement F: an analysis of our business model, taking into account consideration of different climate-related scenarios.

Our future focus is on expanding our metrics, including quantifying the financial impact of, and exposure to, climate-related risks and opportunities. We will also investigate conducting climate-related scenario analysis.

Chief Executive Officer

Has overall accountability for our corporate strategy, including ensuring that this appropriately takes account of sustainability matters and climate-related risks and opportunities.

The Board

Responsible for ensuring that appropriate systems and processes are in place to monitor and manage progress against our strategy and the identified climate-related risks and opportunities.

Ensures that sustainability is an essential consideration of all key decisions, alongside the section 172 requirements.

Audit & Risk Committee

Guides the Board in matters related to risk, including climate-related risk.

Responsible for overseeing the implementation of the overall risk management framework and for reviewing the Group's risk assessment capabilities and processes.

Sustainability steering group

Monitors progress on the execution of our sustainability strategy. Periodically updates the Board and the Chief Executive Officer on progress. Responsible for the initial assessment of emerging climate-related risks, and for the co-ordination of identified mitigation actions.

Sustainability working group

Comprises representatives from each of the business units. Responsible for the day-to-day delivery of our sustainability strategy and co-ordination of actions within each business unit.

Operational teams

Responsible for site-level delivery of agreed initiatives, and involvement in discrete projects as appropriate.

Interaction is co-ordinated by either the working group or the steering group.

Governance

The management of climate-related risks and opportunities follows the same structures as the governance of broader sustainability issues. The diagram shows the main parties involved in the governance of sustainability and their main roles and responsibilities.

Central to this governance is the sustainability steering group. This group comprises cross-functional leadership in the form of the Group Chief People Officer, Group Sustainability Manager, Group Finance Director, Group Operations Director and Group Strategic Marketing Director. During 2023, the terms of reference for this group were developed, which firmly set out its scope and purpose. Responsibilities include conducting a periodic review of strategy and prioritisation, and communicating, co-ordinating and managing resources across the Group. These activities are led by our Group Sustainability Manager.

One function of this governance structure is the management of climate-related risks and opportunities. Emerging climate-related risks are monitored by both the working group and the steering group with details of the risk, its potential impact, and any potential mitigation actions fed into the Group Sustainability Manager. These risks and opportunities are recorded on a climate-related risk and opportunity register, with ownership for the risk or opportunity being assigned to a member of senior management, often a member of the steering group.

The climate-related register is reviewed every six months, firstly by both the working group and the steering group, and then by the Audit & Risk Committee, alongside business unit registers. Climate change is included as a principal risk for the Group. This ensures that climate risks are incorporated into the wider risk management framework, and that significant emerging or evolving climate risks are reviewed and assessed by the Audit & Risk Committee on an ongoing basis. When key issues arise, these will be raised and discussed with the rest of the Board.

Strategy

We have a clear business strategy (outlined on page 14) which is supported by our core purpose, helping to heat homes sustainably. Ensuring that we position ourselves effectively for the potential impacts of decarbonisation of the heating industry forms a key part of our strategy and is strongly linked to the climate risk related to alternative technologies, and the opportunity for differentiation of our offering which are outlined on the following pages. An example of how we are addressing this strategically is shown in the discussion of new products on page 18.

Climate-related risks have the potential to impact our strategy delivery in a number of ways. The introduction of electric radiators into our product offering in more markets in 2023 was a response to the decarbonisation of heating. In future, legislation and market dynamics may have a direct impact on costs, potentially affecting our ability to grow market share. Further, sustainability considerations form part of the evaluation of potential acquisition opportunities.

We give details of the elements of our Fit for the Future sustainability framework on page 27, which sets the framework for how we are addressing our climate-related risks and opportunities. The identified risks and opportunities are shown on pages 38 and 39, where we also show the potential impacts these would have on our business and strategy. In future years we expect to conduct scenario analysis to support our understanding of how climate-related risks and opportunities will impact Stelrad's business resilience, strategy and financial planning.

Risk management

Our wider risk management processes are explained in detail on pages 48 to 54. Climate change is included at the Group level as a principal risk, with the detail of risks being captured in a climate-specific risk and opportunity register. This register captures the transitional risks associated with adapting to a lower carbon economy, the physical risks associated with climatic temperature increases and any opportunities that may arise and from which we may gain commercial advantage.

Emerging climate-related risks are identified as part of day-to-day operations and are actively sought by the Group Sustainability Manager as part of twice-yearly reviews of the register. The chief responsibility for identifying risks falls to the members of the sustainability working group, who benefit from both active involvement in sustainability workstreams, and exposure to local issues.

Our climate-related risks and opportunities are assessed in terms of the likelihood of the risk arising over three different time periods. Short term covers the next financial year (2024), medium term covers up to five years (to 2029) and long term considers the impacts beyond this. These time periods are consistent with the recommendations outlined in the draft European Sustainability Reporting Standards ("ESRS"). Likelihood of occurrence is expressed in levels from one to three, with level one meaning that the risk or opportunity is unlikely to occur in the period and level three suggesting that the risk is more likely than not to happen.

Likelihood is assessed in conjunction with the potential impact if a risk does occur. This impact is defined based on the likely financial or reputational damage or gain that could result, with the highest impact relating to events that could halt our ability to service our customers for a period.

Following this assessment, mitigation and realisation actions are developed to avoid or reduce the risk, or to ensure we take advantage of the opportunity. The management of the risk or opportunity and the implementation of the agreed actions are assigned to a specific member of senior management, often a member of the sustainability steering group, who is then responsible for ensuring that risks are maintained within an acceptable level as defined by the Board. This owner is responsible for updating on any changes as part of twice-yearly reviews of the register.

The following pages provide details on the main climate-related risks and opportunities that have been identified through this process.

Metrics and targets

The key metrics we use to monitor our strategically material sustainability issues are shown in the glossary below, with our performance shown on page 28, and further metrics included on page 40. These include a range of metrics focused on energy use and carbon emissions, as well as measurements of resource use such as water and materials. These metrics address our material issues and relate to identified risks enabling us to identify potential areas of targeted action.

Our key metrics include our full Scope 1, 2 and 3 emissions. High-level carbon data is presented on page 32, and a brief discussion of the main impacts is shown on page 29. A key point is the proportion of our value chain emissions that are accounted for by the sourcing of steel. Our exposure to this sector is a key consideration for us, and some examples of our interaction with our steel suppliers are shown on page 30.

We present climate-related sustainability targets for the first time on page 28, showing our ambitions to reduce carbon emissions intensity by 45% and increase renewable energy as a percentage of our energy mix to 45%. The potential inclusion of climate-related targets in the executive remuneration scheme will continue to be assessed for future years.

We will continue to focus on improving the quality of our data and metrics. Priorities over the coming years are to quantify the financial impact of, and exposure to, climate-related risks and opportunities, and to develop long-term, absolute carbon reduction targets in line with climate science.

Sustainability metrics glossary

% of suppliers with up-to-date audits: The proportion of suppliers who have been the subject of an audit within agreed timescales – one year for the most important category of supplier, two years for the second most important category.

% of women in workforce: The percentage of the workforce that are female.

Energy from renewable sources: The percentage of energy used by the business that comes from renewable sources. Either through self-generation of energy or supported by Guarantee of Origin certificates or similar.

Fatality rate: The number of fatalities reported due to work-related injury or illness for every 1,000,000 hours worked.

Lost time frequency rate: The number of lost time incidents for every 1,000,000 hours worked.

Lost time severity rate: The number of days lost due to incidents over the year per 200,000 working hours.

Market-based Scope 1 and 2 emissions intensity: Greenhouse gas emissions from operations, shown as tonnes of carbon dioxide equivalent per tonne of product produced. A market-based calculation shows the emissions from the generators from which the reporter contractually purchases electricity and/or contractual instruments, rather than a statistical average for the location of operations.

Plastic packaging intensity: The weight of plastic used in our packaging divided by the weight of product produced. Shown as kilograms of plastic per tonne of product.

Recycled content of packaging material used: A weighted average based on material usage of the recycled content included in our packaging material.

Total market-based Scope 1 and 2 emissions: The total emissions of greenhouse gases from operations, as defined to the left, shown as tonnes of carbon dioxide equivalent.

Total recordable incident rate: The number of recordable incidents, including those that result in time lost, for every 200,000 hours worked.

Total Scope 3 emissions: Greenhouse gases emitted from 15 categories of activity that take place within the supply chain, excluding our operations.

Training days per employee: The total number of days utilised for training divided by the average number of employees during the year.

Voluntary labour turnover rate: Shows the number of employees who voluntarily left during the year divided by the average number of employees during the year.

TCFD Report continued

Climate-related risks and opportunities

Failure to meet stakeholder sustainability expectations or our previous commitments.

Category	Timeframe	Impact
Transition risk	**Medium and long-term risk**	**Medium**

Description	Impact	Mitigation/realisation actions
There is a growing awareness from stakeholders of a company's sustainability performance, especially around climate and achieving carbon reductions. This includes examination of performance against previously stated commitments. There is a risk that these expectations are not met.	• Customers may move their business to competitors with more developed carbon strategies, resulting in losses of market share and revenue. • Stelrad's access to capital may worsen, making it more difficult or costly to invest and impacting the Company's valuation.	An appropriate governance structure exists to ensure that sustainability matters are prioritised according to materiality and that we meet stakeholders' climate expectations. This includes managing interfaces with major stakeholders, ensuring that perceptions are accurate.

Increased cost of business due to a combination of legislation and market dynamics.

Category	Timeframe	Impact
Transition risk	**Medium and long-term risk**	**Medium**

Description	Impact	Mitigation/realisation actions
Climate change may result in suppliers developing lower carbon alternatives, for example through using green hydrogen. These may come at a higher cost. Sustainability targets are also leading to the introduction of legislation, both reporting (e.g. the ISSB sustainability standards) and trade (e.g. the EU carbon border adjustment mechanism). This legislation is designed to encourage companies to reduce their environmental impacts and increase transparency in reporting. This trend is likely to continue and may differ by region, affecting some competitors more than others.	• Legislation may result in increased input costs, including of raw materials, energy and transport. • Cost drivers may lead to changes to the relative competitiveness of radiators against alternatives. • Legislation that requires additional data gathering and reporting may impact on the required level of resourcing.	We continue to monitor legislative changes and ensure that appropriate responses are developed. Any internal process changes that are required will also focus on efficiency improvements. We develop the skills and partnerships necessary to understand market changes in a timely manner and implement appropriate responses. Partnerships with key suppliers and trade bodies are especially important.

An increase in the use of alternative technology.

Category	Timeframe	Impact
Transition risk	**Medium and long-term risk**	**High**

Description	Impact	Mitigation/realisation actions
The drive to reduce carbon in heating may lead to new heat emitting technology entering the market, or an increase in market share of existing competing technology. This could be driven by consumer behaviour and could be intensified by policy or legislation. The future changes may also support us, leading to the opportunity for differentiation described on the next page.	• Any increase in the presence of competing technologies may reduce the relative share of radiators and may impact on Stelrad's market share and profitability.	We continue to monitor legislative changes and assess these for their likely impact on product choices. We maintain strong relationships with customers and specifiers to ensure the positive attributes of radiators are understood and incorporated. Where appropriate, alternative technologies will continue to be brought to market as part of our offering.

Differentiation of Stelrad's product and service offering.

Category	Timeframe	Impact
Opportunity	**Medium-term opportunity**	**Medium**

Description	Impact	Mitigation/realisation actions
The drive to reduce carbon in heating may also lead to changes that could benefit us, including an increasing demand for higher output products. There is also the opportunity to bring new technology to market as part of our offering. The buying decision on heating products is likely to encompass broader considerations, leading to greater opportunity for differentiation.	• Opportunities for development of our product and service offering and differentiation. • Diversified or increased revenue streams through growing market share and from new products.	Realising this opportunity requires that we have an offering that meets the changing demands of customers. To this end, we will continue to focus on increasing our technical capability, as well as adapting and optimising our product offering. An example is the extension of our electric radiator offering in 2023.

Increased severity and frequency of extreme weather events.

Category	Timeframe	Impact
Physical risk	**Medium and long-term risk**	**Medium**

Description	Impact	Mitigation/realisation actions
The severity and frequency of extreme events with the capability to cause damage is increasing. These events include intense rainfall, flooding, heatwaves and droughts.	• Damage or disruption to our production facilities may reduce our ability to fulfil customer demand. • Disruption to global supply chains may reduce our ability to move product and materials. • Extreme heat may necessitate changes to working practices to maintain worker welfare, which may impact on productivity or cost. • Prolonged periods of heat may create drought conditions, reducing access to water in our operations.	All facilities have reactionary processes in place to adapt to acute events. Proactive defences (such as fire prevention or flood defences) are regularly assessed for adequacy. Production volume can be flexed across the Group if specific facilities have issues. Many inputs are sourced from multiple suppliers across different regions, reducing the risk if specific supply routes are disrupted.

Sustainability metrics table

The below table shows our wider set of sustainability metrics, referring to Sustainability Accounting Standards Board ("SASB") metrics where relevant. The inclusion of data from Radiators SpA has led to recalculation of previous years' data. Where historical data is not available, this is shown as not available ("n/a"). This table has been expanded since 2022, with a broader set of metrics being measured and reported.

		Unit of measure	SASB reference	2023	2022	2021
	Energy and carbon					
	Total energy consumed	GJ	CG-BF-130a.1	**319,657**	376,349	456,302
	Grid energy	%	CG-BF-130a.1	**58.5%**	60.5%	91.3%
	Renewable energy	%	CG-BF-130a.1	**41.5%**	39.5%	8.7%
	Energy consumed from renewable sources	MWh	n/a	**36,889**	41,273	10,999
	Fuel consumed from renewable sources	MWh	n/a	**—**	—	—
	Purchased electricity from renewable sources	MWh	n/a	**34,942**	39,084	8,866
	Self-generated renewable energy	MWh	n/a	**1,947**	2,189	2,133
	Global Scope 1 emissions	$kgCO_2e$	EM-IS-110a.1	**8,072,896**	9,660,097	12,144,248
	Global market-based Scope 2 emissions	$kgCO_2e$	n/a	**4,049,320**	5,166,732	20,612,994
	Global location-based Scope 2 emissions	$kgCO_2e$	n/a	**13,928,224**	17,041,370	20,216,233
	Global Scope 3 emissions	tCO_2e	n/a	**445,479**	531,456	n/a
	Market-based Scope 1 and 2 emissions intensity per tonne	$kgCO_2e$/tonne	n/a	**102**	110	176
	Market-based Scope 1 and 2 emissions intensity per net revenue	$kgCO_2e$/£m	n/a	**39,333**	42,041	n/a
Driving better environmental performance	Energy consumption and carbon emissions reduced, largely due to reduced production volumes. However, the increased proportion of renewable energy achieved despite a drop in self-generated energy was also key in a further reduction of Scope 2 emissions and intensity.					
	Water and waste					
	Total water withdrawn	m^3	EM-IS-140a.1	**101,298**	109,044	n/a
	Water usage in areas of water-stress	%	EM-IS-140a.1	**37.2%**	36.8%	n/a
	Water intensity per tonne	l/tonne	n/a	**849**	808	n/a
	Water intensity per net revenue	m^3/£m	n/a	**329**	309	n/a
	Total waste generated	tonnes	EM-IS-150a.1	**7,547**	8,687	n/a
	Waste intensity	kg/tonne	n/a	**63.3**	64.4	n/a
	Waste sent to landfill	%	n/a	**2.3%**	1.2%	n/a
	The reductions in water and waste reflect reduced production output, which also contributed to the intensity figures increasing or remaining similar, due to reduced efficiency at lower volumes.					
	Materials					
	Low-gauge steel purchased	%	n/a	**17.8%**	16.3%	n/a
	Packaging material used	tonnes	n/a	**2,998**	3,315	n/a
	Plastic packaging material	%	n/a	**48.1%**	46.2%	n/a
	Plastic packaging intensity	kg/tonne	n/a	**12.1**	11.4	n/a
	Recycled content of packaging material used	%	n/a	**68.1%**	60.5%	n/a
	Our overall packaging material reduced due to lower production volumes, with the increase in plastic intensity occurring as a result of changes in product and factory mix.					

		Unit of measure	SASB reference	2023	2022	2021
	Training and development					
	Training days per person	days	n/a	**2.9**	2.6	n/a
	Number of apprentices	FTE	n/a	**4**	5	4
	Training provision was increased from the already high level achieved in 2022, with increases in Continental Radiators, Radiators SpA and Termo Teknik.					
	Labour practices					
	Voluntary employee turnover	headcount	n/a	**112**	113	n/a
	Voluntary turnover rate	%	n/a	**8.0%**	7.3%	n/a
	Absence rates	%	n/a	**5.3%**	7.4%	n/a
Enabling an exceptional workforce	Voluntary employee turnover was maintained at a relatively low level, while absence rates fell significantly. Both results are reflective of the success of our employee engagement and safety practices.					
	Workforce characteristics					
	Total employees at period end	headcount	n/a	**1,414**	1,454	1,287
	Permanent employees at period end	headcount	n/a	**1,413**	1,440	1,263
	Temporary employees at period end	headcount	n/a	**1**	14	24
	Full time employees at period end	headcount	n/a	**1,379**	1,416	1,248
	Part time employees at period end	headcount	n/a	**35**	38	39
	All employees – female	%	n/a	**10.5%**	11.1%	n/a
	All employees – male	%	n/a	**89.5%**	88.9%	n/a
	Management – female	%	n/a	**22.2%**	18.9%	n/a
	Management – male	%	n/a	**77.8%**	81.1%	n/a
	Health and safety					
	Workers covered by ISO 45001 certified management systems	%	n/a	**73.5%**	74.6%	n/a
	Lost time frequency rate	rate	n/a	**8.8**	9.2	10.9
	Lost time severity rate	rate	n/a	**54.1**	63.5	49.3
	Total days lost	days	n/a	**705**	898	743
	Total recordable incidents	number	n/a	**76**	82	112
	Total recordable incident rate	rate	EM-IS-320a.1	**5.8**	5.8	7.4
	Total fatalities	number	n/a	**—**	—	—
	Fatality rate	rate	EM-IS-320a.1	**—**	—	—
Conducting business responsibly	All safety metrics showed a positive result, with total incidents reducing by 7% and LTFR by 4%.					
	Business and supply chain ethics					
	Total amount of monetary losses as a result of legal proceedings associated with bribery or corruption	£m	RT-EE-510a.2	**—**	—	—
	Total amount of monetary losses as a result of legal proceedings associated with anti-competitive behaviour regulations	£m	RT-EE-510a.3	**—**	—	—
	% of key suppliers with up-to-date audits	%	n/a	**64.3%**	19.7%	—

Demonstrating resilience in challenging conditions

"The Group has been able to leverage its significant experience to help navigate very challenging market conditions.

Annette Borén
Chief Financial Officer

Group overview

The following table summarises the Group's results for the years ended 31 December 2023 and 31 December 2022.

	2023 £m	2022 £m	Increase/ (decrease) £m	Increase/ (decrease) %
Revenue	**308.2**	316.3	(8.1)	(2.6)
EBITDA(1)	**41.2**	42.2	(1.0)	(2.2)
Adjusted operating profit(1)	**29.3**	34.0	(4.7)	(13.8)
Exceptional items	**(2.5)**	(1.8)	(0.7)	(36.3)
Amortisation of customer relationships	**(0.1)**	(0.1)	—	(147.4)
Foreign exchange differences (2022 only)	—	(3.5)	3.5	n/a
Impact of IAS 29 (2022 only)	—	(6.0)	6.0	n/a
Operating profit	**26.7**	22.6	4.1	17.9
Net finance costs	**(7.5)**	(4.5)	(3.0)	(65.8)
Monetary losses – net (IAS 29)	—	(7.9)	7.9	n/a
Profit before tax	**19.2**	10.2	9.0	87.2
Income tax expense	**(3.8)**	(5.9)	2.1	36.7
Profit for the year	**15.4**	4.3	11.1	257.9
Earnings per share (p)	**12.11**	3.38	8.73	257.9
Adjusted profit for the year(1)	**17.3**	24.3	(7.0)	(28.7)
Adjusted earnings per share – basic (p)(1)	**13.62**	19.11	(5.49)	(28.7)
Total dividend per share (p)	**7.64**	7.64		

(1) The Group uses some alternative performance measures to track and assess the underlying performance of the business. Alternative performance measures are defined in the glossary of terms on page 21 and reconciled to the appropriate financial statements line item in note 33. Note 33 also outlines the limitations of using alternative performance measures.

Financial overview

Business performance was negatively impacted by a reduction in demand during 2023. Renovation activity across the majority of European countries remained weak throughout the year, driven by a challenging macroeconomic environment related to high inflation and increasing interest rates. The impact of volume decline varied by operating segment, with the UK & Ireland being more robust than Europe and Turkey & International.

Revenue for the year was £308.2 million, a decrease of £8.1 million, or 2.6%, on last year (2022: £316.3 million). The decline in revenue was due to a 5.2% decrease in sales volumes during the year, partially offset by higher selling prices. Higher selling prices primarily represent the full year impact of 2022 price increases, in addition to 2023 price increases, which were applied to recover steel and other inflationary cost increases. The benefit of price increases implemented was reduced slightly by a decline in like-for-like volumes in Europe where average selling prices are higher. Revenue fell by 12.9% on a like-for-like basis.

Operating profit for the year was £26.7 million, an increase of £4.1 million, or 17.9%, compared to last year (2022: £22.6 million). The improvement in operating profit arises despite a small decline in EBITDA of £1.0 million. EBITDA was adversely impacted by the 5.2% year on year reduction in sales volumes (12.5% on a like-for-like basis) and, further, the additional volumes generated by Radiators SpA in the year were at lower margins which diluted overall Group margins. The impact of lower sales volumes and lower Radiators SpA margins was partially offset by proactive selling price and cost management and foreign currency gains. Cost management initiatives included operational improvements mainly relating to increased efficiencies at plants, with the Group fully utilising the flexibility of its manufacturing footprint. The proactive price and cost management have driven a 13.0% rise in contribution per radiator, which is the Group's key measure of variable profitability.

The Group continues to push the sale of premium panel radiators throughout its markets, recognising the additional margin that these products generate. Despite these efforts, the proportion of premium panel sales to total volumes was flat in the year at 5.6% with progress limited due to weakness in our European markets, where penetration levels are higher, and growth in designer radiator categories. Pleasingly, the proportion of premium steel panel to total steel panel volume increased by 0.2 percentage points, from 6.0% to 6.2%, and the proportion of premium sales in the UK showed a marginal improvement in the year. Premium panel products remain an integral part of the Group's strategy, with these products being underrepresented in several of the Group's key markets.

In 2022, the Group's results included foreign exchange losses of £3.5 million, which were not included in EBITDA. As a consequence of the change in functional currency of the Group's Turkish business these are now reported as part of EBITDA. In addition, following the change in functional currency of the Turkish business, the Group no longer applied IAS 29 in the year ended 31 December 2023, which resulted in a £4.4 million improvement in operating profit, excluding the 2022 impact of IAS 29 on depreciation of £1.6 million which remains in 2023.

Depreciation and amortisation increased by £1.9 million in the year, which is due to the inclusion of a full year's charge for Radiators SpA and additional charges following the completion of significant capital projects.

Exceptional items in the year were £2.5 million, an increase of £0.7 million compared to the prior year (2022: £1.8 million), representing exceptional costs of £2.9 million and exceptional income of £0.4 million. The exceptional costs in 2023 relate largely to a restructuring exercise undertaken in quarter four of the year in order to drive cost savings for future periods. The exceptional costs incurred in 2022 related to restructuring costs to reconfigure and optimise production, acquisition costs and the reversal of the IFRS 3 uplift on finished goods and work in progress required as part of business combination accounting.

Adjusted operating profit for the year was £29.3 million, a decrease of £4.7 million, or 13.8%, compared to last year (2022: £34.0 million). Adjusted operating profit was impacted by the decrease in EBITDA of £1.0 million noted earlier. Additionally, depreciation and amortisation reported within adjusted operating profit increased by £3.7 million in the year. The depreciation and amortisation increase was mainly due to the 2022 IAS 29-led revaluation of Turkish fixed assets and a full year's charge for Radiators SpA.

Profit for the year increased by £11.1 million, or 257.9%, to £15.4 million (2022: £4.3 million). Adjusted profit for the year decreased by £7.0 million, or 28.7%, to £17.3 million (2022: £24.3 million) due to a reduction in adjusted operating profit and increased interest charges partially offset by a reduction in tax charges. Earnings per share was 12.11 pence (2022: 3.38 pence), with the 2022 earnings per share impacted by IAS 29. Adjusted earnings per share was 13.62 pence (2022: 19.11 pence).

At 31 December 2023 the Group had cash of £21.4 million (2022: £22.6 million) and undrawn available facilities of £18.7 million (2022: £10.1 million), with net debt before finance leases of £60.4 million (2022: £68.4 million).

Revenue by geographical market

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

Revenue by geographical market	2023 £m	2022 £m	Increase/ (decrease) £m	Increase/ (decrease) %
UK & Ireland	**139.4**	140.0	(0.6)	(0.5)
Europe	**149.1**	149.7	(0.6)	(0.4)
Turkey & International	**19.7**	26.6	(6.9)	(25.8)
Total	**308.2**	316.3	(8.1)	(2.6)

UK & Ireland

The Group's revenue in UK & Ireland for the year was £139.4 million (2022: £140.0 million), a decrease of £0.6 million, or 0.5%. This was principally a result of a decrease in sales volumes partially offset by the impact of selling price increases implemented to mitigate the impact of inflationary costs. On a like-for-like basis, adjusting for the acquisition of Radiators SpA, the Group's revenue in UK & Ireland for the year was £139.2 million, a decrease of £0.8 million, or 0.6% from 2022.

Europe

The Group's revenue in Europe for the year was £149.1 million (2022: £149.7 million), a decrease of £0.6 million, or 0.4%. The decline is primarily due to a decline in like-for-like volumes, partially offset by the full year impact of the acquisition of Radiators SpA and selling price increases implemented to mitigate the impact of inflationary costs. On a like-for-like basis, adjusting for the acquisition of Radiators SpA, the Group's revenue in Europe for the year was £117.9 million, a decrease of £31.8 million, or 21.2% from 2022. Our European markets have been most affected by the weak demand experienced in the year, giving rise to a significant reduction in like-for-like sales. All markets across Europe have suffered a significant decline, most notably Germany, Poland and Belgium.

Turkey & International

The Group's revenue in Turkey & International for the year was £19.7 million (2022: £26.6 million), a decrease of £6.9 million, or 25.8%. This was principally a result of significantly lower sales volumes to China. On a like-for-like basis, adjusting for the acquisition of Radiators SpA, the Group's revenue in Turkey & International for the year was £18.5 million, a decrease of £8.1 million, or 30.5% from 2022.

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[1]	2023 £m	2022 £m	Increase/ (decrease) £m	Increase/ (decrease) %
UK & Ireland	**24.5**	22.7	1.8	7.8
Europe	**9.1**	13.9	(4.8)	(34.7)
Turkey & International	**1.3**	2.1	(0.8)	(34.4)
Central costs	**(5.6)**	(4.7)	(0.9)	(20.1)
Total	**29.3**	34.0	(4.7)	(13.8)

(1) Adjusted operating profit is a key performance indicator of the Group and is used by management when analysing performance by geographical market.

UK & Ireland

The Group's adjusted operating profit in UK & Ireland for the year was £24.5 million (2022: £22.7 million), an increase of £1.8 million, or 7.8%. This was principally as a result of proactive margin management leading to increased contribution per radiator, partially offset by lower sales volumes and higher post-IAS 29 depreciation.

Europe

The Group's adjusted operating profit in Europe for the year was £9.1 million (2022: £13.9 million), a decrease of £4.8 million, or 34.7%. The additional volumes generated from Radiators SpA, following the acquisition in July 2022, have only partially offset a significant like-for-like decline in sales volumes. Additionally, the sales volumes from Radiators SpA are at lower margins. Like-for-like sales volumes have fallen significantly due to a weak macroeconomic environment which, in addition to higher post-IAS 29 depreciation, has reduced adjusted operating profit, partially compensated for by proactive margin management.

Turkey & International

The Group's adjusted operating profit in Turkey & International for the year was £1.3 million (2022: £2.1 million), a reduction of £0.8 million, or 34.4%. This was principally as a result of lower sales volumes and higher post-IAS 29 depreciation.

Central costs

Central costs for the year were £5.6 million (2022: £4.7 million), an increase of £0.9 million, or 20.1%, partially as a result of additional provisions for bonuses and ongoing inflation.

Exceptional items

During the year the charge for exceptional items was £2.5 million (2022: £1.8 million).

The exceptional items in 2023 mainly relate to a £2.9 million restructuring exercise undertaken in quarter four of the year in order to drive cost savings for future periods, partially offset by exceptional income related to the acquisition of Radiators SpA of £0.4 million.

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

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

Finance costs

The Group's net finance costs for the year were £7.5 million (2022: £4.5 million). The increase of £3.0 million is due to an increase in the interest rate of the Group's debt (blended 6.3%, including a margin of 2.25%) during 2023 and a higher average level of debt due to the acquisition of Radiators SpA in July 2022.

Income tax expense

The Group's income tax expense for the year was £3.8 million (2022: £5.9 million), a decrease of £2.1 million, or 36.7%. The 2022 charge was increased by £1.9 million due to the impact of IAS 29. The 2023 tax charge has benefited from a deferred tax credit associated with higher tax asset values allowed by the Turkish government due to hyperinflation, partially offset by increased withholding tax charges associated with the repatriation of cash from Turkey. The Group's 2023 effective tax rate of 19.6% was low because of the deferred tax credit. In 2024, the Group's effective tax rate is expected to be higher at around 29% because of the full impact of the increase in the UK corporation tax rate and ongoing withholding tax charges.

Earnings per share and adjusted earnings per share

Profit for the year increased by £11.1 million, or 257.9%, to £15.4 million (2022: £4.3 million) and basic earnings per share was 12.11 pence (2022: 3.38 pence). The weighted average number of shares was 127.4 million (2022: 127.4 million). Adjusted profit for the year decreased by £7.0 million, or 28.7%, to £17.3 million (2022: £24.3 million) and, consequently, basic adjusted earnings per share was 13.62 pence (2022: 19.11 pence).

Dividends and reserves

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

The Group paid an interim dividend in respect of the year ended 31 December 2023 of 2.92 pence per share (2022: 2.92 pence). The Board has recommended a final dividend of 4.72 pence per share (2022: 4.72 pence) at a cost of £6.0 million to the Group. The total dividend in respect of the year ended 31 December 2023 will be 7.64 pence per share (2022: 7.64 pence).

The Group's intention to maintain the 2023 dividend at the same level as the 2022 dividend, despite lower earnings due to short-term trading headwinds, reflects the Board's prudent view on the current commercial and strategic position of the business, confidence in the Group's financial position and cash generation, and the intention to support shareholder returns through the cycle.

Functional currency

On 1 January 2023, the functional currency of the Group's Turkish business was changed from Turkish Lira to Euro. The functional currency change has arisen due to an evolution in the strategic focus of the Turkish business, which led to the Directors confirming that the Turkish business would be operated primarily as an export company going forward.

Further details on the changes to the relevant underlying transactions, events and conditions that led the Directors to consider whether the functional currency for the Turkish business should be changed are outlined in note 5 of the consolidated financial statements. Note 5 of the consolidated financial statements also includes the analysis of the functional currency of the Turkish business, by reference to the key indicators outlined in IAS 21 The Effects of Changes in Foreign Exchange Rates, which led the Directors to confirm that the functional currency of the Turkish business is Euro.

IAS 29 Financial Reporting in Hyperinflationary Economies

As a result of inflation in Turkey exceeding 100% over a three-year period, the Group was required to adopt IAS 29 in respect of its Turkish subsidiary for the first time in the financial statements for the year ended 31 December 2022. On 1 January 2023, the functional currency of the Turkish business was changed from Turkish Lira to Euro and, as a result, IAS 29 is no longer being applied after this date.

Finance and business review *continued*

Cash flow

The following table summarises the Group's cash flow for the years ended 31 December 2023 and 31 December 2022.

	2023 £m	2022 £m	Increase/ (decrease) £m
EBITDA[1]	41.2	42.2	(1.0)
Exceptional items	(2.5)	(1.8)	(0.7)
Gain on disposal of property, plant and equipment	—	(0.2)	0.2
Share-based payment charge	0.5	0.3	0.2
Working capital (adjusted for foreign exchange 2022)	1.6	(9.2)	10.8
Net capital expenditure	(9.3)	(11.6)	2.3
Cash flow from operations[1]	31.5	19.7	11.8
Income tax paid	(7.5)	(3.8)	(3.7)
Net interest paid	(6.2)	(3.2)	(3.0)
Free cash flow[1]	17.8	12.7	5.1

	2023	2022	Increase/ (decrease)
Cash flow from operations[1] (£m)	31.5	19.7	11.8
Adjusted operating profit[1] (£m)	29.3	34.0	(4.7)
Cash flow from operations conversion[1] (%)	107.6	57.9	49.7

(1) The Group uses some alternative performance measures to track and assess the underlying performance of the business. Alternative performance measures are defined in the glossary of terms on page 21 and reconciled to the appropriate financial statements line item in note 33. Note 33 also outlines the limitations of using alternative performance measures.

The Group's free cash flow for the year was £17.8 million (2022: £12.7 million), an increase of £5.1 million. This reflects an improvement in cash flow from operations offset by higher income tax and interest payments.

The Group's cash flow from operations for the year was £31.5 million (2022: £19.7 million), an increase of £11.8 million. This was principally as a result of a slight reduction in working capital in 2023, compared to an outflow in 2022 linked to reduced production, combined with a return to lower levels of capital spend in 2023. Adjusted operating profit for the period was £29.3 million (2022: £34.0 million), a decrease of £4.7 million, mainly due to an increase in depreciation. Cash flow from operations conversion for the year was 107.6% (2022: 57.9%), an increase of 49.7pp, reflecting the movements in cash flow from operations described above.

Capital expenditure

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

	2023 £m	2022 £m
Freehold land and buildings	0.6	2.0
Leasehold buildings	1.1	0.4
Plant and equipment	5.4	7.2
Fixtures, fittings and motor vehicles	2.2	1.6
Intangible assets	0.5	0.2
Total	9.8	11.4

Key capital expenditure in the year ended 31 December 2023 related to the finalisation of the installation of a new steel panel radiator line at the Group's facilities in Italy. The Group's capital expenditure will reduce in future years.

Net debt and leverage

At 31 December 2023, net debt (including finance leases) of £70.3 million (2022: £78.4 million) comprises £81.8 million (2022: £91.0 million) drawn down against the multicurrency facility and £9.9 million (2022: £10.0 million) finance leases net of £21.4 million (2022: £22.6 million) cash.

	2023 £m	2022 £m
Revolving credit facility – GBP	46.9	55.3
Revolving credit facility – Euro	10.4	10.6
Term loan	24.5	25.1
Cash	(21.4)	(22.6)
Net debt before finance leases	60.4	68.4
Finance leases	9.9	10.0
Net debt	70.3	78.4

Leverage at 31 December 2023 was 1.47x (2022: 1.62x), based on net debt before lease liabilities. During the year ended 31 December 2023, the Group's revolving credit facility and term loan facility were extended by two years to November 2026 by exercising a two year extension option included in the facility agreement.

Annette Borén
Chief Financial Officer
8 March 2024

Monitoring and mitigation of existing risks and the early identification of emerging risks

The Board has ultimate responsibility for the Group's system of internal control and risk management, supported by the Audit & Risk Committee. The Board understands that successful delivery of its strategic objectives depends on effective risk management processes that enable the monitoring and mitigation of existing risks and the early identification of emerging risks.

Risk management approach

The Group's approach to risk management combines a top down strategic assessment of risk and risk appetite with a bottom up operational identification and reporting process. Top down activities are carried out by the Group Board and Audit & Risk Committee and consider the strategy and operating environment of the Group. Bottom up activities take place across the Group and capture risks that are significant at a business unit, project or functional level.

The risk evaluation process begins in the business units with regular exercises undertaken by management to identify and document the significant risks facing the businesses. This process ensures risks are identified and monitored and mitigating management controls are embedded in the businesses' operations. Risk management teams are also set up for specific projects or operations to consider the risks associated with that project or a specific operational area of the business; for example, there is a separate climate risk management team and a separate information security risk management team. The risk assessments from each of the operating businesses, and from the project and operational risk teams, are reported to Group management twice a year and are considered in determining the principal risks of the Group with reference to the Group's strategy and operating environment. The principal risks of the Group are presented to the Audit & Risk Committee and the Board for review and consideration. The principal risks of the Group are mapped to key performance indicators, where applicable, and these are reported to the Board at each Board meeting.

New and emerging risks are considered through the regular risk activities outlined here, regular review of risk research and other publications, and the results of assurance activities. Emerging risks are also collated from assessments made by the business units and through considered risk oversight across the Group and industry.

New and emerging risks

Product risk	Product risk, related to the extended range of products in Radiators SpA, including electrical products with fire risks and shorter lifecycle products, gives rise to risk of increased product claims and stock obsolescence.
Technological change risk	IT lifecycle risk results in behind the curve reaction to IT developments, meaning that new and emerging opportunities are missed.
Insurance risk	Insurance risk has increased as a result of the tightening of insurance markets. An inability to obtain insurance could result in some parts of the business being insufficiently insured, giving rise to financial risk. This risk is heightened due to current macroeconomic market conditions and increasing dependency on the Turkish production facility.

The Group considers that the process for the management of risk consists of three lines of defence.

First line of defence

Business unit and management activity
Aligns to the bottom up activities detailed here.

Second line of defence

Group Board and Audit & Risk Committee assurance model
Corresponds to the top down activities outlined here.

Third line of defence

Independent review
Internal audit and other external assurance providers.

Risk management framework

Top down, bottom up approach

Identification of emerging risks

Board	**Ultimate responsibility for risk management** • Sets Group strategy • Approves the Group risk management framework • Sets the Group's risk appetite • Top down risk identification • Reviews the Group's principal risks • Sets delegated levels of authority
Audit & Risk Committee	**Monitors risk management and assurance arrangements** • Supports the Board in risk management responsibilities and activities • Reviews the effectiveness of key risk management and control processes
Executive Directors	**Monitor performance and changes in key risks** • Provide regular risk management update reports to the Board and the Audit & Risk Committee • Report to the Board and the Audit & Risk Committee on the status of key risks • Provide guidance and advice to operating companies to assist with identifying risks, assessing the extent of the impact of identified risks and implementing mitigating actions • Oversee health and safety activities
Business units/ operational and project level risk management teams	**Identify, manage and report local risks** • Maintain local risk registers and risk management plans • Identify risks • Identify and implement mitigating actions • Assess the likelihood and impact of each risk before and after mitigating and contingent actions are taken

Risk appetite

The Group Board is responsible for setting and monitoring the Group's risk appetite. The Group Board accepts that, in order to achieve its strategic objectives, and generate suitable returns for shareholders, it must accept, and manage, a certain level of risk.

The Group's approach is to minimise exposure to reputational, financial and operational risk, while accepting and recognising a risk and reward trade-off in the pursuit of its strategic and commercial objectives. The Group Board assesses its risk appetite across a number of risk categories according to a five-point scale, where one is zero tolerance of risk and five is a high tolerance of risk. For example, the Group has zero tolerance for risks relating to health and safety.

The Group establishes its risk appetite through use of delegated authorities so that matters considered higher risk require the approval of senior management or the Group Board. The Group's risk appetite remains unchanged in the year.

Principal risks

The Board confirms that it has carried out a thorough assessment of the principal and emerging risks facing the Group. Set out below is the Board's view of the principal risks currently facing the Group, along with details of the impact and strategic relevance of the risks and an explanation of how the risks are managed or mitigated. Each risk has been assigned to a risk owner, who is a member of the Group Board or senior management. The risk rating and risk appetite have been reported, alongside the trend for each risk, based upon the changes from prior year. The Board acknowledges that the Group is exposed to a wide range of risks; however, only the risks that are believed to have the greatest impact on the Group delivering its strategic objectives have been listed.

The climate-related disclosures on pages 36 to 39 document our approach to climate risk management and our compliance with the TCFD requirements.

Principal risks continued

1. Business disruption

Risk owner	Chief Executive Officer and Group Operations Director
Trend	No change
Risk appetite	Medium
Risk rating	Low
Key stakeholders	Customers, suppliers and people
Link to strategy	1 2 3 4

Risk description

The Group could be subject to disruption due to incidents including, but not limited to, pandemics, major accidents or natural disasters.

Impact

- A further global pandemic could reduce market demand for the Group's products.
- There is a risk of widespread absence caused by infection without any control measures in place and a consequential loss of production capacity due to staff shortages.
- The Group's production and distribution facilities and processes could be disrupted, due to events including major accidents and natural disasters, leading to an inability to meet customer demands.

Mitigations

- Infection and pandemic risk assessments and response procedures are in place and reviewed regularly. Measures that could be implemented at short notice include:
  - social distancing;
  - regular testing on site;
  - working from home and segregation of staff; and
  - following all applicable government guidance in each location as prescribed.
- Appropriate fire safety measures are in place at key sites.
- Building modifications have been made to address flooding risk.
- The majority of stock is stored in racking high off the ground.
- Accident prevention measures are put in place.
- There is an option and ability to flex production volume across facilities around the Group.
- Appropriate business interruption insurance is in place.

2. Customers

Risk owner	Chief Executive Officer and Group Strategic Marketing Director
Trend	No change
Risk appetite	Medium
Risk rating	Low
Key stakeholders	Customers
Link to strategy	1 2 3

Risk description

The Group, in some geographies, is overly dependent on a small number of customers, or on a particular market or business segment.

Impact

- In certain markets, particularly the UK, the Group derives a significant proportion of its revenue from a small number of customers. Failure to manage these relationships or a change in the organisational structure of these entities could lead to a loss of demand.
- Customers in declining markets could consolidate suppliers.
- Evolving routes to markets could see a shift in demand.

Mitigations

- The Group continues to maintain and develop strong relationships in all market channels.
- The Group continues to maintain strong specifier relationships to generate demand for the Group's brands through the distribution channel.
- The Group actively manages and maintains its ongoing customer relationships.
- The Group will take appropriate measures to seek to regain lost customers.
- The Group attends customer events and product launches, and participates in industry forums, exhibitions and events.
- The Group actively manages and maintains brand websites and its social media presence to establish and maintain a relationship with the final consumer.
- Commercial strategies will be reviewed and modified as appropriate.
- Regular strategic planning sessions and analysis of routes to market.
- Customer surveys and interviews are carried out, particularly focused on sustainability.

Strategy key

1 Growing market share
2 Improving product mix
3 Optimising routes to market
4 Positioning effectively for decarbonisation

3. Loss of competitive advantage

Risk owner	Chief Executive Officer and Group Strategic Marketing Director
Trend	No change
Risk appetite	Medium
Risk rating	Low
Key stakeholders	Customers
Link to strategy	1 2 3 4

Risk description

New products, innovations or routes to market could cause a loss of competitive advantage.

Impact

- Competitors could gain a cost, reputation or product advantage that results in a loss of market share for the Group or leads to price erosion.
- New product types could enter the market or increase market share as part of the drive to "zero carbon", for example underfloor heating, electrification or fan assisted heat exchanger products. There could be a resultant loss of Group sales volumes.

Mitigations

- The Group continues to monitor legislative changes.
- The Group will continue to evaluate the potential impact of zero carbon initiatives.
- The Group continues to maintain strong customer and specifier relationships to determine the most appropriate solutions.
- Appropriate product types are brought to market under the Group's brands, including the introduction of electrical products across the Group.
- The Group continues to maintain and develop strong relationships in all market channels.
- The Group continues to maintain strong specifier relationships to generate demand for the Group's brands through the distribution channel.
- The Group attends customer events and product launches, and participates in industry forums, exhibitions and events.
- The Group actively manages and maintains brand websites and its social media presence to establish and maintain a relationship with the final consumer.
- Customer surveys and interviews are carried out, particularly focused on sustainability.
- The Group invests in the development of new products to maintain a competitive advantage in changing markets.
- The Group invests in appropriate energy saving initiatives across its sites in line with its sustainability strategy.
- The Group will continue to tightly monitor and control costs.
- The Group builds relationships with developers who are most likely to adopt alternative solutions.

Risk management in action

- Read more about how we are positioning effectively for decarbonisation through our product range on page 18.

4. Supply chain risk

Risk owner	Chief Executive Officer and Group Operations Director
Trend	No change
Risk appetite	Low
Risk rating	Low
Key stakeholders	Suppliers
Link to strategy	1 2 3 4

Risk description

Failure of the supply chain either due to lack of availability or unforeseen price increases.

Impact

- A reduction of raw material availability, in particular steel availability, could restrict the ability of the Group to manufacture products or negatively impact profit margins.
- Reduced security and availability of energy supply could restrict the ability of the Group to manufacture products.
- Unforeseen increases in raw material prices, in particular steel price and energy prices, could harm profit margins.
- Inflationary price increases could harm profit margins.
- The Group has a complex, wide-ranging distribution chain which is critical to the success of the Group and any disruption in the supply chain could impact on the ability of the Group to meet customer demands and/or cause a reduction in profitability.

Mitigations

- Raw material is dual sourced with all key components and materials having a secondary provider; this extends to location dual sourcing.
- Raw material prices are constantly monitored by the business. For the purchase of raw materials, stocks are maintained to protect against sharp price rises and buy prices are agreed in advance which gives a clear understanding of future prices.
- Where prices are rising the business has sufficient foresight to implement selling price increases.
- Sufficient stock levels are maintained across the Group to prevent against short-term supply issues.
- The Group undertakes ongoing supplier performance and relationship building meetings, alongside supplier reviews and audits.
- Long-term relationships are maintained on good terms with trusted shipping partners.
- Options are available to use alternative forms of transport, for example trucks instead of shipping.
- Energy prices are fixed with suppliers for the forthcoming year where this option is available.
- There is an option and ability to flex production volume across facilities around the Group.
- The Group pays suppliers on a timely basis.
- The Group will review and control any discretionary spend.
- The Group will continue to tightly monitor and control costs.
- Solar panels are in place at the warehouse in Heerlen, the Netherlands, and at the Radiators SpA factory in Italy.

Risk management in action

- Read more in our spotlight on steel purchasing on page 30 and our spotlight on partnerships on page 31.
- Go to page 41 to view the KPI for suppliers with up-to-date audits.

Risk management *continued*

Principal risks continued

5. IT failure or cyber breach

Risk owner	Chief Executive Officer and Group Finance Director
Trend	No change
Risk appetite	Low
Risk rating	High
Key stakeholders	Customers, suppliers, people and investors
Link to strategy	1 2 3

Risk description

Prolonged or major failure of the Group's IT systems or a significant security breach.

Impact

- A cyber attack at one of the Group's facilities could disrupt its production and/or distribution capabilities leading to an inability to meet customer demands.
- Failure of our IT and communication systems could affect any or all of our business processes and have significant impact on our ability to trade, collect cash and make payments.

Mitigations

- IT and cyber training and education, particularly around the identification of fraud, are delivered to all staff.
- Appropriate access rights are applied on all IT systems across the business.
- Appropriate security software is installed, including firewalls and anti-malware, to protect our IT systems.
- Email scanning processes are implemented.
- Robust systems and processes are in place including data back-ups.
- Third party penetration testing is carried out by all sites.
- The business uses internal and third party expertise to keep up to date with the latest developments.
- Disaster recovery plans are in place.
- There is continued investment in and maintenance of IT systems across the Group.
- The Group appointed cyber security consultants to provide a security operations centre and other related services to the Group.
- An Information Security Working Group has been set up across the business to share best practice across the Group.

6. People and culture

Risk owner	Chief Executive Officer and Chief People Officer
Trend	No change
Risk appetite	Low
Risk rating	Medium
Key stakeholders	People
Link to strategy	1 2 3

Risk description

Being unable to retain key personnel and attract skilled individuals or deterioration of our relationships with unions and workers' representatives.

Impact

- The loss of key personnel or the inability to put the correct succession planning in place could lead to a shortage of experience that could damage business performance.
- Labour shortages/workforce strikes or the increase in costs of skilled labour could increase the costs of the Group or lead to delays in production.
- Inflationary increases in staff costs could harm profit margins.
- Lower than inflationary pay increases could result in workforce losses.

Mitigations

- Deputies are in place for immediate interim assumption of key roles.
- Longer-term succession planning focuses on identification and development of potential successors for key roles.
- Documented processes are in place for key functions to ensure continuity of process.
- Policies and procedures are embedded to ensure appropriate management practices and to minimise the risk of fraud or error.
- Knowledge sharing and support are available from other functions and sites.
- Any necessary recruitment process will be identified, commenced and progressed in a timely manner, where necessary.
- Relationships with unions and works councils are managed closely.
- Pay rates are maintained at a competitive level to attract and retain staff.
- Training and development programmes are in operation, including apprenticeship and other formal trainee programmes, alongside individual performance reviews.
- Employee relationships are well maintained locally through employee engagement activities and regular communications, including newsletters.
- During the year, the Group has updated and broadened its Group policies, including the introduction of an environmental policy, an information security policy and a sustainable procurement policy; the Group will continue to build upon and improve its Group policies in future years as required.

Risk management in action

- Read more in our spotlight on gender diversity and our spotlight on supporting education on page 34.
- Go to page 41 to view our KPIs on enabling an exceptional workforce.

7. Health and safety

Risk owner	Chief Executive Officer, Chief People Officer and Group Operations Director
Trend	No change
Risk appetite	Low
Risk rating	Low
Key stakeholders	People
Link to strategy	1

Risk description

Failure to comply with health and safety legislation and regulatory requirements including obligations to take the correct measures to prevent fatalities or serious injury.

Impact

- The Group's production, manufacturing and distribution operations are carried out under potentially hazardous conditions. 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, reputation and financial results.

Mitigations

- Health and safety is proactively managed with robust processes in place to identify and manage risks.
- Health and safety training is provided regularly across the Group.
- The Group has invested heavily in reducing risk, for example by introducing appropriate machinery guarding and also introducing robotics.
- Where health and safety incidents arise, there are rigorous processes in place to learn from these incidents and put in place procedures and training to prevent them from reoccurring.

Risk management in action

- Read more in our spotlight on safety on page 35.
- Go to page 41 to view our health and safety KPIs.

8. Political and economic environment

Risk owner	Chief Executive Officer, Chief Financial Officer, Group Operations Director and Group Strategic Marketing Director
Trend	Increasing Due to ongoing macroeconomic uncertainty and increased production in Turkey
Risk appetite	Medium
Risk rating	Medium
Key stakeholders	Customers, suppliers, people and investors
Link to strategy	1 4

Risk description

Failure to evolve business practices and operations in response to the changing political and economic environment.

Impact

- The change in political conditions in Turkey could give rise to an adverse change in the Group's Turkish operations, either due to the costs to produce, the availability of labour or the ability for Turkey to interact globally with other economies.
- A change in political conditions in any of the countries in which the Group operates could give rise to an adverse change in the Group's operations.
- The Group is exposed to potential changes in economic circumstances as a consequence of political events, examples of which include exchange rate fluctuations and reductions in private disposable income.
- Inflationary price increases could harm profit margins; this is a particular risk in Turkey where the Turkish Lira has been hyperinflationary in recent years.
- High inflation across Europe could lead to a reduction in consumer spending.
- A significant increase in interest rates would increase interest costs for the Group.
- Market lending capacity could reduce.

Mitigations

- The Group continuously monitors legislative changes and evaluates any potential impact.
- Exchange rate fluctuations are mitigated using the natural hedge of key currency spend where possible.
- For currencies where there is no natural hedge and where deemed necessary, appropriate exchange forward contracts are entered into to fix the parity over the short to medium term in line with the Group's hedging policy.
- The Audit & Risk Committee has reviewed and approved the Group's currency hedging strategy.
- The Group monitors and actions loan renewals on a timely basis. The existing loan facility was extended for a further two years during 2024.
- There is an option and ability to flex production volumes at each of the Group's facilities.

Principal risks continued

9. Climate change

Risk owner	Chief Executive Officer and Group Strategic Marketing Director
Trend	Increasing Due to heightened awareness of the impacts of changes in global climate
Risk appetite	Low
Risk rating	Medium
Key stakeholders	Communities and the environment
Link to strategy	1 4

Risk description

Failure to evolve business practices and operations in response to climate change.

Impact

- See climate-related risks on pages 38 and 39.

Mitigations

- See climate-related risks on pages 38 and 39.

Risk management in action

- Read more in our spotlight on energy usage on page 30.
- Go to page 40 to view our KPIs for driving better environmental performance.

Climate change

Failure to manage and mitigate climate change is identified as a risk on the Group register. Given the scale and the potentially significant impact of climate risk on the Group, it is essential to understand how climate change might impact the business and which strategies may be employed to mitigate any exposure to the business. Expertise and resources have been allocated to manage climate risk across the organisation and to determine the impact that this risk may have on the business model and the broader Group strategy over the short, medium and long term. Climate risk is considered at a Board level when discussing Group strategy and making Board decisions.

Work undertaken by the Group to date to understand the impact of climate change, as well as potential risks and opportunities considered by the business, are further outlined in the TCFD section found on pages 36 to 39.

Viability statement and going concern

Viability statement

The Board has considered the viability of the Group over a three-year period to 31 December 2026, taking into account the Group's current financial position and forecasts, as well as the potential impact of the principal risks and uncertainties facing the Group. The three-year period chosen is one for which the Board believes that it can forecast with a degree of accuracy and certainty. While the Board has no reason to believe that the Group will not be viable over a longer period, it recognises that there is inherent uncertainty involved in looking further forward than three years. The Board believes that this time frame also increases reliability in the modelling and stress testing of the Group's viability and provides the users of the Annual Report with a reasonable degree of confidence over the Group's viability. Additionally, three years aligns with the Group's business planning cycle and a three-year horizon is typically the period over which the Group reviews its external banking facilities.

The Group's annual business plan process looks at financial projections for the next three years, including profitability, balance sheet liquidity and cash flow. The business plan is a detailed bottom up process and is used to perform central debt, headroom and covenant compliance analysis. A sensitivity review is performed on the most significant risks, as well as a combination of those risks. The output of the annual business plan process is reported to the Board for consideration. The Group monitors performance through the financial year against this budget and prior year actual performance with a formal reforecast process conducted on at least a quarterly basis.

The financial position of the Group remains robust. On 8 July 2022, the Group increased its debt facility by £20 million by means of an accordion increase and now has in place a £100 million multicurrency facility, made up of a £76.027 million revolving credit facility and a €28.346 million term loan facility. At 31 December 2023, the whole term loan was drawn along with £57.3 million of the revolving credit facility. The facility was extended by two years during the year and now matures in November 2026.

The Board believes that the business model remains highly relevant to the long-term viability of the Group. The regulatory drive towards making new and existing homes more energy efficient will continue, meaning that there will be increased opportunities to play a part in providing greener solutions for heating homes.

The Board has carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, liquidity or solvency. Principal risks to the business are identified through the risk management process and are set out on pages 48 to 54. They are recorded in a Group risk register, which is reviewed and discussed at Audit & Risk Committee meetings, which are held at least three times per annum.

The review has considered all the principal risks identified by the Group, but a selection of risks were considered to pose a severe but plausible downside scenario if they occurred. These risks have been stress tested to assess the viability of the Group. The sensitivities modelled used the same assumptions as for the going concern statement, as set out in the going concern statement later on this page, for the years ending 31 December 2024 and 31 December 2025 with further assumptions applied for the year ending 31 December 2026.

The Board has carefully considered the principal risks of the Group and the impact of those risks on the viability of the Group and has concluded that there is no reason to believe the Group will not be viable over the period assessed.

Going concern statement

The financial position of the Group, its cash flows and liquidity position are set out in the financial statements. Furthermore, note 31 to the consolidated financial statements includes the Group's objectives and policies for capital management, and note 32 to the consolidated financial statements outlines the Group's financial risk management objectives and policies, details of its financial instruments and its exposure to credit and liquidity risk.

As part of its year-end review, the Directors have performed a detailed going concern review looking at the Group's current financial position and forecasts, cash flows, liquidity and loan covenant compliance over the forecast period, and taking into account the potential impact of the principal risks facing the Group. The Directors have also applied severe but plausible downside scenario testing to the Group forecasts. Under a severe but plausible downside scenario, the Group remains within its debt facilities and its financial covenants until 31 December 2026.

Based on the output of this going concern review, the Directors have concluded that, at the time of approving the financial statements, the Group will be able to continue to operate within its existing facilities and is well placed to manage its business risks successfully. The Directors also used the financial forecasts as the basis for their assessment of the Group's ability to continue as a going concern for at least twelve months from the date of the financial statements. Therefore, the financial statements have been prepared on a going concern basis.

The Group meets its day-to-day working capital requirements through a £100 million bank loan facility, made up of a £76.027 million revolving credit facility and a €28.346 million term loan facility, which is in place up to November 2026. At the year-end date the Group had drawn down the whole term loan along with £57.3 million of the revolving credit facility. The remainder of the facility and cash balances of £21.4 million were available to enable day-to-day working capital requirements to be met.

The financial covenants on the £100 million bank loan facility are for leverage (net debt (excluding IFRS 16 finance leases)/adjusted EBITDA (before exceptional items and foreign exchange differences)) of not more than three times and for interest cover of not less than four times. The Group has complied with the covenants during the year ended 31 December 2023 and, as discussed above, is forecast to comply with the covenants for the next three financial years. The calculation of net debt (excluding IFRS 16 finance leases) and adjusted EBITDA (before exceptional items and foreign exchange differences) are provided in note 33.

The forecast base case scenario has been prepared using robust forecasts from each of our operating companies, with each considering the risks and opportunities the businesses face. Two key sensitivities have been applied to prepare what is considered to be a severe but plausible downside scenario, these being:

- the reduction in volumes; and
- a reduction of the contribution per radiator from forecast levels to reflect a reduction in profitability due to external factors.

Volumes

Volumes could reduce in the future due to competitive pressures or market weakness and this has been modelled as a downside risk.

Contributions per radiator

The Group's contribution per radiator sold has increased in recent years. There is a downside risk that competitive pressures could reduce the Group's contributions in the future.

In the downside scenario, volumes have been reduced and the contribution per radiator has been reduced for the whole period. Under these circumstances, the Group would remain compliant with both of its covenants without the adoption of mitigating actions. Mitigating actions could include restructuring the cost base, and implementation of further cash saving measures, such as reducing advertising costs and other discretionary expenditure, deferral of capital expenditure, delayed/reduced dividend payments and active management of net working capital.

Non-financial and sustainability information statement

Non-financial and sustainability information statement

The table below sets out where information relating to non-financial and sustainability matters can be found in our Strategic Report.

Compliance statement

Stelrad Group plc has complied with the requirements of sections 414CA and 414CB of the Companies Act 2006 (as amended by The Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022) with the table disclosed below and other disclosures throughout the Strategic Report. The climate-related financial disclosures of the Company are contained within the Task Force on Climate-related Financial Disclosures ("TCFD") section, on pages 36 to 39 of this Annual Report.

Reporting requirement	Relevant policies and standards which govern our approach		Read more in this report	Page reference
Environmental matters	• Risk management framework (including climate risk management) • Code of Conduct • Local corporate social responsibility policies • UN SDGs	• ISO 14001 (environmental management) and ISO 50001 (energy management) • Sustainability strategy and sustainability framework • Environmental policy • Sustainable procurement policy	• Risk management • Sustainability Report • Task Force on Climate-related Financial Disclosures • Stakeholder engagement	48 26 36 22
Climate change and sustainability	• Risk management framework (including climate risk management) • UN SDGs • ISO 14001 (environmental management) and ISO 50001 (energy management)	• Sustainability strategy and sustainability framework • Environmental policy • Sustainable procurement policy	• Risk management • Sustainability Report • Task Force on Climate-related Financial Disclosures	48 26 36
Employees	• Whistleblowing policy • Equality, Diversity and Inclusion Policy • Code of Conduct • Health and safety policies and procedures	• Sustainability strategy and sustainability framework • Conflicts of interest policy • Social dialogue statement • Information security policy	• Stakeholder engagement • Sustainability Report • Directors' Remuneration Report • Nomination Committee Report • Statement of corporate governance • Audit & Risk Committee Report	22 26 74 70 61 65
Social matters	• Group purpose and values • Code of Conduct • Local corporate social responsibility policies	• Equality, Diversity and Inclusion Policy • Social dialogue statement	• Stakeholder engagement • Sustainability Report	22 26
Human rights	• Modern slavery statement • Equality, Diversity and Inclusion Policy	• Code of Conduct	• Stakeholder engagement • Sustainability Report • Statement of corporate governance	22 26 61
Anti-bribery and corruption	• Code of Conduct • Anti-corruption and bribery policy • Dealing policy	• Insider dealing and market abuse policy • Conflicts of interest policy	• Statement of corporate governance • Audit & Risk Committee Report	61 65
Business model	n/a		• Our business model • Our strategy	12 14
Principal risks	• Risk management framework		• Risk management	48
Non-financial KPIs	n/a		• Key performance indicators • Sustainability Report	20 26

Chair's introduction to governance

Dear shareholders

On behalf of the Board, I am pleased to present the Corporate Governance Report of Stelrad Group plc. The report summarises the governance structure and the governance procedures of the Group and, specifically, sets out the following:

- details of the Board of Directors, their biographies and the Board skills matrix (pages 58 to 60);
- the role of the Board and how it delegates authority (page 61);
- the key roles of the Board and the division of responsibilities (page 62);
- the Audit & Risk Committee Report (pages 65 to 69);
- the Nomination Committee Report (pages 70 to 73);
- the Remuneration Committee Report (pages 74 to 87); and
- the Directors' Report (pages 88 to 91).

Purpose, culture and values

The Board believes that good governance enhances long-term shareholder value and promotes a sustainable business. The Board also believes that all decisions should be made for the benefit of all stakeholders and to ensure the long-term success of the Group. It is a priority of the Board to set the culture and values of the Group and to lead by example.

Each member of the Board brings their own set of skills, knowledge and experience. We believe that their broad ranging knowledge and experience enable them to provide independent challenge in Board discussions and enhanced insight to the Group's business model and strategy. Details of the Board of Directors and their biographies can be found on pages 58 and 59.

The core purpose of Stelrad Group plc of helping to heat homes sustainably is proudly delivered by the Group with oversight from the Board. Our core purpose is a key component of our sustainability framework, which is outlined in the Sustainability Report on pages 26 to 41.

The Group has established five values that provide its moral compass, governing the fundamentals of who we are and what we believe is right. These values define the culture we seek to maintain:

- respect – we harness the power of diversity and inclusion in our business, trust those we work with, and value everyone's contribution;
- integrity – we operate with honesty, transparency and fairness in all we do;
- service – we act with empathy and humility, putting people and businesses we serve at the centre of what we do;
- excellence – we champion innovation, and use our energy, expertise and resources to make a positive difference to the environment; and
- stewardship – we prize sustainability, and are passionate about leaving things better than we found them.

Compliance with the 2018 UK Corporate Governance Code

The Board is committed to the highest standards of corporate governance. Since admission, we have strived to comply with the 2018 UK Corporate Governance Code (the "Code"); further details are included in the statement of corporate governance on page 61.

Board composition, diversity and succession planning

The Board recognises the advantages of having a diverse and inclusive Board in bringing different perspectives to the debate and decision making processes of the Board, to the benefit of all stakeholders.

On 22 November 2023, we welcomed Annette Borén to the Board as Chief Financial Officer, replacing George Letham. Following the appointment of Annette Borén, the Board comprised five male and three female Directors, meaning 37.5% of our Board was female at 31 December 2023. At 31 December 2023, two women held senior positions on the Board – Annette Borén as Chief Financial Officer and Terry Miller as Senior Independent Director. At 31 December 2023, no Board members were of a minority ethnic background.

The Company has met one of the three new targets for diversity in the Listing Rules. Further details on the Group's progress against the new targets for diversity prescribed by the Listing Rules can be found in the Nomination Committee on pages 70 to 73.

The appointment of Annette Borén in the year was the output of the Nomination Committee's succession planning work in anticipation of the planned retirement of George Letham. We thank George Letham for his hard work and commitment to Stelrad Group plc over the last 20 years.

On 1 February 2024, Katherine Innes Ker was appointed to the Board as Senior Independent Director, replacing Terry Miller who resigned on 31 December 2023. We would like to thank Terry Miller for her contribution to the Board since the Group listed in 2021.

The Board continues to encourage diversity and inclusion across the Group, and the Board and the Nomination Committee remain focused on this area when considering Board succession.

Internal audit

I am pleased to note that the work of the internal audit function, led by the Audit & Risk Committee, continued to evolve in the year. The initial programme of key financial controls reviews is complete and focus has now turned to a risk-based approach targeting the key risks that the Group faces, and in particular, those risks where there is a higher reliance on controls.

Board evaluation

The Board evaluation process continues to gather momentum. It is pleasing to see the actions of the 2022 evaluation being addressed and also to see additional progressive recommendations being made during the 2023 evaluation. Addressing the 2023 recommendations will be a key focus for 2024.

Stakeholders

The Board understands the importance of listening to all stakeholders and making sure that their views are heard and acted upon. Our Section 172 Statement on page 22 details how the Board has engaged with stakeholders during the year.

The strategy and business model of the Group aim to deliver sustainable growth for the business and long-term benefits for all stakeholders.

The Board looks forward to the Annual General Meeting of the Group as an opportunity to continue to engage with our stakeholders.

Bob Ellis
Chair
8 March 2024

A broad range of leading industry, corporate and financial skills and experience

Bob Ellis

Chair

Bob Ellis is a Director and the Chair of the Board and joined the Group in August 2009.

Skills and experience

Mr Ellis has a strong financial background with significant experience in operational restructuring and has also worked with various companies with private equity ownership, across a number of sectors, including the retail, manufacturing and construction sectors.

External appointments

Mr Ellis currently holds directorships on the board of Whittan Group as chair of the remuneration and audit committees, the board of Reconomy as chair of the board and remuneration and audit committees and the board of Outright Games as chair of the remuneration and audit committees.

Trevor Harvey

Chief Executive Officer

Trevor Harvey is the Chief Executive Officer of the Group and joined the Group in January 2000.

Skills and experience

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.

External appointments

Mr Harvey is currently a director of ISG Boiler Holdings Limited, a holding company whose subsidiaries are engaged in the manufacture and distribution of boilers, and has held this position since January 2002.

Annette Borén

Chief Financial Officer

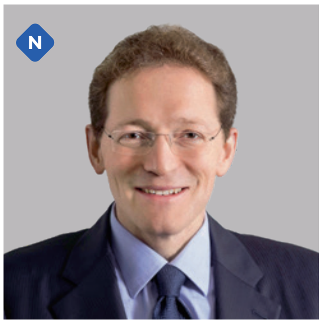
Annette Borén is a Director and the Chief Financial Officer of the Group, having joined the Group in November 2023.

Skills and experience

Mrs Borén has close to 30 years of finance experience and held several senior finance roles prior to joining the Group, including chief financial officer and head of sustainability at Hilti Northern Europe, vice president and chief financial officer at Doro listed on Nasdaq and non-executive director at Sparbanken Oeresund.

External appointments

Mrs Borén is chapter chairwoman for the Swedish Chamber of Commerce in the North West and chairs the sustainability group at Construction Excellence at BRE, The British Research Establishment.



Edmund Lazarus

Non-Executive Director

Edmund Lazarus is a Non-Executive Director and joined the Group in November 2014.

Skills and experience

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.

External appointments

In addition to being a partner of EMK Capital LLP, Mr Lazarus holds a number of other external appointments in private equity portfolio companies.

Former Directors

- George Letham retired from the Board as Chief Financial Officer on 22 November 2023.
- Terry Miller resigned from the Board as independent Non-Executive Director and the Senior Independent Director on 31 December 2023.
- George Letham and Terry Miller had both served on the Board since admission to the London Stock Exchange's Main Market in 2021.

Committee key

A Audit & Risk

N Nomination

R Remuneration

Chair of Committee

Nicholas Armstrong

Non-Executive Director

Nicholas Armstrong is a Non-Executive Director and joined the Group in November 2015.

Skills and experience

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.

External appointments

In addition to being a partner of EMK Capital LLP, Mr Armstrong holds a number of other external appointments in private equity portfolio companies.

Katherine Innes Ker

Non-Executive Director

Katherine Innes Ker is the Senior Independent Director and joined the Group in February 2024.

Skills and experience

Dr Innes Ker has gained extensive executive and non-executive experience across a range of sectors in a career spanning over 30 years. She was a non-executive director of Vistry plc until 2023, and senior independent director of Go-Ahead Group until 2020. Katherine has also held positions as a non-executive director at Taylor Wimpey plc, St Modwen Properties plc, Bryant Group plc, Gigaclear Ltd, Colt Group SA, Gyrus Group plc, and the Ordnance Survey. She was chair of Sovereign Housing Association and Victoria Carpets, and deputy chair of Marine Farms ASA. Katherine holds an MA (Hons) in Chemistry and a DPhil in Molecular Biophysics from Oxford University.

External appointments

Dr Innes Ker is currently chair of the MAB plc, senior independent director and chair of the remuneration committee of Forterra plc, non-executive director of Ground Rents Income Fund plc, and chair of toob ltd. She is chair of the remuneration committee of Balliol College, Oxford.

Nicola Bruce

Non-Executive Director

Nicola Bruce is an independent Non-Executive Director and joined the Group in October 2021.

Skills and experience

In addition to her significant non-executive Board experience, Ms Bruce was a partner at the Monitor Group (now Deloitte) and group director of strategy at De La Rue plc. Ms Bruce holds a number of non-executive roles in the housing and building materials sectors. She is a fellow of the Chartered Institute of Management Accountants and holds an MBA from INSEAD and an MA (Hons) PPE from Oxford University.

External appointments

Ms Bruce is currently a non-executive director of Ofwat, the economic water regulator for England and Wales, a non-executive director and chair of the remuneration committee for Ibstock plc and Gleeson plc, and senior independent director and chair of the remuneration committee for the Anchor Hanover Group.

Martin Payne

Non-Executive Director

Martin Payne is an independent Non-Executive Director and joined the Group in October 2021.

Skills and experience

Mr Payne is an experienced chief executive officer and was formerly the chief executive officer of Genuit Group plc (formerly Polypipe Group plc), a UK FTSE 250 building materials company which serves the construction industry by providing sustainable water and climate management solutions. Prior to that Mr Payne was chief financial officer of Polypipe Group plc, and has also held the roles of group finance director at Norcros plc and group financial controller at JCB, the construction equipment manufacturer. Mr Payne was also a director and chairman of the Construction Products Association, the trade association that represents the UK building materials industry. Mr Payne is a qualified accountant and a fellow of the Chartered Institute of Management Accountants and holds a BA (Hons) in Economics from Durham University.

External appointments

Mr Payne is currently a non-executive director of Churchill China plc.

Skills matrix

Under The 2018 Corporate Governance Code, the Board and its Committees should have a combination of skills, experience and knowledge. Below is a skills matrix which includes capabilities that should be covered by the Board as a whole. These capabilities are standard capabilities which are reviewed by the proxy agencies including ISS and Glass Lewis. The skills matrix below provides a visual representation of the Directors' skills.

	Capabilities								
Director	1. Radiator manufacturing	2. Financial/audit and risk	3. Leadership and people	4. Strategy	5. Listed PLC and governance	6. ESG	7. Capital markets	8. Tech and digital	9. Legal/ regulation
Bob Ellis	✓	✓	✓	✓	✓				
Trevor Harvey	✓		✓	✓	✓				
Annette Borén		✓	✓	✓		✓			
Katherine Innes Ker			✓	✓	✓		✓	✓	✓
Nicola Bruce		✓		✓	✓				✓
Martin Payne		✓	✓	✓	✓	✓	✓		
Edmund Lazarus		✓	✓	✓		✓	✓	✓	
Nicholas Armstrong		✓		✓			✓		

Statement of corporate governance

Compliance with the Code

The Board is committed to the highest standards of corporate governance. Since admission, we have complied with the 2018 UK Corporate Governance Code (the "Code") except in the following areas:

Board composition

At least half the board, excluding the chair, should be non-executive directors whom the board considers to be independent

During the year ended 31 December 2023, the Board has been composed of eight members. The Directors regard only three of the Non-Executive Directors as independent. The Company therefore does not comply with the Code recommendation that at least half the board, excluding the chair, should be non-executive directors whom the board considers to be independent. Two of the current Non-Executive Directors are representatives of the Major Shareholder as a condition of the Relationship Agreement. Although the number of Non-Executive Directors on the Board who are not considered to be independent is expected to reduce over time, with reductions in the shareholding of the Major Shareholder leading to adjustment of the conditions set by the Relationship Agreement, the Board also continues to consider potential recruitment of additional independent Directors as part of Board succession planning.

Independent chair

The chair should be independent on appointment

The Code recommends that the chair of a company should be independent on appointment when assessed against the circumstances set out in the Code. The Chair, Bob Ellis, has in the past held, and continues to hold, various positions with portfolio companies owned by affiliates of The Bregal Fund III LP, 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' 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 Code. However, in view of the Chair's involvement with the Group over the last 14 years, and as Chair since 2013, the Board continues to consider that he has made, and will continue to make, a major contribution to the Group's growth and success, and in looking at the year ahead is unanimously of the opinion that his continued involvement as Chair will help to ensure the ongoing success of the Company.

A copy of the Code can be found at www.frc.org.uk.

Role of the Board and its Committees

Board

The role of the Board is to set and monitor the Group's purpose and strategy in order to promote sustainable growth and the long-term success of the business and, in doing so, generate value for the shareholders. It is the responsibility of the Board to ensure that the strategy of the business is in alignment with the culture and values of the organisation. The Board is also responsible for taking into account the views and interests of all stakeholders, including the wider community, through engagement with a wide range of stakeholders.

The Board, supported by the Audit & Risk Committee, is responsible for the Group's systems of internal control and risk management and for ensuring that these systems of governance are strong and effective. The Board also sets the risk appetite of the Group.

The Board's main responsibilities are included in a schedule of matters reserved for the Board, as set out below:

- strategic matters – responsibility for the overall leadership of the Group and setting and monitoring the Group's strategy, values and standards;
- structure and capital – approving or recommending any changes relating to the Group's capital structure;
- financial reporting and controls – approving the Group's annual financial statements and reports, and approving the Group's business plan, budget and forecasts;
- agreements – approving major capital projects, investments, contracts and lending or borrowing by the Group (outside of the treasury policy);
- communications with shareholders – ensuring an effective engagement strategy with shareholders;
- Board appointments and remuneration – approving changes to the structure, size and composition of the Board;
- risk assessment and internal controls – ensuring the maintenance of sound systems of internal control and risk management, and monitoring these systems; and
- corporate governance – reviewing the Company's overall corporate governance arrangements and assessing and monitoring the Group's culture.

The membership of the Board is detailed below:

- a Non-Executive Chair;
- two Executive Directors;
- three independent Non-Executive Directors, including a Senior Independent Director; and
- two Major Shareholder Representative Directors.

The Directors of the Company who were in office during the year and up to the date of signing the financial statements are detailed on pages 58 and 59.

On 22 November 2023, George Letham retired from the Board and Annette Borén was appointed to the Board. On 31 December 2023, Terry Miller resigned from the Board. On 1 February 2024, Katherine Innes Ker was appointed to the Board.

As envisaged by the Code, the Board has established an Audit & Risk Committee, a Nomination Committee and a Remuneration Committee, each with formally delegated duties and responsibilities with written terms of reference. The Committees play an essential role in supporting the Board and provide focused oversight of key aspects of the business. A summary of the membership and responsibilities of each Committee is detailed in this report. The full terms of reference for each Committee are available on the Company's website, www.stelradplc.com.

Statement of corporate governance *continued*

Audit & Risk Committee

Responsibility for oversight of the Group's financial reporting, internal controls, risk management and relationship with the external auditors.

Members:

- Three independent Non-Executive Directors – Martin Payne (Chair), Terry Miller (resigned 31 December 2023), Katherine Innes Ker (appointed 1 February 2024) and Nicola Bruce

» **The Audit & Risk Committee Report can be found on page 65**

Nomination Committee

Responsibility for the composition of the Board and Committees of the Board including succession planning and ongoing review of diversity policies.

Members:

- Three independent Non-Executive Directors – Terry Miller (Chair) (resigned 31 December 2023), Katherine Innes Ker (Chair) (appointed 1 February 2024), Martin Payne and Nicola Bruce
- One Major Shareholder Representative Director – Edmund Lazarus

» **The Nomination Committee Report can be found on page 70**

Remuneration Committee

Responsibility for the Remuneration Policy, setting individual remuneration levels for Executive Directors and the Chair, and aligning workforce remuneration and related policies with the Group's strategy and culture and the requirements of the Code.

Members:

- Three independent Non-Executive Directors – Nicola Bruce (Chair), Terry Miller (resigned 31 December 2023), Katherine Innes Ker (appointed 1 February 2024) and Martin Payne

» **The Remuneration Committee Report can be found on page 74**

Key roles of the Board

The roles and division of responsibilities between the Chair, Chief Executive Officer and Senior Independent Director have been clearly defined and agreed by the Board. A summary of the key roles and responsibilities is given below:

Chair

- Responsible for the leadership of the Board, promoting a culture of openness and debate.
- Promotes the highest standards of integrity, probity and corporate governance, in line with best practice.
- Sets the Board agenda, ensuring it has a focus on strategy, performance, value creation, culture, stakeholders and accountability.
- Oversees the development, induction and performance evaluation of each Director.
- Ensures that Directors receive accurate, timely, high-quality and clear information on the basis of which they can make sound decisions.
- Ensures that the Board listens to the views of shareholders, the workforce, customers and other key stakeholders by ensuring effective communication with them in order to understand their issues and concerns, and by communicating issues to the Board.

Chief Executive Officer

- Responsible for the leadership of the business.
- Works closely with the Chair and the Board to propose, develop and implement the Company's strategy.
- Represents the Company and oversees and manages all business activities, operations and performance of the Group within the authority delegated by the Board.
- Leads the senior management team of the Group in the day-to-day running of the business.
- Regularly reviews the Group's operational performance and strategic direction and reports accurately in agreed formats to the Board and the Committees.
- Monitors and maintains high standards of corporate governance.
- Manages the Group's risk profile in line with the extent and categories of risk identified as acceptable by the Board and the Audit & Risk Committee.

Board activities and priorities during 2023

During the year ended 31 December 2023, the Board has met nine times, seven of which were scheduled. The following areas have been discussed during the year:

- health and safety;
- ESG strategy, sustainability and TCFD requirements;
- Radiators SpA update;
- approval of 2022 Annual Report, 2023 Interim Statement and trading updates;
- dividend approval;
- 2023 budget approval;
- 2022 annual bonus approval and the total remuneration outcome for Executive Directors and senior management;
- loan facility extension approval;
- Directors' induction and training plan;
- Board evaluation;
- Board and senior management succession planning;
- appointment of a new Chief Financial Officer;
- Group strategy day;
- Group restructuring appraisal;
- review of Financial Reporting Council letter;
- risk management and risk register;
- investor relations update;
- European steel market update; and
- Group policy review.

Senior Independent Director

- Provides a sounding board to the Chair and supports the Chair in the delivery of their objectives.
- Appraises the Chair's performance.
- Acts as an intermediary between the Chair and the other Directors, when necessary.
- Available to shareholders if they have concerns which have not been resolved through the normal channels.

Governance report

Board meetings and attendance

The Board held seven scheduled meetings during the year ended 31 December 2023. The table below sets out the attendance of each Director versus the maximum number of scheduled meetings they could have attended during the year ended 31 December 2023.

	Board	Audit & Risk Committee	Nomination Committee	Remuneration Committee
Trevor Harvey	7/7	—	—	—
Annette Borén	1/1	—	—	—
George Letham	6/6	—	—	—
Bob Ellis	7/7	—	—	—
Terry Miller	7/7	3/3	4/4	5/5
Martin Payne	7/7	3/3	4/4	5/5
Nicola Bruce	7/7	3/3	4/4	5/5
Edmund Lazarus	3/7 (1)	—	1/4 (2)	—
Nicholas Armstrong	6/7 (1)	—	—	—

(1) Edmund Lazarus and Nicholas Armstrong were unable to attend a number of meetings due to pre-existing commitments.

(2) Bob Ellis attended the four Nomination Committee meetings during the year as an alternate Committee member for Edmund Lazarus.

Additional ad-hoc meetings were also held during the year in respect of changes to the composition of the Board and strategic matters.

Appointment and election

On 22 November 2023, George Letham retired from the Board and Annette Borén was appointed to the Board. On 31 December 2023, Terry Miller resigned from the Board. On 1 February 2024, Katherine Innes Ker was appointed to the Board. There has been no other change to the composition of the Board during the year ended 31 December 2023 or up to the date of signing the financial statements.

The Board is satisfied that all Directors are effective and committed to their roles and have sufficient time available to perform their duties. In line with the Code and the Company's Articles, all of the Directors will be subject to annual re-election. Therefore, all members of the Board will be standing for election at the 2024 Annual General Meeting to be held on 22 May 2024.

Board induction

Details of the Board induction can be found in the Nomination Committee Report on pages 70 to 73.

Board evaluation

The Board completed its annual Board and Committee evaluation in autumn 2023. This was the Board's second Board evaluation following the listing on the London Stock Exchange in October 2021. Following the previous year's evaluation, a number of actions were implemented, including a regular cadence of ESG reporting to the Board and the appointment of Annette Borén as Chief Financial Officer in November 2023.

Overall, the results confirmed that the Board and its Committees were operating effectively. Following review by the Nomination Committee, the findings have been presented to the Board to agree actions for addressing the recommendations of the evaluation. In summary, key areas of focus identified by the evaluation include:

- further succession planning for senior management and the Board;
- ESG strategy development; and
- stakeholder engagement.

» **Read more about our Board evaluation on page 72**

Board effectiveness review

In line with the Code, the Board reviewed its own effectiveness and that of its Committees during 2023. The 2023 Board evaluation was internally facilitated by the Chair of the Nomination Committee in conjunction with the Company Secretary, and it was conducted during August 2023 using an online questionnaire which each Director was asked to complete, with specific reference to individual Board and Committee responsibilities. The completed questionnaires were then collated, and the responses reviewed by the Chair of the Nomination Committee and Company Secretary.

The findings of the 2023 evaluation exercise confirmed that overall the Board and its Committees continued to operate effectively during the year. The Nomination Committee will consider the findings and develop proposals for action by the Board to address recommendations arising from the evaluation.

With respect to individual performance assessment, the Senior Independent Director provided a performance assessment to the Chair following a session with all Board members (excluding the Chair) and the Company Secretary. An annual performance assessment of each Non-Executive Director is carried out to ensure that performance, contribution, commitment and any training and development needs are addressed.

Non-Executive Director independence

The Non-Executive Directors bring a broad range of skills and experience to Stelrad Group plc, and they are qualified to provide constructive challenge in Board discussions, where needed, and considered insights to refine the strategy of the Group over the coming years. The independence of the Non-Executive Directors is reviewed as part of an annual Board evaluation process. As previously stated within the statement of corporate governance, the Board does not currently comply with the requirements of the Code in relation to majority of independence of the board and the independence of the chair on appointment. Three of the Non-Executive Directors – the two Major Shareholder Representative Directors and the Chair – are not independent. Under the meaning of independence within the Code, the Company regards the three independent Non-Executive Directors as independent and free from any business or other relationship that could materially interfere with the exercise of their independent judgement.

Governance report continued

Time commitment

All Non-Executive Directors are required to devote appropriate time to meet their Board responsibilities and demonstrate commitment to their role. The time commitment of each Non-Executive Director was considered prior to their appointment to determine that it was appropriate. The Non-Executive Directors' letters of appointment contain information in relation to the time commitment expected of each Director in their role. Directors' external time commitment is regularly reviewed to ensure Directors can allocate the necessary time and effort to the Company. This process is continually managed by the Company Secretary and the Chair and takes into consideration outside appointments and commitments.

The Board has concluded that, notwithstanding Directors' other appointments, they are each able to dedicate sufficient time to fulfil their duties and obligation to the Company.

Directors' conflicts of interest

The Group has a formal ongoing procedure for the disclosure, review and authorisation of Directors' conflicts of interest. All Directors are required to make the Board aware of any other commitments. Potential and actual conflicts of interest are carefully considered and, if deemed appropriate, the continuing existence of the potential or actual conflict of interest may be approved by the Board. All conflicts of interest are recorded in the conflicts register. The conflicts of interest are reviewed annually to determine whether they should remain authorised.

Internal control and risk management

The Board, supported by the Audit & Risk Committee, is responsible for the Group's systems of internal control and risk management and for ensuring that these systems of governance are strong and effective.

Details of how the Audit & Risk Committee reviews and assesses the effectiveness of the system of internal control can be found in the Audit & Risk Committee Report on pages 65 to 69. The Board understands that systems of internal control can only manage, and not eliminate, risk, and that they are designed to provide reasonable, and not absolute, assurance against material misstatement or loss.

The Board is responsible for the oversight of the risk management process, which involves reviewing the processes in place to calculate and manage risk effectively. The Board is also responsible for setting the risk appetite of the Group and acknowledges its responsibility for determining the extent of the risks it is willing to take in achieving its strategic objectives. The Board regularly reviews the principal risks facing the Group and the mitigation measures for each risk which are set out on pages 50 to 54.

Whistleblowing

The Group has a whistleblowing policy in place and a whistleblowing contact email address is available to enable employees to raise any legitimate concerns which they feel need to be brought to the attention of management concerning any wrongdoings within their workplace. The Group believes that it is important to have a culture of openness to prevent such situations occurring or to bring them to the attention of management when they do occur.

Information and support

The information presented to the Board is clear, accurate and timely, and intended to enhance Board effectiveness. A comprehensive Board procedures manual is maintained in the online Board portal, to which all Directors have access. The standing information held there includes Board and Committee terms of reference, the duties and responsibilities of Directors, including standards of conduct and compliance, and training documents. The Board and Committee papers are also posted in the online Board portal.

All Directors have access to the advice and services of the Group Company Secretary, who can specifically advise them on governance matters. The Directors may also take independent professional advice at the Group's expense when it is judged necessary to perform their duties effectively.

Business ethics

The Group's core values and principles, and the standards of behaviour which every employee across the Group is expected to uphold, are set out in the Stelrad Group plc Code of Conduct. These values and principles are applied to dealings with our employees, customers and suppliers and all other stakeholders of the business.

The Group has anti-corruption and bribery policies which are communicated to all employees through business units' intranets and readily available from the respective Human Resources departments. The policy is prepared in light of the UK Bribery Act 2010 and describes the legal framework applicable to the business as well as standards and policies to be adhered to by employees. In addition, training courses are provided locally.

The Group is opposed to modern slavery and human trafficking and will only work with organisations which formally commit to the Group's ethical trading policy. The Board has approved the modern slavery statement which can be found on the Group's website at www.stelradplc.com.

Equality, diversity and inclusion

The Group has both an Equality, Diversity and Inclusion Policy and a Diversity and Inclusion Policy for the Board. The Diversity and Inclusion Policy for the Board aims to ensure that diversity and inclusion will be considered in all future Board appointments so that the Board membership reflects a broad combination of factors such as diversity of gender, age, educational and professional background, social, ethnic and geographical background, and cognitive and personal strengths. The Diversity and Inclusion Policy for the Board is detailed on page 71.

More details can be found in the Nomination Committee Report on pages 70 to 73 where the Board diversity disclosures required by the FCA Listing Rules are disclosed.

Succession planning

Succession planning, both for the Board and for senior management, has been a major focus over the past year. Details of the Nomination Committee's consideration of succession planning can be found in the Nomination Committee Report on pages 70 to 73.

Overseeing financial reporting and risk management

Committee members

Martin Payne (Chair)

Nicola Bruce

Terry Miller (resigned 31 December 2023)

Katherine Innes Ker (appointed 1 February 2024)

Highlights of 2023

- Completion of the 2022 Annual Report.
- Development of a formal process for external auditor and internal auditor review.
- Completion of the review of financial controls in the Group's business units utilising internal audit, including the most recent acquisition, Radiators SpA.
- Continued development of the Group's risk management framework, including the incorporation of a climate risks and opportunities register and the incorporation of relevant KPIs into the risk register.
- Consideration of the Group's cyber security risks and the Group's approach to such risks, culminating in the appointment of cyber security consultants.
- Continued development of the Group's TCFD reporting.
- Review of currency risk management policies.

Focus areas for 2024

- Continued development of the Group's internal audit approach and plan.
- Review of the 2023 Annual Report.
- Preparation for potential new environmental reporting and auditing requirements.
- Continued focus on cyber security risk.
- Induction of new Chief Financial Officer.

"

During the year we have continued to review, challenge and improve the risk control framework throughout the Group.

Martin Payne
Chair of the Audit & Risk Committee

Dear shareholders

As Chair of the Audit & Risk Committee, I am pleased to introduce the Committee's report, which provides a summary of the Committee's role and activities for the financial year ended 31 December 2023.

The Committee plays a vital role in delivering the Company's corporate governance obligations, by overseeing the accounting, financial reporting and internal control and risk management processes, and providing valuable independent challenge where required.

As well as detailing the composition and remit of the Committee, this report will also outline how the Committee operates; give an appraisal of the external auditors and auditors' effectiveness; and provide an overview of the Group's internal control environment and risk management framework, including the Committee's assessment of its effectiveness.

During the year, George Letham retired from his position as Chief Financial Officer and stepped down from the Board. I would like to record the Committee's thanks to George for his valuable support and input since IPO, and we wish him well for the future. Annette Borén joined the Group as Chief Financial Officer on 1 November 2023 and was appointed to the Board on 22 November 2023 and the Committee looks forward to working with her in the years to come, and will play its part in her induction process.

Committee composition

The Committee has comprised three independent Non-Executive Directors during the year ended 31 December 2023: Nicola Bruce, Terry Miller and Martin Payne as Committee Chair. The Major Shareholder is entitled to nominate an observer to the Audit & Risk Committee and has exercised its right to do this during the year.

The membership of the Committee was selected with the aim of providing the range of financial, commercial and sector expertise necessary to meet the responsibilities of the Committee and the requirements of the Code.

Going forward, the Committee will keep its composition under review to ensure it remains appropriate. The Board believes that the Committee has the competence and experience that are relevant to the sector in which the Company operates. The Board is also satisfied that Martin Payne, a Chartered Management Accountant and a former finance director, has recent and relevant financial experience and he has been designated as the financial expert on the Committee for the purposes of the Code.

Details of the Directors' experience and skill sets can be found in the Director biographies on pages 58 to 60.

Audit & Risk Committee Report *continued*

Committee remit

The key responsibilities of the Committee are:

- reviewing and monitoring the integrity of the Group's annual and interim financial statements, and reviewing the significant financial reporting judgements made in connection with their preparation;
- reviewing the content of the Annual Report and advising the Board on whether, taken as a whole, it is fair, balanced and understandable;
- monitoring and reviewing the adequacy and effectiveness of the Company's internal financial controls and internal control and risk management systems;
- overseeing and maintaining an appropriate relationship with the Company's external auditors and reviewing the independence, objectivity and effectiveness of the audit process;
- ensuring that internal audit arrangements are appropriate and effective; and
- ensuring that fraud prevention and whistleblowing arrangements are established which minimise the potential for fraud and financial impropriety.

Further details on the remit and responsibilities of the Committee can be found in its terms of reference. The terms of reference, which are reviewed annually and approved by the Board, can be found on our website, www.stelradplc.com.

How the Committee operates

The Committee schedules its meetings to align with the key dates in the Company's financial calendar. The dates of the meetings have been set using a structured forward planner, developed in conjunction with the Company Secretary, to ensure it is able to devote sufficient time to discussing and debating the key matters within its remit and discharge its responsibilities in full. Additional meetings are held as required where there are specific areas of judgement to discuss. During the year ended 31 December 2023, an additional Committee meeting was held to consider a letter from the Financial Reporting Council ("FRC"). Further details on the response to the FRC letter can be found later in this report.

The Committee will meet at least three times per annum. The external auditors, PricewaterhouseCoopers LLP, are invited to attend each meeting together with the Chair of the Board, the Chief Financial Officer, the Group Finance Director and the Company Secretary. The Committee Chair will also update the Board following each meeting.

The Committee also sets time aside at each meeting to seek the views of the external auditors, in the absence of management. In between meetings the Committee Chair keeps in touch with the Chief Financial Officer and other members of the management team.

During 2023 the Board undertook a review of its own effectiveness which included the effectiveness of the Committee. This review concluded that the Committee was operating effectively. For more details please see page 63.

2023 Committee activities

The Committee held three scheduled meetings during the year ended 31 December 2023, and key areas covered at the meetings of the Committee were:

- review of external auditors' and internal auditors' effectiveness;
- consideration of the relevant elements of the Group's 2022 Annual Report, including the key accounting judgements and the going concern and viability statement, and of the 2023 Interim Statement;
- review of proposed dividend and assessment of distributable reserves;
- consideration of the risk management framework and of the Group risk register, including the approval of a climate risk and opportunity register and the incorporation of relevant KPIs into the risk register;
- review of the letter from the FRC in respect of the Annual Report and Accounts for the year ended 31 December 2022 and review of the response to the FRC;
- consideration of the Group's cyber security risks and the Group's approach to such risks, culminating in the appointment of cyber security consultants; and
- review of the 2023 internal audit reports, undertaken by Grant Thornton UK LLP, covering financial controls at the Group's business units and review of the 2024 internal audit plan.

IAS 21 – functional currency

On 1 January 2023, the functional currency of the Group's Turkish business was changed from Turkish Lira to Euro.

Further details on the changes to the relevant underlying transactions, events and conditions that led the Directors to consider whether the functional currency for the Turkish business should be changed are outlined in note 5 of the consolidated financial statements. Note 5 of the consolidated financial statements also includes the analysis of the functional currency of the Turkish business, by reference to the key indicators outlined in IAS 21 The Effects of Changes in Foreign Exchange Rates, which led the Directors to confirm that the functional currency of the Turkish business is Euro.

The Committee met during the year ended 31 December 2022 to consider the analysis of the functional currency of the Turkish business.

FRC review

Stelrad Group plc received a letter from the FRC in respect of its review of the Annual Report and Accounts for the year ended 31 December 2022. The FRC requested further information in respect of our approach to accounting for the effects of hyperinflationary economies and our use of alternative performance measures. We responded to the FRC letter within the timescale provided, following an in-depth review of the letter and the response by senior management, the Audit & Risk Committee, the Board and the external auditors. We have now received notification that its enquiries have been closed.

The FRC's role is to consider compliance with reporting standards and is not to verify the information provided to it. Therefore, given the scope and inherent limitations of its review, which does not benefit from any detailed knowledge of the Group, it would not be appropriate to infer any assurance from its review that our 2022 Annual Report and Accounts was correct in all material respects.

The findings from the enquiry have led to the Group making improvements to its disclosure of alternative performance measures ("APMs") in the Annual Report and Accounts for the year ended 31 December 2023. These improvements include giving equal prominence to IFRS measures in the Strategic Report, reconciling all APMs and including an explanation about the limitations of the Group's APMs.

The Group's response to the FRC's request for further information in respect of our approach to accounting for the effects of hyperinflationary economies resulted in one amendment being made to a line item title in the consolidated statement of cash flows, with the line item "monetary loss IAS 29 income statement element" being retitled "IAS 29 – inflation adjustment before taxation".

Financial reporting review

A key requirement of the financial statements is that they are fair, balanced and understandable. In reaching a judgement as to whether this is the case, the Annual Report is reviewed and assessed by the Committee. The Committee considers that the 2023 Annual Report is fair, balanced and understandable in terms of the form and content of the strategic, governance and financial information presented therein.

The Committee also ensured that it followed the guidance received in respect of the use of alternative performance measures highlighted in the FRC review of the 2022 Annual Report and Accounts.

Significant issues and other accounting judgements

The Committee reviewed the integrity of the Group's financial statements and all formal announcements relating to the Group's financial performance. This included an assessment of each critical accounting policy, as set out in note 5 to the financial statements, as well as review of the following key areas of judgement and areas of audit risk:

Functional currency

On 1 January 2023, the functional currency of the Turkish business changed from Turkish Lira to Euro.

The Committee reviewed the Directors' assessment of the changes to the relevant underlying transactions, events and conditions that had led the Directors to consider whether the functional currency for the Turkish business should be changed. The Committee also reviewed the Directors' analysis of the primary and secondary indicators outlined in IAS 21 The Effects of Changes in Foreign Exchange Rates that was undertaken during the year ended 31 December 2022. Further details can be found in note 5.

Accounting for business combinations

The Committee reviewed the key judgements involved in the accounting for business combinations arising from the acquisition of Radiators SpA.

Impairment of non-financial assets

The Committee reviewed the impairment assessment of intangible assets, including goodwill, in Radiators SpA. The Committee also reviewed the key judgements used.

Revenue recognition and indirect rebates

In conjunction with the annual audit, the Committee continued to review key judgements in respect of revenue recognition and indirect rebate provisions.

Going concern and long-term viability

The Committee has reviewed the Group's going concern and long-term viability disclosures in this Annual Report, along with supporting documents, and advised the Board on their appropriateness. More detail on these disclosures can be found on page 55 of the Strategic Report. As part of its review, the Committee considered the appropriateness of the "severe but plausible" downside scenario modelled by the business, especially considering the potential ongoing impact of the current economic situation.

External auditors and audit effectiveness

PricewaterhouseCoopers LLP ("PwC") were appointed as the auditors of Noosa Holdings Jersey Limited, which was the parent company of the Group prior to the Group's listing, in 2017, and were subsequently appointed as auditors of the Company.

For the financial year ending 31 December 2024, the Committee has recommended to the Board that PwC be reappointed as external auditors and the Company will be seeking shareholder approval for the reappointment of PwC at its AGM to be held in May 2024.

The current lead audit partner, Paul Cheshire, was appointed in 2022. Current professional standards require a lead partner to be rotated every five years.

The Committee has no current plans to re-tender the audit in the foreseeable future.

In assessing the independence of the auditors from the Group, the Committee has been provided with information and assurances that all of the auditors' partners and staff involved with the audit are independent of any links to the Group. The Committee has reviewed, and is satisfied with, the independence of PwC as the external auditors.

Subsequent to the year end, the Committee assessed the effectiveness of PwC and the external audit process for 2023 through discussions with senior members of management across the Group who had been involved in the audit process. A summary of the findings was prepared for consideration by the Committee and PwC.

There were no substantive matters identified during this assessment and the Committee concluded that the external audit process for 2023 had been effective.

The Committee reviewed PwC's findings in respect of the audit of the financial statements for the year ended 31 December 2023. The Committee met separately with the auditors without management present and with management without the auditors present, to ensure that there were no issues in the relationship between management and the external auditors which it should address. No matters were raised.

Non-audit services

A policy governing the provision of non-audit services is in place in order to ensure the independence of the external auditors. Non-audit services should not be carried out by the external auditors where doing so would compromise their independence. The provision of non-audit services by the external auditors must always be approved by the Board, either by specific pre-approval or on a case by case approval basis. In deciding whether the external auditors should be appointed to carry out any non-audit services, the following areas should be taken into consideration:

Non-audit services continued

- the skills and experience of the external auditors to perform the required services;
- the effect of the non-audit services on the audited financial statements;
- the potential impact of each project on the external auditors' independence and objectivity; and
- the resulting ratio of non-audit to audit fees.

In 2023, PwC received total fees of £474,000 (2022: £440,000) comprising £430,000 of audit fees (2022: £398,000) and £44,000 of non-audit service fees (2022: £42,000). The fees for non-audit services during the year ended 31 December 2023 and the year ended 31 December 2022 include:

- in 2023, £36,000 related to interim review fees and £8,000 related to bank covenant reporting; and
- in 2022, £35,000 related to interim review fees and £7,000 related to bank covenant reporting.

Further details of fees paid to PwC are set out in note 8 to the financial statements.

Internal control framework

The day-to-day management of our principal risks is supported by an internal control environment which is embedded in our management and operational processes. The most significant elements of the Group's internal control environment include the following:

Communication of policies and procedures

The Group has documented policies and procedures underpinning its key business and finance processes. Policies and procedures documents are held at both Group and business unit level, with more detailed documents held at a business unit level to support the local conditions.

During the year ended 31 December 2023, the Group has updated and broadened its Group policies, including the introduction of an environmental policy, an information security policy and a sustainable procurement policy. The Group will continue to build upon and improve its Group policies in future years as required.

Promoting a culture of honesty and ethical behaviour

The Group educates new staff on the values and culture of the business through employee handbooks and induction training sessions. The content and structure of the employee handbooks vary across the business units to support local conditions. Areas covered include terms of employment and health and safety.

In addition to the local employee handbooks, the Group maintains complementary key policies and procedures for HR, anti-corruption and bribery, modern slavery and whistleblowing.

Monitoring and oversight by those charged with governance

There are a number of operational controls in place which facilitate the Executive Directors' monitoring of the Group's financial performance and position. In addition, business process controls are in place for the key operational cycles.

The Group has a documented organisational structure that clearly specifies roles and reporting lines for all business units and departments within the Group. The reporting line to the Board is through the Chair, Chief Executive Officer and Chief Financial Officer. There is frequent interaction between the Chief Executive Officer and Chief Financial Officer and business unit management teams.

Segregation of duties

Appropriate segregation of duties has been put in place across the Group.

Risk management

Overall responsibility for risk management lies with the Board, supported in its role by the Audit & Risk Committee, which has been delegated the responsibilities of reviewing the risk management methodology and the effectiveness of internal control.

The Group has in place a risk management framework, underpinned by the use of business unit and Group level risk registers, which clearly documents procedures to ensure risks to the organisation are identified, reported and reassessed on an ongoing basis.

In addition to the assurance provided by the formal risk management framework, the Executive Directors are very involved in the day-to-day running of the business and have overview of potential risks in the business units.

The Group continually assesses and monitors the impact of the most significant risks. Where necessary, mitigating actions are put in place to reduce the likelihood or impact of such risks to an acceptable level.

The Group's risk appetite is largely risk averse. However, the Group Board accepts that, in order to achieve its strategic objectives and generate suitable returns for shareholders, it must accept, and manage, a certain level of risk.

Internal audit

During the year ended 31 December 2022, the Board agreed with the Audit & Risk Committee recommendation that external providers should be engaged to deliver the Group's internal audit. Grant Thornton UK LLP were engaged and an initial programme of internal audit activities was put in place. The programme began in the year ended 31 December 2022, and reviews were undertaken covering cyber risk assessment across the Group and key financial controls reviews in the UK. During the year ended 31 December 2023, internal audit reviews have been undertaken covering key financial controls review at our other significant sites in Turkey, Continental Radiators and Italy.

The internal auditors will also follow up on any previous recommendations and their implementation. Following the completion of the key financial controls reviews, the internal auditors have proposed a risk-based internal audit plan. The risk-based internal audit plan was reviewed and approved and will commence in quarter two 2024.

During the year ended 31 December 2024, risk-based audits are planned covering IT general controls and treasury and cash management, as well as follow up on previous reviews, including cyber risk. Although the risk-based internal audit plan has been approved, the Committee will continue to review emerging risks and amend the existing plan if they consider this to be necessary.

Assessment of the Group's system of internal control and risk management framework

The risk assessment process within the Group and the management of significant business risks is a key area of focus for the Committee. The Committee's undertakings with regard to risk assessment have focused on the key risks identified by the Group and the actions it had put in place to address these – as described in the Risk Management section of the Strategic Report on pages 48 to 54.

The Group's internal control environment is designed to protect the business from the material risks which have been identified. Management is responsible for establishing and maintaining adequate internal controls over financial reporting and the Committee has responsibility for ensuring the effectiveness of these controls.

The internal auditors, Grant Thornton UK LLP, will contribute to the review of the internal control environment.

In accordance with the requirements of the Code, the Committee confirms it has reviewed the Group's risk management framework and internal control environment. No significant failings or weaknesses were identified as a result of the review that may significantly impact the financial statements.

Internal audit effectiveness

The Committee reviewed the effectiveness of the internal audit process during the year using a formal questionnaire-based approach, undertaken as a Committee exercise during the November Committee meeting. No matters were raised.

Management ensures that the provider of internal audit services is appropriately qualified to audit the risk area being considered.

Fraud, whistleblowing and the UK Bribery Act

The Committee recognises the importance of effective whistleblowing policies as being an additional tool to strengthen governance, by ensuring a reliable system is in place to identify and correct any unlawful or unethical conduct. The Committee monitors any reported incidents under the Group's whistleblowing policy, which is explained in more detail on page 64 of the statement of corporate governance. There were no incidents during the year which were required to be brought to the attention of the Committee.

The Committee also reviews the Group's procedure for detecting fraud and the systems and controls in place to prevent a breach of anti-bribery legislation. The policy is explained in more detail on page 64 of the statement of corporate governance. There were no breaches during the year which were required to be brought to the attention of the Committee.

Martin Payne
Chair of the Audit & Risk Committee
8 March 2024

Focused on Board effectiveness and succession planning

Committee members

Katherine Innes Ker (Chair) (appointed 1 February 2024)

Terry Miller (Chair) (resigned 31 December 2023)

Martin Payne

Nicola Bruce

Edmund Lazarus

Highlights of 2023

- Undertook the Board and Committee evaluation process, including a review of the current year outcomes and an update of the recommendations from the prior year process, with continuing focus on actions to address recommendations and enhance effectiveness.
- Review of Board and senior management succession planning.
- Oversight of the Chief Financial Officer recruitment and appointment processes.

Focus areas for 2024

The Committee will focus on overseeing actions to address the outcomes of the Board evaluation, including:

- Review of long-term succession planning for the Board and senior management, including overseeing efforts to enhance diversity and inclusion.
- Review of the Board skills matrix and the roles and responsibilities of Directors to ensure that the Board has the right mix of skills, experience and knowledge.
- Continuing development of the ESG strategy.
- Enhancing shareholder engagement across a wider investor community.

"In 2023, the Nomination Committee oversaw the recruitment of the Group's new Chief Financial Officer.

Katherine Innes Ker
Chair of the Nomination Committee

Dear shareholders

I am pleased to present the Nomination Committee Report of Stelrad Group plc for the year ended 31 December 2023. This report summarises the activities of the Committee during the year and examines the future focus areas of the Committee.

I was appointed Chair of the Committee on joining the Board on 1 February 2024. I would like to thank Terry Miller for her leadership and guidance during her tenure, which included the successful appointment of the new Chief Financial Officer, Annette Borén, in November 2023.

Nomination Committee composition

The Committee's membership is detailed on page 62, and information on the Directors' experience and skill sets can be found in their biographies and the Board skills matrix on pages 58 to 60. At the financial year end, the Committee comprised a majority of independent Non-Executive Directors, complying with provision 17 of the 2018 Code.

Nomination Committee remit

The key responsibilities of the Nomination Committee are:

- to assist the Board in discharging its responsibilities relating to the composition and make-up of the Board and any Committees of the Board;
- to periodically review the Board's structure and identify potential candidates to be appointed as Directors or Committee members as the need may arise;
- to evaluate 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 to make appropriate recommendations to the Board on such matters;
- to assist the Chair in the annual evaluation of the Board's performance and to review the results relating to Board composition and performance;
- to put in place plans for the orderly succession of appointments to the Board and to senior management and to oversee the development of a diverse pipeline for succession, taking into account the importance of maintaining the Group's culture, the challenges and opportunities facing the Group, and the skills, experience and knowledge needed within the Group and on the Board; and
- to maintain an ongoing review of the Group's Equality, Diversity and Inclusion Policy and the progress in meeting its objectives for the Board, its Committees and the Group, recommending changes to the Board as appropriate.

Further details on the remit and responsibilities of the Committee can be found in its terms of reference. The terms of reference are reviewed at least annually and approved by the Board. The terms of reference can be found on our website, www.stelradplc.com.

Succession planning

This year has seen changes to the composition of the Board and its Committees, with the retirement of George Letham as Chief Financial Officer in November, the appointment of Annette Borén to replace him as Chief Financial Officer also in November, and the resignation of Terry Miller in December.

One of the Nomination Committee's main activities during 2023 was overseeing the succession planning of the Chief Financial Officer.

In May, it was announced that George Letham had informed the Board of his intention to retire and to stand down from his role as Chief Financial Officer and from the Board in November. George made a significant contribution to the Company over many years and he leaves Stelrad in a strong position for future growth as a public company.

The Committee, in its role to oversee the orderly succession of a new Chief Financial Officer, initiated an external process with a leading search firm to appoint a successor. Following an extensive recruitment process, the Committee recommended that the Board appoint Annette Borén as the new Chief Financial Officer and she joined the business and became a member of the Board in November.

In December it was announced that Terry Miller, the Senior Independent Director, had notified her intention to step down from the Board and its Committees and would resign at the end of the financial year, having originally joined the Group as part of Stelrad's IPO. The Committee engaged an external search firm to source appropriate candidates for the role, leading to the appointment of Katherine Innes Ker as Senior Independent Director on 1 February 2024.

In line with the Company's Equality, Diversity and Inclusion Policy, both appointments were made on merit and against objective criteria, taking into consideration diversity of skills and experience, gender and social and ethnic backgrounds as well as cognitive and personal strengths.

In the coming year, the Committee will continue to review the long-term succession planning for the Board to ensure that the composition of the Board and its Committees continues to be effective, with an appropriate balance of skills, experience, knowledge and diversity.

The Committee works closely with the Chief People Officer to identify and maintain robust pipelines of immediate, short-term and longer-term leadership potential within the senior management team, and is supported by the Chief People Officer in ongoing review of objectives and time frames for Board succession planning.

Board member induction

A comprehensive and tailored induction plan was established for Annette Borén as incoming Chief Financial Officer. The aim of the induction was to provide a detailed insight into the Group across a breadth of areas including strategy, structure, financing, risk management, investor relations, corporate responsibility and compliance. During her induction period, Annette has met with members of the Board of Directors and with key senior managers across the Group, as well as having made site visits to all of the manufacturing facilities within the Group.

Board Diversity and Inclusion Policy

To deliver on our purpose, it is essential that we foster diversity of thought and an environment where everyone is encouraged to bring their best and true selves to work.

The Board believes that better decision making and outcomes are achieved when people with differences of opinion and with different backgrounds come together with a common objective and shared ambition. As a Board, we monitor the implementation of the Group's diversity and inclusion policies, including relevant metrics, satisfying ourselves that the Group's culture is and remains aligned to its purpose, strategy and values.

"Diversity" describes all the characteristics, experiences and cultural influences that make each of us unique individuals. Our policy is to respect the diversity of all customers, colleagues, prospective colleagues, contractors and suppliers, and treat all fairly and equally regardless of characteristics. "Inclusion" means that all are welcome, and will be treated with respect and dignity in line with our values irrespective of their individual circumstances.

This policy on diversity and inclusion applies to the Board only but complements the Group's wider diversity policies, values, Code of Conduct and sustainability framework. The Board, supported by the Board Nomination Committee, will:

- encourage a diverse and inclusive working environment in the boardroom, where everyone is accepted and valued and receives fair treatment according to their different needs and situations without discrimination or prejudice;
- continue our journey towards greater diversity on the Board across all dimensions, including aspiring to reach greater representation of women and those of an ethnic minority background over time;
- consider all aspects of diversity when reviewing the Board's composition, skills, experience and overall balance, including when conducting the annual Board effectiveness review;
- oversee the development of a diverse pipeline for succession to the Board and ensure that all Board appointments are subject to a formal, rigorous and transparent procedure based on merit and objective criteria taking into account (among other things) factors such as diversity of gender, age, educational and professional background, social, ethnic and geographical background, and cognitive and personal strengths; and
- engage search firms which understand and agree to comply with the Group's values and approach to diversity in identifying suitable Board candidates from diverse candidate pools.

Diversity and inclusion

Diversity and inclusion continues to be a focus of the Committee, with a commitment to promoting diversity and inclusion on the Board. As set forth in the Board's Diversity and Inclusion Policy (see inset), which is reviewed annually, the Committee recognises the importance of diversity in its Board composition to ensure that it can draw upon a diverse range of experience, skills and knowledge in all aspects of the Board's discussions and decision making.

Nomination Committee Report *continued*

Diversity and inclusion continued

The Committee has a robust process for identifying and evaluating potential Board candidates and is dedicated to using search firms that are committed to identifying suitable Board candidates from diverse candidate pools. In the recent Chief Financial Officer search, Russell Reynolds was engaged as a partner with a strong track record in the promotion of gender diversity.

A detailed brief including the required skills and experience was provided to identify suitable candidates; of the candidates interviewed directly by the Company, 27% were female, which increased to 66% for the final shortlisted candidates.

Board diversity disclosures

Listing Rule 9.8.6(9)

As at the Company's chosen reference date, 31 December 2023, and in line with FCA Listing Rule 9.8.6(9), the Company has not met the target for at least 40% female membership on the Board or for one member of the Board to be from an ethnic minority background. However, it has met the target for one of the positions of Chair, Senior Independent Director, Chief Executive Officer or Chief Financial Officer to be held by a woman, with Annette Borén holding the position of Chief Financial Officer and Terry Miller being in place as Senior Independent Director. The overall diversity targets were not met in the year as the succession plans of the Group, including the recognition of diversity, will require time to materialise. Future evolution of the Board will continue to focus on broadening the diversity of its members.

Data under LR 9.8.6(10)

In line with LR 9.8.6(10), as at the reference date of 31 December 2023, the composition of the Board and Executive Management was as follows, with members of the Board and the Executive Management team asked to complete a diversity disclosure form at year end.

Gender identity	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in Executive Management[1]	Percentage of Executive Management[1]
Men	5	62.5%	2	3	60%
Women	3	37.5%	2	2	40%
Not specified/prefer not to say	—	0%	—	—	0%

Ethnic background	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in Executive Management[1]	Percentage of Executive Management[1]
White	8	100%	4	5	100%
Ethnic minority	—	0%	—	—	0%
Not specified/prefer not to say	—	0%	—	—	0%

(1) Stelrad has a flat structure, operating a decentralised model with local management teams in each of the key territories, supported by a small Group head office. The Company is treating its Group roles as Executive Management for the purpose of this reporting requirement and consists of the Chief Financial Officer, Chief People Officer, Group Operations Director, Group Finance Director and Group Strategic Marketing Director.

Board evaluation

The Committee has assisted the Chair in working with the Company Secretary to facilitate the content and process of a comprehensive internally managed Board and Committee evaluation in the second half of 2023. The results of the evaluation, along with an action plan for addressing any identified issues, were reported to the Board in November 2023, and the aspects relating to Board and Committee composition and performance were reviewed by the Committee. Further details of the format and outcome of the Board evaluation process can be found on page 63.

Progress following the 2022 Board evaluation

Additionally in the year, the Board reflected on its progress made against the outcomes from the 2022 Board evaluation. The overall outcome of the 2022 evaluation was very positive and indicated that the Board was running effectively. While the outcome of the evaluation showed that the Board, its Committees and the Board members operated professionally and in an open and transparent manner, the Board developed an action plan based on the outcomes, designed to enhance further the effectiveness of the Board. Following the discussions of the Nomination Committee, several key themes were highlighted for focus during 2023, including in the areas of succession, ESG, stakeholder engagement and risk management. The following table summarises progress in these areas of focus.

Area of focus	Progress
Succession planning	The Board continues to focus on succession planning. The process of seeking a replacement for the Chief Financial Officer resulted in the successful recruitment of a candidate that supports the Board's gender diversity. The topic is tabled at Nomination Committee meetings, with consideration given to both diversity and independence.
ESG development	The Board implemented an additional climate risk and opportunity register to complement the Group's risk register. Specific reference to climate change risk has also been added to the risk register. The Board engaged a professional third party adviser on ESG to support continued progress in this area. Progress against the ESG strategy is reported at Board meetings twice a year.
Stakeholder engagement	The Board has reviewed its workforce engagement arrangements and agreed that "alternate arrangements" under the Code remained appropriate for the Group. The Board is comprehensively briefed on external stakeholder engagement via reports and standard agenda items to the Board, and has remained focused on enhancing its engagement with the wider investor community.
Risk management framework development	The risk management framework continues to evolve with the advice and input of the Audit & Risk Committee Chair. During 2023, the risk register was updated to include the addition of metrics to measure and monitor the impact of each risk.

Committee meetings and agenda

The Committee meets as often as needed and, in any case, no less than twice per year, depending on circumstances, to ensure it is discharging its duties as a Committee in full and in accordance with its terms of reference. The Committee held four scheduled meetings and two additional unscheduled meetings during the year ended 31 December 2023.

Agenda items for the Committee's meetings during the year ended 31 December 2023 included:

- review of the Board's composition and the diversity of Directors' skills;
- review of Directors' time commitments and time available to dedicate to the role;
- review of the Group Equality, Diversity and Inclusion Policy and the Board Diversity and Inclusion Policy;
- updates on diversity reporting across the Group;
- succession planning for Executive Directors and Non-Executive Directors of the Board;
- oversight of the Chief Financial Officer recruitment and appointment processes;
- further development of a Director induction programme and handbook; and
- the 2023 Board and Committee evaluation process, including a review of the current year outcomes and an update of the prior year recommendations, initiated by the Company Secretary.

The Committee's future focus will continue to include consideration of these topics as well as the areas of focus identified in the Board evaluations.

Annual re-election of Directors

As required by the UK Corporate Governance Code 2018, all Directors will be subject to re-election at the next AGM. The Committee has considered each of the current Board members in the context of re-election and is satisfied that each Director has dedicated sufficient time to their duties and that they have shown commitment to their role. Acting on the Committee's advice, the Board recommends that each Director be re-elected.

Katherine Innes Ker
Chair of the Nomination Committee
8 March 2024

Overseeing how we reward our people

Committee members

Nicola Bruce (Chair)

Martin Payne

Terry Miller (resigned 31 December 2023)

Katherine Innes Ker (appointed 1 February 2024)

Highlights of 2023

- Setting incentive targets and determining incentive outcomes for Executive Directors and senior management, including the addition of ESG measures within our remuneration arrangements for 2024.
- Review of total remuneration outcomes for Executive Directors and senior management and their alignment with strategy.
- Review of workforce remuneration across all geographies.
- Review of Chief Financial Officer remuneration prior to the appointment of a new Group Chief Financial Officer.

Focus areas for 2024

- Setting incentive targets and determining incentive outcomes for Executive Directors and senior management.
- Monitoring the ongoing effectiveness of selected ESG measures in remuneration.
- Oversight of wider workforce remuneration and policies.
- Review of Directors' Remuneration Policy in advance of the triennial review at the 2025 AGM.

"As we commence our third full year as a listed business, we remain committed to aligning executive remuneration with long-term performance and the experience of our key stakeholders.

Nicola Bruce
Chair of the Remuneration Committee

Annual Statement by the Remuneration Committee Chair

Dear shareholders

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ended 31 December 2023.

This report consists of three sections:

- the Annual Statement and associated high-level summary (remuneration at a glance);
- a summary of the Directors' Remuneration Policy approved by shareholders at the 2022 AGM – shareholders will not be asked to vote on the Policy at the 2024 AGM. In line with the applicable regulations, we have not detailed the full Policy but included those parts that we consider that shareholders will find most useful; and
- the Annual Report on Remuneration, which outlines the decisions made by the Remuneration Committee (the "Committee") and payments made to Directors in respect of 2023, describes the link between Company performance and remuneration for 2023 and sets out the proposed approach to remuneration in 2024.

We consider that the Policy has worked well in 2023 and continues to support our strategy effectively. Therefore we will not be asking shareholders to vote on a revised Policy at the 2024 AGM. The Directors' Remuneration Report (excluding the Policy) will be put to an advisory shareholder vote at the 2024 AGM. In line with the usual three-year timetable, shareholders will be asked to vote on a new Policy at the 2025 AGM. During 2024 we will review the Policy to ensure that it continues to support the delivery of our strategy and the expectations of our key stakeholders.

Board changes in 2023

As has been reported elsewhere, Annette Borén joined the Group on 1 November 2023. Following an external benchmarking exercise, her salary on appointment was set at £260,000. This was set having regard to her relative experience and the market competitive range for the role. Her salary will next be reviewed in January 2025. Annette receives a salary supplement of 9% of salary in lieu of pension contributions, in line with the majority of the UK workforce. Given Annette's joining date of 1 November 2023, Annette participated in the 2023 bonus arrangements in respect of the final two months of the year, and details of the bonus earned are included later in this report.

George Letham's remuneration earned up to the date of his retirement from the Board is included in the single total figure of remuneration. As a retiree, and in line with our Policy, the Committee determined that George Letham is a "good leaver". Accordingly, George was able to earn a bonus in respect of the eleven months of the year for which he was in service, details of which are included later in this report. George has also retained his LTIP award granted in 2022. The award remains subject to its original performance conditions and, subject to their satisfaction, will vest at the originally envisaged date of May 2025 and then be subject to a two-year holding period.

To the extent the performance conditions are satisfied, the vested award will be reduced pro rata to take account of the proportion of the vesting period for which George was in employment. George retired from his role as an Executive Director, and resigned from the Board, on 22 November. George will remain as a part-time employee of the Group as a strategic adviser to the CEO for a six-month period.

As announced on 1 December, Terry Miller stepped down from the Board and the Committee on 31 December 2023. On 1 February 2024, Katherine Innes Ker joined the Board and the Committee.

Remuneration outcomes in 2023

The key highlights of the performance of the business during the year can be found in the Strategic Report on pages 1 to 56.

Fixed remuneration

As we reported last year, the Executive Directors' salaries were increased by 4% with effect from 1 January 2023 to £515,000 (in the case of Trevor Harvey) and £330,000 (in the case of George Letham). These increases were below the 10% increase awarded to the majority of the UK workforce and below the 6% awarded to other members of senior management. However, in recognition of the challenging macroeconomic environment and the cost of living pressures for our workforce, Trevor Harvey and George Letham requested that their salary increase not be implemented until January 2024. As a consequence, for financial year 2023, Trevor Harvey's and George Letham's salaries remained at £495,101 and £316,866.

No changes were made to the Executive Directors' benefits and pensions in 2023, with salary supplements in lieu of pension contributions remaining at the 9% of salary level, in line with the wider UK workforce.

Annual bonus

The Annual Bonus Plan ("ABP") structure for 2023 reflected the Policy approved at the 2022 AGM. Each Executive Director was eligible to earn a bonus of up to 125% of salary based on performance against:

- Group adjusted operating profit targets (with a 70% weighting); and
- Group adjusted cash flow targets (with a 30% weighting).

Full details of the targets and performance against them are set out on page 83. As set out on page 83, the final outturn for Group adjusted operating profit, which accounted for 70% of total bonus, delivered performance between target and maximum. The cash flow target, which accounted for 30% of total bonus, was not achieved, resulting in a bonus entitlement of 42.7% of the maximum award (equivalent to 53.4% of salary). The bonus awards for George Letham and Annette Borén are pro rata to their periods of entitlement, which are eleven months and two months respectively. In line with the Policy, 75% of the bonuses earned will be paid in cash with the remaining 25% deferred into Stelrad shares for two years under the Deferred Share Bonus Plan.

LTIP

A Long Term Incentive Plan ("LTIP") is in place for Executive Directors and other members of senior management. The first awards under the LTIP were granted in May 2022 and vest by reference to performance over the three financial years 2022, 2023 and 2024. Therefore, no long-term incentive awards were capable of vesting in respect of performance in the year ended 31 December 2023.

As referenced in last year's report, LTIP awards were not granted during 2023 in view of the challenging economic climate.

Wider workforce remuneration in 2023

The Group supports the collective bargaining process in the UK, Turkey, the Netherlands and Italy with local employee representation where appropriate. We adhere to the outcome of national collective agreements regarding pay, and implement these according to the earliest appropriate timescales. We also keep under regular review the non-pay-related benefits offered to our employees to ensure these remain competitive and of value to our workforce. At Stelrad, we consider that our workforce is our most important asset and for 2024, as part of the ESG component of our Annual Bonus Plan for Executive Directors, we will include a metric relating to labour turnover.

Implementation of the Policy in 2024

Salary

As described last year, we applied an increase of 4% to the Executive Directors' salaries in 2023, a level of increase which was below the 10% increase awarded to the majority of the UK workforce and below the 6% awarded to other members of senior management. However, and as we reported at the time, in recognition of the challenging environment and cost of living pressures for the workforce, Trevor Harvey and George Letham requested that their increase was not implemented until January 2024. The Committee would like to thank Trevor and George for the action they took to defer the implementation of their 2023 salary increase in recognition of the challenging inflationary environment that was being experienced by our workforce.

As a consequence of the deferred 2023 increase of 4%, Trevor Harvey's base salary for review at 1 January 2024 was £515,000. As a result of the 2024 annual salary review, the Committee determined to apply a further 4% increase to the CEO's salary in line with the 4% awarded to the majority of the UK workforce. From 1 January 2024, Trevor Harvey's base salary will therefore rise to £535,600, which remains appropriate to his role and experience.

Annette Borén's salary was set at £260,000 on appointment on 1 November 2023 and will remain at this level throughout 2024.

Annual Bonus Plan

In 2024, the Executive Directors and other members of senior management will again participate in an Annual Bonus Plan ("ABP") arrangement. For Executive Directors, the ABP provides that they can earn up to 125% of base salary for delivering stretching performance targets, with 75% of any bonus earned to be paid in cash and 25% to be paid in deferred shares to ensure longer-term alignment with the interests of shareholders.

In continued support of our strategy, recognising the importance of stability and continuity, and consistent with the financial measures of the 2023 ABP, the Committee has again decided to apply two financial measures: Group adjusted operating profit and Group adjusted cash flow from operations. Group adjusted operating profit will account for 70% of total potential award and Group adjusted cash flow from operations will account for 20% of total potential award. In addition, for 2024, following on from the commitments made in our 2023 Annual Report and Accounts and the ongoing development of our sustainability strategy, Fit for the Future, we are pleased to introduce an ESG component to our variable remuneration.

Implementation of the Policy in 2024 continued

Annual Bonus Plan continued

The ESG component will have a 10% weighting and will be based on the achievement of stretching targets that underpin our two strategic pillars, driving better environmental performance and enabling an exceptional workforce. These targets will relate to two measures: relating to the recycled content of packaging material used and our Group voluntary labour turnover rate.

Both the ESG measure and the cash flow measure will be underpinned by the requirement to achieve the target adjusted Group operating profit measure. In line with our Policy, the Committee retains discretion to adjust formulaic ABP outcomes based on a holistic assessment of Company performance including the experience of all stakeholders in assessing the overall bonus outturn.

It is the Committee's intention to retrospectively disclose the targets for the 2024 ABP once pay-outs have been determined, as with the 2023 ABP performance targets on page 83, as the targets are currently deemed to be commercially sensitive.

Long Term Incentive Plan

Our Policy includes the ability to grant LTIP awards annually to our Executive Directors of up to 150% of base salary. In recognition of the continued challenging trading conditions, LTIP awards will be granted in 2024 for Executive Directors up to a maximum of 50% of base salary. We also intend to grant LTIP awards to key members of senior management up to a maximum of 50% of salary. The Committee's view is that these LTIP awards will support the key elements of our strategy, aligning the interests of our senior leadership with our shareholders and other stakeholders.

To ensure alignment with our business strategy, and in line with good practice, the Committee has selected one financial performance measure and one market performance measure for the Executive Director LTIP award. The financial measure will be adjusted EPS with a weighting of 80% of the total award; the market measure will be the Group's total shareholder return ("TSR") as compared to the selected benchmark, the FTSE Small Cap index, with a weighting of 20% of the total award. Awards will be granted in the first half of 2024. Vesting will be conditional on the achievement of three-year EPS and TSR performance targets, which are outlined in detail in the table on page 87. Executive Directors' shares from vested awards will be required to be held for a further two years.

Malus and clawback provisions apply for a period of three years following vesting.

As the Group's ESG strategy evolves, the Committee will continue to consider the development of appropriate ESG measures for inclusion in long-term incentives.

Conclusion

I trust the information presented in this report enables our shareholders to understand both how we have operated our Directors' Remuneration Policy over the year and our rationale for decision making. We regularly review our remuneration policy and practice to ensure that it remains aligned with our business strategy and the evolving regulatory landscape. We believe that the Policy operated as intended and we consider that the remuneration received by the Executive Directors during the year was appropriate, taking into account Group and personal performance, as well as the experience of all stakeholders. The Remuneration Committee did not apply any discretion to reward outcomes in respect of the year ended 31 December 2023.

We remain committed to maintaining a clear, open and transparent dialogue with our shareholders on executive remuneration.

On behalf of the Board, I would like to thank shareholders for their continued support and we hope that you will support the resolution requesting approval of the Annual Report on Remuneration at this year's Annual General Meeting on 22 May 2024.

Nicola Bruce
Chair of the Remuneration Committee
8 March 2024

This report has been prepared in accordance with the applicable remuneration reporting regulations, the FCA Listing Rules and the UK Corporate Governance Code.

Remuneration at a glance

Implementation of the Remuneration Policy in 2024

For 2024, the Executive Directors will be remunerated in line with the approved Policy, as summarised in the table below.

Element of pay	Implementation in 2023	Proposed implementation for 2024
Fixed remuneration		
Base salary	As was described in the 2022 Directors' Remuneration Report, the 4% base salary increase for 2023 approved by the Committee would be implemented with effect from 1 January 2024 in addition to any 2024 annual increase approved at that time. Thus for financial year 2023, the CEO and CFO salaries remained at £495,101 and £316,866, pending the deferred increase. Consequently, the CEO base salary for adjustment on 1 January 2024 was £515,000; the former CFO retired from the Board in November 2023. On 1 November, Annette Borén joined the Group, on an initial salary of £260,000.	Further to implementation of the Executive Directors' deferred 2023 salary increase, and application of a further 4% increase from 1 January 2024 associated with the 2024 salary increase, the CEO salary will be £535,600 effective from 1 January 2024. The salary of the new CFO will remain at £260,000 in 2024 as agreed upon her appointment on 1 November 2023.
Pension	The Executive Directors receive a salary supplement in lieu of pension contribution of 9% of salary.	
Benefits	Each Executive Director receives the benefit of a life assurance scheme, private health cover and a car allowance. Trevor Harvey and George Letham also benefit from the reimbursement of fuel expenses.	
Variable pay		
ABP	Bonus opportunities of up to 125% were awarded. Based on the stretching targets, a bonus of 53.4% of salary was earned by each Executive Director. The bonus awards for George Letham and Annette Borén are pro rata to their periods of entitlement, which are eleven months and two months respectively. 75% of the annual bonus will be paid in cash, with the remaining 25% delivered as deferred shares.	The ABP will award up to a maximum of 125% of base salary, based on the achievement of two financial measures: Group adjusted operating profit (70%); and adjusted cash flow from operations (20%). ESG measures that are important to Stelrad's sustainability strategy, Fit for the Future, will determine 10% of the award. Both the cash flow measure and ESG component will be underpinned by the target Group adjusted operating profit measure. 75% of the annual bonus will be paid in cash, with the remaining 25% delivered as deferred shares.
LTIP	No LTIP awards were capable of vesting by reference to performance in 2023. No LTIP awards were granted in 2023.	The Policy provides for an annual LTIP award up to a maximum of 150% of base salary. LTIP awards will be granted in 2024 with Executive Director awards granted at the level of up to 50% of salary vesting by reference to adjusted EPS targets (80% of the awards) and relative TSR (20% of the awards) assessed over a three-year period and subject to a post-vesting two-year holding period.

Remuneration Policy

The Group's Directors' Remuneration Policy (the "Policy") was approved by shareholders at the AGM on 16 May 2022. As shareholders will not be asked to vote on the Policy at the 2024 AGM and in line with the applicable regulations, we have not included the full Policy but have summarised those parts that we consider that shareholders will find most useful. The full Policy is set out on pages 63 to 68 of the 2021 Annual Report which is available at https://stelradplc.com/investors-2/results-reports-and-presentations/.

UK Corporate Governance Code principles

The table below reflects how the Remuneration Policy fulfils the factors set out in provision 40 of the 2018 UK Corporate Governance Code.

Criteria	Approach
Clarity – Remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce.	The Committee operates a consistent remuneration approach that is well understood internally and externally. The Committee regularly engages with major shareholders on executive remuneration and undertook a detailed consultation ahead of the admission to the Main Market.
Simplicity – Remuneration structures should avoid complexity and their rationale and operation should be easy to understand.	Our remuneration arrangements for Executive Directors are based on a market-standard remuneration structure consisting of fixed pay, an annual bonus and a single long-term incentive. This design is simple in nature and well understood by participants as well as other stakeholders.
Risk – Remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated.	Targets are reviewed annually to ensure they are adequately stretching yet achievable without encouraging excessive risk taking. Using recovery provisions or discretion, the Committee retains the ability to override formulaic incentive outcomes in the event that these produce a result inconsistent with the Group's remuneration principles.
Alignment to culture – Incentive schemes should drive behaviours consistent with Company purpose, values and strategy.	The variable incentive schemes and performance measures are designed to be consistent with the Group's purpose, values and strategy. We believe that aligning remuneration practices across the business is a key element of supporting our culture, fulfilling our values and being a strong driver of business performance.
Predictability – The range of possible values of rewards to individual Directors and any other limits or discretions should be identified and explained at the time of approving the Policy.	The Committee maintains clear caps on incentive opportunities and will use its available discretion if necessary. The potential value and composition of the Executive Directors' remuneration packages at below threshold, target and maximum scenarios are provided in the Remuneration Policy.
Proportionality – The link between individual awards, the delivery of strategy and the long-term performance of the Group should be clear. Outcomes should not reward poor performance.	Executives are incentivised to achieve stretching targets over annual and three-year performance periods. The Committee assesses performance holistically at the end of each period, taking into account underlying business performance and the internal and external context to ensure that pay outcomes are appropriate and reflective of overall performance.

Consistent with best practice, the Committee may apply discretion with respect to outcomes that affect the actual level of reward payable to individuals, both upwards and downwards. Such discretion, if exercised, would be disclosed in the report on implementation of the Policy (i.e. the Annual Report on Remuneration) for the year in question.

Wider workforce considerations and engagement

The Committee has responsibility for reviewing remuneration and related policies applicable to the wider workforce. To support this, the Committee is periodically briefed on the structure and quantum of the all-employee remuneration as well as being informed about the context, challenges and opportunities related to wider workforce remuneration topics. This enables the Committee to take the wider workforce into account when setting the policy for executive remuneration. The Committee receives insights from the broader employee population via regular briefings from the Company, including feedback from the employee survey. When considering salary increases for the Executive Directors, the Committee considers the general level of salary increase across the Group and in the external market.

Remuneration Policy summary

Element of remuneration	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Base salary	To provide competitive fixed remuneration. To attract, retain and motivate Executive Directors of the calibre required to deliver the Group's strategy.	An Executive Director's salary takes into account the individual's professional experience, individual performance, level of responsibility and the scope and nature of their role and is set with reference to market. Base salaries will typically be reviewed on an annual basis.	Any Executive Director salary increases will not normally exceed those of the majority of the Group's employees unless exceptional correctional increases are appropriate (for example if an Executive Director was initially appointed below the relevant benchmark level).	Not applicable.
Benefits and pension	To provide market competitive levels of employment benefits.	The Executive Directors receive a salary supplement in lieu of pension contribution of 9% of salary. This contribution percentage is in line with the average of the Group's UK workforce. Any new Executive Directors will have their pension contributions set in line with the majority of the UK workforce. Each Executive Director is entitled to the benefit of a life assurance scheme, private health cover and a car allowance. Trevor Harvey and George Letham are entitled to the reimbursement of fuel expenses.	The benefits package is set at a level which the Committee considers provides an appropriate level of benefits for the role and is appropriate in the context of the benefits offered to the wider workforce or to comparable roles in companies of a similar size and complexity.	Not applicable.
ABP	To reward the year on year achievement of demanding annual performance metrics.	Performance measures, weightings and targets are reviewed annually by the Committee and may be changed from time to time. Threshold, targets and stretch goals are set for each performance measure. No more than 75% of the annual bonus will be paid out as cash after the end of the financial year. The remainder will be issued as awards under the Deferred Share Bonus Plan ("DSBP"). DSBP awards will be in the form of conditional awards or nil-cost options with awards normally vesting after two years. Under the DSBP, an additional payment, in cash and/or shares, may be made equal to the value of dividends which would have accrued on vested shares between the grant date and date of vesting. Malus and clawback provisions apply.	Up to 125% of salary. Percentage of maximum bonus earned for levels of performance: • Threshold: up to 24%. • On target: up to 50%. • Maximum: up to 100%.	A minimum of 70% of weighting will be associated with financial targets. The Board will determine the actual bonus outcome based on achievement against predetermined targets. Actual targets, performance achieved and awards made will be published at the end of the performance period.

Remuneration Policy continued

Remuneration Policy summary continued

Element of remuneration	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
LTIP	To provide a direct link to the achievement of sustainable performance over the longer term.	Awards will be in the form of conditional awards or nil-cost options with vesting subject to the achievement of performance conditions determined by the 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. Additionally, a two-year post-vesting holding period will normally apply at the end of each relevant vesting period for Executive Directors. An additional payment, normally in shares, may be made equal to the value of dividends which would have accrued on vested shares between the grant date and date of vesting. Malus and clawback provisions apply.	LTIP award levels will be no greater than 150% of base salary.	The Committee will determine the appropriate performance conditions prior to grant each year, to align with the Company's longer-term strategy. Performance conditions may include financial, market-based and/or non-financial measures. Financial and market-based measures will account for at least 70% of the total award.
Share ownership guidelines	To provide long-term alignment between Executive Directors and shareholders.	Executive Directors are expected to build up and then subsequently hold a shareholding equivalent to 200% of base salary. Following cessation of employment, Executive Directors will also be required to retain for two years the lower of: (i) the 200% shareholding requirement; and (ii) the shares accumulated towards the shareholding requirement that have been granted under the LTIP from 2022 onwards, at the date of termination.	Progress against the shareholding requirement will be reviewed by the Committee annually.	Not applicable.
Non-Executive Director fees	To attract and retain Non-Executive Directors of a high calibre with relevant commercial and other experience.	Non-Executive Directors receive a base fee and additional fees for acting as Senior Independent Director or Chair of the Board Committees and for membership of Board Committees (or to reflect any additional time commitments – subject to approval from the Chair). The Chair receives a fixed annual fee with additional fees payable to reflect additional time commitment in certain circumstances, such as in periods of exceptionally high activity – subject to approval. Fees are typically reviewed annually, taking into account the time commitment requirements and responsibility of the individual roles, and after reviewing practice in other comparable companies. The fee paid to the Chair is determined by the Committee, while the fees for other Non-Executive Directors are determined by the Board as a whole.	For the Non-Executive Directors, there is no prescribed maximum annual increase. The maximum cap for the total aggregate remuneration paid to the Chair of the Company and the Non-Executive Directors is set within the Company's Articles of Association. Actual fee levels are disclosed in the Annual Report on Remuneration for the relevant financial year. The Company will reimburse any reasonable expenses incurred.	Not applicable.

Malus and clawback provisions

Consistent with best practice, malus and clawback will be used at the Committee's discretion in relation to ABP, DSBP and LTIP awards. 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.

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 three years after vesting in the following circumstances: material misstatement of the results of the Group, errors or inaccuracies or misleading information leading to incorrect grant or vesting of the award, gross misconduct, material failure of risk management by the Group, corporate failure (e.g. administration or liquidation) or any other circumstance which in the opinion of the Committee could have a significantly adverse impact on the Group's reputation.

Service agreements and letters of appointment

Each of the Executive Directors has entered into a service agreement with the Company and each of the Non-Executive Directors has entered into a letter of appointment with the Company.

The Committee's policy for setting notice periods is that a twelve-month period will apply for the CEO and a six-month period will apply for the CFO.

Name	Position	Date of service agreement	Notice period by Company (months)	Notice period by Director (months)
Trevor Harvey	CEO	22 October 2021	12	12
Annette Borén	CFO	1 November 2023	6	6

The Non-Executive Directors of the Company (including the Chair) are appointed by letters of appointment. Their terms are subject to their re-election by the Company's shareholders at any AGM at which the Non-Executive Directors stand for re-election (in accordance with the Company's Articles of Association). The details of each Non-Executive Director's current terms are set out below:

Name	Date of appointment
Bob Ellis	8 October 2021
Edmund Lazarus	8 October 2021
Nicholas Armstrong	8 October 2021
Nicola Bruce	22 October 2021
Martin Payne	22 October 2021
Katherine Innes Ker	1 February 2024

Annual Report on Remuneration

The following section sets out our Annual Report on Remuneration and outlines how the Policy was implemented in 2023. The Annual Report on Remuneration will be subject to an advisory shareholder vote at the AGM to be held on 22 May 2024.

Some sections of this report have been reported on by the auditors and are thus clearly indicated as audited. All other information in this report is unaudited.

Membership and meetings of the Remuneration Committee

Membership during 2023 comprised the Committee Chair (Nicola Bruce), who is an independent Non-Executive Director, and two further independent Non-Executive Directors (Terry Miller and Martin Payne) with support from the Group's Company Secretary. Terry Miller stepped down from the Board and the Committee on 31 December 2023. The Committee receives assistance from the Group's Chief People Officer, who regularly attends meetings by invitation. The CEO also attends by invitation. The Committee will keep its composition under review to ensure it remains appropriate. The Board is satisfied that the Committee has the competence and experience necessary to discharge its duties effectively. Details of the Directors' experience and skill sets can be found in the Director biographies on pages 58 to 60.

The Major Shareholder remains entitled to nominate an observer to the Remuneration Committee, subject to the terms of the shareholder agreement outlined in the Prospectus at the time of admission. The Committee has been pleased to welcome Nicholas Armstrong to all meetings in 2023.

The Committee will meet not less than three times a year. During the year ended 31 December 2023, the Committee held five scheduled meetings. The Directors consider that the Company complies with the requirements of the UK Corporate Governance Code in respect of remuneration committees.

Key responsibilities

The key responsibilities of the Remuneration Committee are:

- to determine the Remuneration Policy (the "Policy") and to set the total remuneration packages for all Executive Directors, the Chair of the Company and senior management;
- to approve the design of, and determine targets for, any performance-related pay schemes operated by the Company and approve the total annual payments made under such schemes;
- to align the Policy with the UK Corporate Governance Code's requirement for clarity, simplicity, risk mitigation, predictability and proportionality;
- to ensure that the Policy drives behaviours that are consistent with Company purpose, values and strategy;
- to review workforce remuneration and related policies and the alignment of incentives and rewards with culture; and
- to review any major changes in employee benefit structure and to administer all aspects of any share scheme.

Further details on the remit and responsibilities of the Committee can be found in its terms of reference. The terms of reference, which are reviewed annually and approved by the Board, can be found on our website, www.stelradplc.com.

Advisers (unaudited)

The Committee appointed Deloitte LLP ("Deloitte") with effect from October 2022 to provide independent advice on executive remuneration matters. Deloitte is a signatory to the Code of Conduct for Remuneration Consultants in the UK. The fees paid to Deloitte in relation to advice provided to the Committee for 2023 were £14,775 (2022: £6,850). Prior to the appointment of Deloitte, the Committee was advised by Mercer, whose fees for 2022 until October were £43,300.

The Committee will evaluate the support provided by Deloitte annually and is content that it does not have any connections with the Group that may impair its independence. During the year, Deloitte also provided advice in relation to corporate tax matters.

Information on remuneration for the year ended 31 December 2023

Single total figure of remuneration for the year ended 31 December 2023 (audited)

The following table sets out the single figure of total remuneration received by the Directors who served during the year ended 31 December 2023:

£'000	Year	Basic salary/ fees	All taxable benefits(1)	Pension-related benefits(2)	Annual bonus	LTIP	**Total remuneration**	Total fixed remuneration	Total variable remuneration
Executive Directors									
Trevor Harvey	2023	495	28	45	264	—	**832**	568	264
Annette Borén(3)	2023	27	2	2	15	—	**46**	31	15
George Letham(4)	2023	284	22	26	155	—	**487**	332	155
Non-Executive Chair									
Bob Ellis	2023	120	—	—	—	—	**120**	120	—
Non-Executive Directors									
Terry Miller	2023	83	—	—	—	—	**83**	83	—
Nicola Bruce	2023	74	—	—	—	—	**74**	74	—
Martin Payne	2023	74	—	—	—	—	**74**	74	—
Edmund Lazarus(5)	2023	—	—	—	—	—	**—**	—	—
Nicholas Armstrong(5)	2023	—	—	—	—	—	**—**	—	—
Total	**2023**	**1,157**	**52**	**73**	**434**	**—**	**1,716**	**1,282**	**434**

The following table sets out the single figure of total remuneration received by the Directors who served during the year ended 31 December 2022:

£'000	Year	Basic salary/ fees	All taxable benefits(1)	Pension-related benefits(2)	Annual bonus	LTIP	**Total remuneration**	Total fixed remuneration	Total variable remuneration
Executive Directors									
Trevor Harvey	2022	495	29	45	—	—	**569**	569	—
George Letham	2022	317	24	28	—	—	**369**	369	—
Non-Executive Chair									
Bob Ellis	2022	120	—	—	—	—	**120**	120	—
Non-Executive Directors									
Terry Miller	2022	83	—	—	—	—	**83**	83	—
Nicola Bruce	2022	74	—	—	—	—	**74**	74	—
Martin Payne	2022	74	—	—	—	—	**74**	74	—
Edmund Lazarus(5)	2022	—	—	—	—	—	**—**	—	—
Nicholas Armstrong(5)	2022	—	—	—	—	—	**—**	—	—
Total	**2022**	**1,163**	**53**	**73**	**—**	**—**	**1,289**	**1,289**	**—**

(1) Benefits provided include: life assurance cover, private health cover, a car allowance and, for Trevor Harvey and George Letham, the reimbursement of fuel expenses.
(2) Salary supplement in lieu of pension contribution of 9%.
(3) Annette Borén joined the Board on 22 November 2023. Her remuneration in the table above is from that date. She was eligible to earn a bonus in respect of 2023 from 1 November 2023 (the date she joined the Group). The portion of that bonus attributable to her service from 22 November is included in the table above.
(4) George Letham retired from the Board on 22 November 2023. His remuneration in the table above is to that date, including the bonus he was eligible to earn in respect of the eleven months of the year to November 2023.
(5) Edmund Lazarus and Nicholas Armstrong are representatives of the Major Shareholder and receive no fees for their roles as Non-Executive Directors.

Incentive outcomes for 2023 (audited)

The maximum bonus opportunity for 2023 was 125% of salary for each Executive Director, with the amount earned based on the achievement of two financial measures. Details of the performance targets set and the performance against them are set out below.

		Performance targets				
Metric	Weighting	Threshold*	On target	Maximum	Actual	% of maximum bonus opportunity
			50% of maximum	100%		
Group adjusted operating profit	70.0%	n/a	£28.659m	£31.525m	£29.288m	42.7%
Adjusted cash flow from operations	30.0%	n/a	£32.555m	£35.420m	£31.757m	0.0%
						42.7%

* No bonus is payable to Executive Directors below on target performance and as such no threshold performance targets were established.

In line with the Policy, the Committee reviewed the formulaic outturn in the context of underlying business performance and the broader stakeholder experience and concluded that the outturn of a bonus entitlement of 53.4% of salary, equivalent to 42.7% of maximum bonus opportunity, was reflective of that performance and experience. 75% of the bonuses earned will be paid in cash and 25% will be deferred into Stelrad shares for two years under the Deferred Share Bonus Plan. DSBP awards are not subject to any further performance conditions.

Long Term Incentive Plan vesting (audited)

The first and only long-term incentives were issued in May 2022 and have a three-year vesting period. As such, no long-term incentives have vested in the year or in respect of performance during the year (2022: none).

Payments for loss of office (audited)

No payments for loss of office were made during the year under review (2022: none). The treatment of George Letham's incentive arrangements in connection with his retirement from the Board is described in the statement from the Remuneration Committee Chair.

Payments to past Directors (audited)

A payment of £20,105 was made to George Letham for the period from 23 November 2023 to 31 December 2023, after his resignation from the Board on 22 November 2023 (2022: none), according to the terms of his revised employment contract associated with his part-time role as strategic adviser to the CEO for a six-month period.

LTIP awarded during the financial year (audited)

No LTIP awards were granted during the year under review (2022: none).

Information on remuneration for the year ended 31 December 2023 continued

Statement of Directors' interests (audited)

The interests of the Directors who served in the year and who held an interest in the ordinary shares of the Company are as follows:

	Interests				
	Ordinary shares held at 31 December 2022	**Ordinary shares held at 31 December 2023**	Subject to deferral/ holding period	Unvested and subject to performance conditions	**Total of all scheme interests and shareholdings as at 31 December 2023**
Executive Directors					
Trevor Harvey	11,455,129	**11,455,129**	—	348,663	**11,803,792**
Annette Borén	—	**—**	—	—	**—**
George Letham	5,727,564	**5,727,564**	—	223,145	**5,950,709**
Non-Executive Directors					
Bob Ellis	2,863,782	**2,863,782**	—		**2,863,782**
Terry Miller	4,325	**4,325**	—		**4,325**
Nicola Bruce	4,651	**4,651**	—		**4,651**
Martin Payne	9,302	**9,302**	—		**9,302**
Edmund Lazarus	—	**—**	—		**—**
Nicholas Armstrong	—	**—**	—		**—**

Executive Directors' share ownership guidelines (audited)

In accordance with the Policy, the shareholding requirements currently in place are 200% of base salary for the Executive Directors. Non-Executive Directors are not subject to a shareholding requirement. The table below shows the actual Executive Director share ownership compared with the share ownership guidelines:

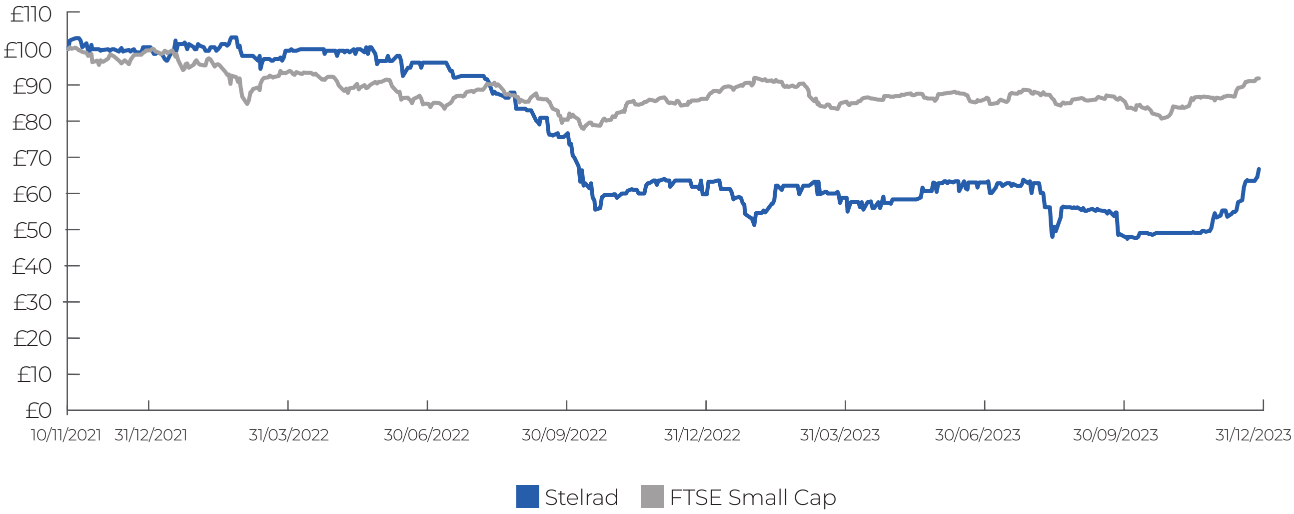
Director	Beneficially owned shares as at 31 December 2023	Shareholding requirement (% of salary)[1]	Current shareholding (% of salary)[1]	Shareholding requirement met?
Trevor Harvey	11,455,129	200%	3,019%	Yes
Annette Borén	—	200%	0%	No
George Letham	5,727,564	200%	2,359%	Yes

(1) The share price of £1.305 as at 31 December 2023 has been used for the purpose of calculating the current shareholding as a percentage of salary.

No changes in the above interests have occurred between 31 December 2023 and the date of this report.

Performance graph (unaudited)

The graph below shows the total shareholder return ("TSR") performance of an investment of £100 in Stelrad Group plc's shares from its listing on the Main Market on 10 November 2021 (using the offer price of £2.15 per share) to the end of the period, compared with £100 invested in the FTSE Small Cap index over the same period. The FTSE Small Cap index was chosen as a comparator because its constituents have a comparable market capitalisation to that of the Group.



The table below illustrates the CEO's single figure of total remuneration over the same period.

Financial year	CEO single figure	Annual bonus pay-out (% of maximum)	LTIP vesting (% of maximum)
2021(1)	£128k	100%	n/a (2)
2022	£569k	0%	n/a (2)
2023	£832k	42.7%	n/a (2)

(1) The 2021 figures are based on the single remuneration figure for the period from admission on 10 November 2021 to 31 December 2021.
(2) The first LTIP awards were granted in May 2022 and therefore no awards were due to vest.

CEO pay ratio (audited)

The table below sets out the ratio between the CEO's salary and total remuneration and that of the 25th percentile, median and 75th percentile of our UK employees, for whom total remuneration has been calculated on the same basis.

CEO pay ratio	2023	2022	2021
Method	Option A	Option A	Option A
75th percentile	16:1	11:1	22:1
Median	24:1	16:1	28:1
25th percentile	27:1	18:1	34:1

The salary and total remuneration for the individuals identified at the 25th percentile, median and 75th percentile for the year ended 31 December 2023 are set out below:

£'000	CEO	25th percentile	Median	75th percentile
Basic salary	495	29.3	32.9	44.9
Total remuneration	832	30.8	35.0	50.7

The lower quartile, median and upper quartile employees were determined using calculation method A which involved calculating the actual full-time equivalent remuneration for all UK employees by reference to their remuneration as at 31 December in the relevant year. From this analysis, three employees were then identified as representing the 25th, 50th and 75th percentiles of the UK employee population. The Group chose this method as it is considered to be the most accurate way of identifying the relevant employees required by the applicable regulations. No other adjustments were necessary, and no elements of employee remuneration have been excluded from the pay ratio calculation.

The CEO's overall remuneration opportunity includes a significant performance-related element, so that the amount the CEO earns and, therefore, ratios will depend upon the performance-related remuneration outturns and may fluctuate year on year. The increase from 2022 to 2023 in the ratio between all employee reference points and CEO pay reflects that the CEO received a bonus in respect of 2023 having waived his 2022 bonus entitlement. The Company believes that the median pay ratio is consistent with the pay, reward and progression policies for the Group's UK employees more generally.

Information on remuneration for the year ended 31 December 2023 continued

Relative importance of spend on pay (unaudited)

The table below shows the Group's expenditure on employee pay compared to distributions to shareholders for the years ended 31 December 2023 and 31 December 2022. All figures provided are taken from the consolidated financial statements.

	2023 £'000	2022 £'000	Percentage change
Overall spend on pay including Executive Directors	**53,423**	42,925	24.5%
Distribution to shareholders	**9,729**	4,941	96.9%

Percentage change in Directors' remuneration (unaudited)

The table below shows the percentage change in the salary or fees, benefits and annual bonus for each of the Directors compared to that for an average employee for the periods 2022–2023 and 2021–2022.

For the average employee change, the regulations require us to show the change for employees of Stelrad Group plc. Stelrad Group plc has no employees and, accordingly, in the interests of transparency, we have included the change based on the mean employee pay for all UK employees in the Group, being a comparator group that is consistent with the comparator group used for the CEO pay ratio disclosure.

George Letham retired from the Board during the year; to enable a meaningful comparison, the change in his remuneration between 2022 and 2023 in the table below is based on his 2023 remuneration as an Executive Director but annualised. Annette Borén only commenced her role as CFO in the year and therefore has been excluded from the table. Neither Edmund Lazarus nor Nicholas Armstrong receives a fee for their role as a Non-Executive Director and each has therefore been excluded from the table.

	Average % change 2022 to 2023			Average % change 2021 to 2022		
	Salary/fees	**Taxable benefits(1)**	**Annual bonus(2)**	Salary/fees	Taxable benefits(1)	Annual bonus(2)
Executive Directors						
Trevor Harvey	**0%**	**(3%)**	**n/a(3)**	4%	8%	n/a(3)
George Letham	**0%**	**2%**	**n/a(3)**	4%	5%	n/a(3)
Non-Executive Directors						
Bob Ellis	**0%**	**n/a**	**n/a**	0%	n/a	n/a
Terry Miller	**0%**	**n/a**	**n/a**	0%	n/a	n/a
Nicola Bruce	**0%**	**n/a**	**n/a**	0%	n/a	n/a
Martin Payne	**0%**	**n/a**	**n/a**	0%	n/a	n/a
Average employee	**(1%)**	**(5%)**	**135%**	15%	11%	(55%)

(1) Taxable benefits include car allowance, health cover, life assurance and the reimbursement of fuel expenses but exclude the salary supplement in lieu of pension contributions.
(2) Annual bonus is based on the accrued year-end amount.
(3) Because no bonus was earned for 2022, the percentage change between 2021 and 2022 and between 2022 and 2023 is not considered a meaningful disclosure.

In the UK, the average employee benefited from two pay awards in 2022, being that on 1 January 2022 and the early 2023 award made on 1 November 2022. Due to the early 2023 awards received no further pay awards were made in 2023.

External appointments

The Executive Directors are permitted to hold external appointments and are entitled to retain the fees earned from such appointments. All Directors are required to seek approval from the Board prior to accepting external appointments. Currently, Trevor Harvey holds one external appointment and Annette Borén has two external appointments.

Shareholder approval of our Directors' Remuneration Policy and Directors' Remuneration Report

The Directors' Remuneration Policy and the 2022 Directors' Remuneration Report were approved at the 16 May 2022 and 22 May 2023 AGMs respectively. Details of the voting outturns are set out below:

Resolution	Votes for	% of votes for	Votes against	% of votes against	Votes withheld
Approve the Directors' Remuneration Policy	115,852,581	99.1	1,056,964	0.9	0
Approve the 2022 Directors' Remuneration Report	118,093,205	100.0	2,900	0.0	0

Implementation of Policy in 2024

Information on how the Policy will be implemented in 2024 for the Company's Executive Directors is set out in the statement from the Remuneration Committee Chair and on pages 74 to 76, including specific details of the agreed salary and ABP. The details of the LTIP are set out below.

Long Term Incentive Plan 2024 (unaudited)

As noted on page 76, the Committee intends to grant awards under the LTIP to the Executive Directors in the first half of 2024, in accordance with the Policy. Vesting of these 2024 awards will be subject to the achievement of performance measures based on total shareholder return performance as compared to the selected benchmark, the FTSE Small Cap index, and adjusted EPS performance over a three-year performance period ending 31 December 2026.

For each measure, 25% of the award vests for threshold performance with 100% of the award vesting for maximum performance and straight line vesting between these points.

The performance targets for these measures are as follows:

	Weighting (% of total award)	Threshold 25% Vesting	Maximum 100% Vesting
TSR v FTSE Small Cap Index	20%	Median	Upper Quartile
Adjusted EPS	80%	13.65 pence	16.10 pence

Chair and Non-Executive Director fees (unaudited)

No changes will be made to the Chair and Non-Executive Director fees for 2024. A breakdown of the fee components for the Chair and Non-Executive Directors in 2024 is as follows:

Role	Fee (per annum) 2024	Fee (per annum) 2023
Chair	**£120,000**	£120,000
Non-Executive Director base fee	**£50,000**	£50,000
Additional fees		
Senior Independent Director fee	**£15,000**	£15,000
Chair of the Remuneration Committee	**£10,000**	£10,000
Member of the Remuneration Committee	**£5,000**	£5,000
Chair of the Audit & Risk Committee	**£10,000**	£10,000
Member of the Audit & Risk Committee	**£5,000**	£5,000
Chair of the Nomination Committee	**£7,500**	£7,500
Member of the Nomination Committee	**£3,750**	£3,750

On behalf of the Board

Nicola Bruce
Chair of the Remuneration Committee
8 March 2024

Directors' Report

The Directors present their report and audited financial statements of the Group for the year ended 31 December 2023. The Directors' Report forms part of the management report as required under the Disclosure Guidance and Transparency Rules. The Strategic Report, which together with the Directors' Report forms the management report, can be found on pages 1 to 56 of this Annual Report.

The Directors' Report for the year ended 31 December 2023 comprises pages 88 to 91 of this Annual Report, in addition to the following information, which is provided in other appropriate sections of the Annual Report and is incorporated by reference, in accordance with section 414C(11) of the Act, and The Companies (Miscellaneous Reporting) Regulations 2018:

- The Corporate Governance Report is set out on page 57.
- Information relating to future business developments can be found throughout the Strategic Report on pages 1 to 56.
- Information on how the Directors have had consideration for the Company's stakeholders can be found on pages 22 to 25 of the Strategic Report.
- Information relating to risk management can be found on pages 48 to 54.
- The going concern and long-term viability statements can be found on page 55.
- The Group's global greenhouse gas emissions during the year can be found on page 32 of the Sustainability Report, which is located within the Strategic Report.
- The Group is exposed to a number of financial instrument-related risks; these are discussed in more detail in note 32 to the consolidated financial statements.
- As required by Listing Rule 9.8.4R, details of the Group's long-term incentive schemes can be found in the Remuneration Report on pages 74 to 87.
- As required by Listing Rule 9.8.4R, details of the Relationship Agreement with the Major Shareholder can be found on page 89.

General information

Stelrad Group plc (the "Company") was incorporated in England and Wales on 8 October 2021 as a public company, limited by shares. The Company is incorporated, domiciled and registered in England and Wales, with its registered office situated at 69–75 Side, Newcastle upon Tyne, Tyne and Wear, United Kingdom NE1 3JE.

Stelrad Group plc is a public company limited by shares, incorporated in England and Wales, and its shares are traded on the premium listing segment of the Main Market of the London Stock Exchange.

Principal activities

The Group's principal activities are the manufacture and distribution of radiators. The principal activity of the Company is that of a holding company. More detailed information about the activities of the Group during the year, and its likely future prospects, can be found in the Strategic Report on pages 1 to 56. The principal subsidiaries operating within the Group are shown in note 13 to the Company financial statements.

Profit and dividends

The Group profit for the year, after taxation, amounted to £15.4 million (2022: £4.3 million).

An interim dividend of 2.92 pence per share was paid to shareholders on 27 October 2023 (2022: interim dividend of 2.92 pence per share) and the Board is recommending a final dividend in respect of the year ended 31 December 2023 of 4.72 pence per share (2022: final dividend of 4.72 pence per share). Subject to shareholder approval, the final dividend will be paid on 29 May 2024 to shareholders on the register on 26 April 2024. The total dividend paid and proposed for the year ended 31 December 2023 amounts to 7.64 pence per share (2022: 7.64 pence per share).

Articles of Association

The Articles set out the rules relating to the powers of the Company's Directors and their appointment and replacement. The Articles may only be amended by a special resolution at a general meeting of the shareholders. Shareholders of the Group can request a copy of the Articles by contacting the Group Company Secretary, Computershare Governance Services, UK, at Moor House, 120 London Wall, London EC2Y 5ET.

Share capital

As at 31 December 2023, the Company has one class of ordinary share with a nominal value of £0.001. The shares are listed for trading on the Main Market of the London Stock Exchange, and at 31 December 2023, the Company had 127,352,555 shares in issue. The shares rank pari passu in respect of voting and participation and carry the right to one vote at general meetings of the Company, which may be exercised by members in person, by proxy or by corporate representatives (for corporations).

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

At the Annual General Meeting held on 22 May 2023 shareholders passed a resolution allowing the Company to make market purchases of ordinary shares of £0.001 each in the capital of the Company up to a maximum aggregate amount of 10% of the Company's issued share capital. No shares have been purchased as at the date of this report. This authority is due to expire at the AGM to be held on 22 May 2024 and the Board will seek to renew this authority.

Substantial shareholdings

At 31 January 2024, the only notified holdings of substantial voting rights in respect of the issued share capital of the Company (which may have altered since the date of such notification without any requirement for the Company to have been informed) were:

Shareholder	Interest	% of share capital
The Bregal Fund III LP	63,103,765	49.6%
Trevor Harvey	11,455,129	9.0%
Chelverton Asset Management	7,413,636	5.8%
George Letham	5,727,564	4.5%
Janus Henderson Investors	5,680,464	4.5%
Charles Stanley	4,776,703	3.8%
Unicorn Asset Management	4,664,720	3.7%
Compagnie Odier SCA	4,272,703	3.4%

Relationship agreement with major shareholder

The Company has entered into a relationship agreement with the Major Shareholder, The Bregal Fund III LP (the "Relationship Agreement"). 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% of the voting rights of the 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, for so long as it, together with its associates, holds, in aggregate, ordinary shares representing at least 10% of the voting rights of the ordinary shares in issuance by the Company.

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% but less than 20% 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% 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. The Major Shareholder's first appointed shareholder Directors are Edmund Lazarus and Nicholas Armstrong.

For so long as the Major Shareholder (together with any of its associates) holds 20% 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% 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 & 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.

In accordance with Listing Rule 9.8.4(14)(c) the Directors confirm that the Company has complied with the independence provisions included in the relationship agreement and that, as far as the Company is aware, the major shareholders (or any of their associates) have complied with them.

The Relationship Agreement is governed by the laws of England and Wales.

The Board of Directors

Director biographies of all Directors as at the date of this report can be found on pages 58 and 59. Annette Borén was appointed to the Board as Chief Financial Officer on 22 November 2023, replacing George Letham, who retired from the Board on 22 November 2023. Terry Miller stepped down from the Board on 31 December 2023 and Katherine Innes Ker was appointed to the Board as independent Non-Executive Director and the Senior Independent Director on 1 February 2024.

The appointment and removal of Directors are governed by the Articles, the UK Corporate Governance Code 2018, the Companies Act 2006 and related legislation. All Non-Executive Director appointments can be terminated by either the Company or by the individual upon three months' written notice. In accordance with the Articles, Directors can be appointed or removed either by the Board or by the shareholders in general meeting with immediate effect.

Directors' interests and conflicts of interest

Details regarding the share interests of the Directors in the share capital of the Company are set out in the Remuneration Report on page 84. Details of the Executive Directors' service agreements and Non-Executive Directors' letters of appointment are available in the Remuneration Report on page 81.

The Group has a formal ongoing procedure for the disclosure, review and authorisation of Directors' conflicts of interest. All Directors are required to make the Board aware of any other commitments. Potential and actual conflicts of interest are carefully considered and, if deemed appropriate, the continuing existence of the potential or actual conflict of interest may be approved by the Board. All conflicts of interest are recorded in the conflicts register. The conflicts of interest are reviewed annually to determine whether they should remain authorised.

Directors' indemnities

In relation to the Directors of the Company who are also Directors of UK-based subsidiaries, the Group has granted an indemnity to one or more of its Directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provisions were in force during the year ended 31 December 2023 and remain in force as at the date of approving the Directors' Report.

In addition, the Group maintained a Directors' and officers' liability insurance policy throughout the year.

Change of control provisions

There are no agreements between the Group and its Directors or employees providing for compensation for loss of office or employment that occurs because of a takeover or change of control of the Group.

Details of the significant agreements to which the Company is party that take effect, alter or terminate upon a change of control of the Company following a takeover bid are set out below:

Share plans

The Company's share plans contain specific provisions relating to change of control. 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.

Bank agreement

The multicurrency facilities agreement originally dated 2 November 2021, and subsequently amended and restated by an amendment and restatement agreement dated 8 July 2022, contains change of control provisions such that in the event of the occurrence of a change of control event, the banks shall have 30 business days to exercise an individual right to cancel all undrawn commitments on the facility and to require that all outstanding participations in utilisations are repaid with accrued interest and any other relevant amounts accrued.

Relationship Agreement

The Relationship Agreement ceases to apply if the Company's shares cease to be listed and traded on the London Stock Exchange, or if the Major Shareholder, together with any of its associates, ceases to hold at least 10% of the Company's shares.

Employee engagement

The Group is committed to involving its employees in the decisions that affect them. Regular meetings take place between local management and employees to allow a free flow of information and ideas. In addition, where practicable, the Group seeks to keep employees informed through regular newsletters.

The Board has elected to continue to use a combination of approaches to gather the views of the workforce, rather than to adopt one of the three measures set out in the Code.

The majority of employees are located in manufacturing and distribution facilities in the UK, Turkey, the Netherlands, Denmark, Poland and Italy, with sales personnel in five other countries. Given the relatively small number of employees in each location, the diversity of cultural norms and the differing statutory requirements for each location, a decentralised and tailored approach to employee engagement has been adopted. This encompasses engagement with our employees through our long-established collective forums, through our trade union bodies, and directly with our workforce. The Board believes that this, combined with the flat structure of our business, which enables close working relationships across the Group, is effective and meaningful in representing the voice of our employees.

The Board reviews employee engagement using a range of data. A formal annual review of the workforce, encompassing employee engagement, is undertaken by the Board, and this session is attended by the Chief People Officer.

The Group aims to build a culture where everyone feels valued as an individual and feels supported and motivated to carry out their work to the best of their abilities.

Further examples of employee engagement across the Group can be found in the Sustainability Report on pages 26 to 41.

Equality, diversity and inclusion

The Group is a committed equal opportunities employer and we aim to:

- prevent discrimination, eliminate prejudice, promote inclusion and celebrate diversity within the organisation;
- be fair in our dealings with all people, internally or externally, with whom we have relationships, taking into account the diverse nature of their culture and backgrounds; and
- ensure that equality, diversity and inclusion are embedded in everything we do.

The Group's Equality, Diversity and Inclusion Policy covers all aspects of equality including race, religion or belief, sex, gender reassignment, marriage and civil partnership, pregnancy, maternity and other matters relating to parental responsibility, sexual orientation, disability and age.

It underlines our commitment to develop as an open and inclusive organisation, in keeping with our values and our Code of Conduct.

The Board also adheres to the Board Diversity and Inclusion Policy which can be found in the Nomination Committee Report on page 71.

Research and development expenditure

Research and development costs of £1.6 million (2022: £1.1 million) have been incurred in the year in relation to the design and development of new products. All such costs are expensed as incurred.

Political donations and expenditure

It is the Group's policy not to make political donations and, accordingly, no political donations were made in the year (2022: £nil) and no political expenditure was incurred during the year (2022: £nil).

The Group's policy is that it does not make what are commonly regarded as donations to any political party. However, the Companies Act 2006 defines political donations very broadly and so it is possible that normal business activities, such as sponsorship, subscriptions, payment of expenses, paid leave for employees fulfilling certain public duties and support for bodies representing the business community in policy review or reform, which might not be thought of as political expenditure in the usual sense, could be captured. Activities of this nature would not be thought of as political donations in the ordinary sense of those words.

At the Annual General Meeting of the Company held on 22 May 2023, shareholders voted to allow the Company to incur political expenditure up to a maximum aggregate amount of £100,000 in line with market practice. That authority is due to expire at the Annual General Meeting due to be held on 22 May 2024 and therefore the Company will seek to renew the authority in line with the above considerations. The resolution to be proposed at the 2024 AGM, authorising political donations and expenditure, is to ensure that the Group does not commit any technical breach of the Companies Act 2006.

Important developments since 31 December 2023

There have been no material events or developments affecting the Company or any of its operating subsidiaries since 31 December 2023.

Independent auditors

PricewaterhouseCoopers LLP acted as auditors during the year and a resolution to reappoint PricewaterhouseCoopers LLP as auditors will be put to the members at the Annual General Meeting.

Fair, balanced and understandable

In accordance with the principles of the Code, the Group has processes in place to ensure that the content of the Annual Report is fair, balanced and understandable. The Directors consider, on the advice of the Audit & Risk Committee, that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, position, business model and strategy.

Annual General Meeting ("AGM")

The Company's AGM will be held at the offices of Investec Bank plc: 30 Gresham Street, London EC2V 7QP, on 22 May 2024 at 4 pm. The notice convening the AGM will be sent to shareholders separately. Further information on arrangements for the AGM and voting instructions will be set out fully in the Notice of AGM and Form of Proxy.

Statement of Directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with UK-adopted international accounting standards and the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

Under Company law, Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 102 have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

The Directors consider that the Annual Report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's and Company's position and performance, business model and strategy.

Each of the Directors, whose names and functions are listed in the Governance Report confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the Group;
- the Company financial statements, which have been prepared in accordance with United Kingdom Accounting Standards, comprising FRS 102, give a true and fair view of the assets, liabilities and financial position of the Company; and
- the Directors' Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.

In the case of each Director in office at the date the Directors' report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Group's and Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group's and Company's auditors are aware of that information.

Annette Borén
Chief Financial Officer
8 March 2024

Independent auditors' report to the members of Stelrad Group plc

Report on the audit of the financial statements

Opinion

In our opinion:

- Stelrad Group plc's Group financial statements and Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2023 and of the Group's profit and the Group's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Consolidated and Company balance sheets as at 31 December 2023; the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated and Company statements of changes in equity and the Consolidated statement of cash flows for the year then ended; and the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Our opinion is consistent with our reporting to the Audit & Risk Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in note 8 to the financial statements, we have provided no non-audit services to the Company or its controlled undertakings in the period under audit.

Our audit approach

Overview

Audit scope

- Four trading subsidiaries, together with the parent company were in-scope for full scope Group reporting. In addition, audit procedures were performed over specific balances in two other components.
- This accounted for 92% of the total Group revenue and 100% of profit before tax.
- Analytical review was performed over all out of scope divisions.

Key audit matters

- Completeness and accuracy of indirect rebates (Group).
- Change in functional currency in Turkey (Group).
- Impairment of goodwill and acquired intangible assets (Group).
- Carrying value of investments (parent).

Materiality

- Overall Group materiality: £2,300,000 (2022: £1,053,950) based on 0.75% of Total revenues (2022: 2.5% of Group Adjusted EBITDA).
- Overall Company materiality: £1,227,000 (2022: £1,321,500) based on 1% of Total Assets.
- Performance materiality: £1,725,000 (2022: £790,460) (Group) and £920,250 (2022: £991,125) (Company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Change in Functional Currency in Turkey and Impairment of Goodwill and Acquired Intangible Assets are new key audit matters this year. Completeness and valuation of assets and liabilities in the business combination and Completeness and accuracy of IAS 29 accounting, which were key audit matters last year, are no longer included because of the business combination being a one off event and the change in functional currency in the component incorporated in the hyperinflationary environment leading to IAS 29 no longer being applied. Otherwise, the key audit matters below are consistent with last year.

Our audit approach continued

Key audit matters continued

Key audit matter	How our audit addressed the key audit matter
Completeness and accuracy of indirect rebates (Group) Refer to Accounting policies on revenue recognition and note 5 – Significant accounting judgements, estimates and assumptions. The UK sales arrangements include installer rebates. Determining the accrual for installer rebates is a complex area with a high degree of estimation. This arises as the rebate is granted on indirect sales and so the sales information is not readily available at the time the accrual needs to be determined. As such, historical rates in relation to take up (number of radiators for which a rebate has been claimed) and poundage (the rebate value claimed per radiator), as well as management judgement, are used in calculating the accrual for indirect rebates. We identified this as a key audit matter due to the subjectivity involved, the potential for manipulation and because of the impact it has on revenue recognised.	To audit the indirect rebates accrual we have: • Corroborated the sales volumes data included in management's calculations of historic take up and poundage rates to sales during the year; • Corroborated the volume and value of rebate claims on radiators sold included in management's calculation of historic take up and poundage rates to settled rebate claims; • Performed sensitivity analysis over management's take up and poundage assumptions to challenge the reasonableness of any management overlay to the assumptions; and • Performed lookback testing to determine the accuracy of managements estimate in prior periods. Through our work performed we did not identify any issues.
Change in functional currency in Turkey (Group) Refer to note 5 – Significant accounting judgements, estimates and assumptions. Following a change in the strategic focus of the Group's Turkish business, the Directors decided that it was necessary to determine whether a change was required to the functional currency of the Turkish business due to a change in its currency profile. The Directors reached the conclusion that the functional currency should change from Turkish Lira to Euro. We identified this as a key audit matter due to the significant judgement involved in determining whether or not there had been a change in the underlying transactions, events and conditions pertaining to the Turkish business, the subjectivity involved in the consideration of primary and secondary factors outlined in IAS 21 The effects of changes in exchange rates in deciding that Euro is the functional currency.	In auditing the Director's conclusions that there had been a change in the underlying transactions, events and conditions pertaining to the Turkish business and their conclusion that Euro is the functional currency we performed the following: • We challenged management regarding the trigger point/change in circumstances leading to the assessment in change in functional currency including the view that the Turkish business is now an export business. In doing this we corroborated the shift in manufacturing profile of the wider Group to greater Turkish production and corroborated the installation of the new lines in Turkey to expand export sales; • We corroborated the change in currency profile of sales and expenses in the Turkish business to supporting documentation; • We corroborated the use of forward exchange contracts to purchase Euros using GBP obtained from GBP sales and to use Euros to purchase USD to settle USD cost of sales transactions. In doing this we confirmed the Director's assertion that cash flows from operations are predominantly retained in Euros and the Turkish business predominantly operates in Euros; and • We corroborated other assertions made by the Directors including financing for the Turkish business being in Euros and capital expenditure predominantly being incurred in Euros. In reaching our conclusion from our audit work performed we did challenge management on alternatives but consider that, whilst a critical judgement, the conclusion reached by the Directors is reasonable.
Impairment of goodwill and acquired intangible assets (Group) Refer to note 18 – Intangible assets. Goodwill related to the acquisition of Radiators SpA, completed in the prior year, are not amortised and are subject to annual impairment testing. Management identified an impairment indicator due to a decline in performance of Radiators SpA in the current year. An impairment assessment was prepared by management analysing the carrying amount of the Radiators SpA 'Cash Generating Unit' ("CGU") against its value-in-use. Value-in-use is calculated as the net present value of that CGU's discounted future pre tax cash flows based on budgeted cash flows information for a period of three years and then long term assumptions to cover into perpetuity. We identified this as a key audit matter due to the increased risk of impairment due to the impairment indicators identified and the use of key assumptions which are inherently subjective.	We obtained management's assessment of impairment indicators and agree with the conclusion that impairment indicators exist for the Radiators SpA CGU. We obtained management's value in use assessment and performed the following audit procedures: • Agreed the cash flow forecasts to the Board approved budgets for Radiators SpA; • Testing the build up of cash flow models to ensure value in use calculations were prepared in accordance with the requirements defined in applicable accounting standards; • Challenged the discount rate and long-term growth rate assumptions with support from our PwC valuation experts; • Challenged the cash flow assumptions including revenue growth, EBITDA margin, working capital and capital expenditure; • Obtained corroborating support for key assumptions, with particular focus on the EBITDA margin which is the most sensitive assumption; • Obtained corroborating evidence for existence, demand and profitability assumptions for new products and ensured inclusion in the impairment model is appropriate based on the requirements of IAS 36; • Considered management's forecasts against historical performance of Radiators SpA and considered management's historical forecasting accuracy; • Obtained independent market data for Radiators SpA sales markets to consider if any inconsistencies in views being taken by management; and • Checked the disclosures in relation to the impairment test, including consideration of reasonable changes in key assumptions, are in line with the requirements of IAS 1 and IAS 36. Through our work performed we did not identify anything that would indicate that the carrying value is materially incorrect.

Independent auditors' report to the members of Stelrad Group plc *continued*

Our audit approach continued

Key audit matters continued

Key audit matter	How our audit addressed the key audit matter
Carrying value of investments (parent) Within the parent company (note 9) there are investments in subsidiaries of £115,908,000. The quantum of these investments is significant to the parent company's balance sheet and it is necessary for management to consider whether or not there are any indications of impairment. Due to the quantum of the investments in subsidiaries and the judgement involved in assessing impairment indicators we identified this as a key audit matter.	Management performed an assessment of the impairment indicators as set out in IAS 36 as at year end date and concluded there were no indicators present, other than that related to Radiators SpA noted above, hence an assessment of impairment was not required for the investment in the Group. • We obtained this assessment and performed the following to challenge management's assessment that there were no indicators: • Considered the trading performance of trading subsidiaries in the year and how this compared to historic trading; • Reviewed Board minutes for anything which might indicate there could be an impairment; • Considered the audit work carried out over subsidiary companies in the Group; and • Considered the impairment test carried out by management over the Radiators SpA cash-generating unit. In performing these procedures we did not identify any issues. We also consider the disclosures made in the financial statements to be appropriate.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

The Group is based in the UK with the majority of the trading operations in the UK, Turkey, Italy and Continental (Belgium and the Netherlands). All trading entities are in scope for the Group audit given the financial significance of each operation with full scope audit procedures carried out on each one. Certain large balances for smaller, non financially significant components, were audited by the Group team along with material consolidation entries. Furthermore, all UK entities receive a statutory audit.

The UK component was audited by the Group team. Component auditors were engaged for the Continental, Italy and Turkey components. The key protocols we adopted in respect of working with all component auditors were: issuing formal Group reporting instructions, which set out our requirements for the component auditors, together with our assessment of audit risks in the Group; holding planning discussions with all component auditors in order to agree those requirements; discussing the Group audit risks to identify any component specific risks; high level analysis of the financial information of the component by the Group engagement team to identify any unusual transactions or balances for discussion with component auditors; ongoing communication and interaction throughout the audit with the component audit teams; and obtaining signed interoffice opinions that the component financial information was properly prepared in accordance with the Group's accounting policies.

The Audit Partner visited the Turkey and Italy components in order to better understand and direct the response to the significant audit risks identified for those components. This included meeting with local PwC audit teams, local management and touring the facilities.

The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the extent of the potential impact of climate risk on the Group's and Company's financial statements, and we remained alert when performing our audit procedures for any indicators of the impact of climate risk. Our procedures did not identify any material impact as a result of climate risk on the Group's and Company's financial statements.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Our audit approach continued

Materiality continued

	Financial statements – Group	Financial statements – Company
Overall materiality	£2,300,000 (2022: £1,053,950).	£1,227,000 (2022: £1,321,500).
How we determined it	0.75% of Total revenues (2022: 2.5% of Group Adjusted EBITDA).	1% of Total Assets.
Rationale for benchmark applied	The change in the benchmark was driven from the increased scale of the Group as a result of the acquisition in the prior year. Due to the mix of profit and EBITDA across the different components within the Group the EBITDA metric, used in the prior year, didn't reflect the increased scale of the Group in the same way. We consider revenue is a key measure used by the shareholders in assessing the performance of the Group.	We believe that total assets is the primary measure used by the shareholders in assessing the performance of the Company and is a generally accepted auditing benchmark for a holding company with no trading operations.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £500,000 and £1,800,000. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2022: 75%) of overall materiality, amounting to £1,725,000 (2022: £790,460) for the Group financial statements and £920,250 (2022: £991,125) for the Company financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount in the middle of our normal range was appropriate.

We agreed with the Audit & Risk Committee that we would report to them misstatements identified during our audit above £116,000 (Group audit) (2022: £53,000) and £61,000 (Company audit) (2022: £48,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the Directors' assessment of the Group's and the Company's ability to continue to adopt the going concern basis of accounting included:

- Performing a risk assessment to identify factors that could impact the going concern basis of accounting;
- Obtaining management's going concern assessment for the period from the date of signing the Annual Report to December 2026 and evaluating management's downside scenarios, including a severe but plausible scenario;
- Challenging the appropriateness and underlying assumptions in both the base case and severe but plausible scenario;
- Evaluating the level of forecast liquidity and forecast compliance with the bank facility covenants; and
- Comparing the Group's financial forecasts to historical performance to assess management's ability to forecast as well as assessing the year to date performance against budget for the 2024 financial year.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the Company's ability to continue as a going concern.

In relation to the Directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information.

Independent auditors' report to the members of Stelrad Group plc *continued*

Reporting on other information continued

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2023 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate governance statement

The Listing Rules require us to review the Directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The Directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The Directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Group's and Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The Directors' explanation as to their assessment of the Group's and Company's prospects, the period this assessment covers and why the period is appropriate; and
- The Directors' statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the Directors' statement regarding the longer-term viability of the Group and Company was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the Group and Company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The Directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit & Risk Committee.

We have nothing to report in respect of our responsibility to report when the Directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities in respect of the financial statements, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Company'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 the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Responsibilities for the financial statements and the audit continued

Auditors' responsibilities for the audit of the financial statements continued

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to health and safety regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as UK Listing Rules, Companies Act 2006 and corporation tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue and EBITDA and management bias in accounting estimates. The Group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the Group engagement team and/or component auditors included:

- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Review of minutes of meetings of the Board of Directors and the Audit and Risk Committee;
- Evaluation of management's controls designed to prevent and detect irregularities due to fraud or error;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to the accounting for indirect rebates, functional currency in the Turkish business and the Radiators SpA impairment assessment (refer to Key Audit Matters on page 93);
- Identifying and testing journal entries, in particular any journals posted with unusual account combinations with a particular focus on revenue and EBITDA; and
- Obtaining an understanding of the legal and regulatory framework applicable to the Group and how the Group is complying with that framework.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- the Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit & Risk Committee, we were appointed by the members on 15 December 2021 to audit the financial statements for the year ended 31 December 2021 and subsequent financial periods. The period of total uninterrupted engagement is three years, covering the years ended 31 December 2021 to 31 December 2023.

Other matter

In due course, as required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.14R, these financial statements will form part of the ESEF-prepared annual financial report filed on the National Storage Mechanism of the Financial Conduct Authority in accordance with the ESEF Regulatory Technical Standard ("ESEF RTS"). This auditors' report provides no assurance over whether the annual financial report will be prepared using the single electronic format specified in the ESEF RTS.

Paul Cheshire (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Newcastle upon Tyne
8 March 2023

Consolidated income statement

for the year ended 31 December 2023

	Note	2023 £'000	2022 £'000
Continuing operations			
Revenue	6	**308,193**	316,315
Cost of sales (excluding exceptional items)		**(221,343)**	(235,194)
Exceptional items	6	**—**	(1,054)
Cost of sales		**(221,343)**	(236,248)
Gross profit		**86,850**	80,067
Selling and distribution expenses		**(42,278)**	(40,800)
Administrative expenses (excluding exceptional items)		**(16,624)**	(12,811)
Exceptional items	6	**(2,466)**	(755)
Administrative expenses		**(19,090)**	(13,566)
Other operating income/(expenses)	7	**1,199**	(3,073)
Operating profit	8	**26,681**	22,628
Finance income	12	**182**	50
Finance costs	13	**(7,681)**	(4,573)
Monetary losses – net	30	**—**	(7,860)
Profit before tax		**19,182**	10,245
Income tax expense	14	**(3,758)**	(5,936)
Profit for the year		**15,424**	4,309

	Note	2023	2022
Earnings per share			
Basic	15	**12.11p**	3.38p
Diluted	15	**12.11p**	3.38p
Adjusted earnings per share			
Basic	15	**13.62p**	19.11p
Diluted	15	**13.62p**	19.11p

Consolidated statement of comprehensive income

for the year ended 31 December 2023

	Note	**2023 £'000**	2022 £'000
Profit for the year		**15,424**	4,309
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		**674**	1,691
Income tax effect	14	**(158)**	(631)
Exchange differences on translation of foreign operations		**(2,250)**	(5,941)
Net other comprehensive expense that may be reclassified to profit or loss in subsequent periods		**(1,734)**	(4,881)
Other comprehensive expense not to be reclassified to profit or loss in subsequent periods:			
Remeasurement losses on defined benefit plans	28	**(936)**	(1,932)
Income tax effect	14	**206**	423
Net other comprehensive expense not to be reclassified to profit or loss in subsequent periods		**(730)**	(1,509)
Other comprehensive expense for the year, net of tax		**(2,464)**	(6,390)
Total comprehensive income/(expense) for the year, net of tax attributable to owners of the parent		**12,960**	(2,081)

Consolidated balance sheet

as at 31 December 2023

(Registered Number 13670010)

	Note	2023 £'000	2022 £'000
Assets			
Non-current assets			
Property, plant and equipment	17	**87,247**	91,604
Intangible assets	18	**5,251**	3,855
Trade and other receivables	22	**301**	317
Deferred tax assets	14	**6,685**	5,397
		99,484	101,173
Current assets			
Inventories	21	**63,376**	77,851
Trade and other receivables	22	**50,674**	60,497
Income tax receivable		**243**	235
Cash and cash equivalents	23	**21,442**	22,641
		135,735	161,224
Total assets		**235,219**	262,397
Equity and liabilities			
Equity			
Share capital	26	**127**	127
Share premium	26	**—**	—
Merger reserve		**(114,469)**	(114,469)
Retained earnings		**233,329**	227,849
Foreign currency reserve		**(63,792)**	(62,058)
Total equity		**55,195**	51,449
Non-current liabilities			
Interest-bearing loans and borrowings	20	**88,227**	98,513
Deferred tax liabilities	14	**218**	2,611
Provisions	25	**1,980**	1,799
Net employee defined benefit liabilities	28	**4,053**	4,542
		94,478	107,465
Current liabilities			
Trade and other payables	24	**78,056**	99,214
Financial liabilities	20	**318**	—
Interest-bearing loans and borrowings	20	**2,469**	1,520
Income tax payable		**1,686**	1,829
Provisions	25	**3,017**	920
		85,546	103,483
Total liabilities		**180,024**	210,948
Total equity and liabilities		**235,219**	262,397

The financial statements on pages 98 to 138 were approved by the Board of Directors on 8 March 2024 and signed on its behalf by:

Annette Borén
Chief Financial Officer

Consolidated statement of changes in equity

for the year ended 31 December 2023

	Attributable to the owners of the parent					
	Issued share capital £'000	Share premium £'000	Merger reserve £'000	Retained earnings £'000	Foreign currency £'000	Total £'000
At 1 January 2022	127,353	13,391	(114,469)	57,814	(57,177)	26,912
IAS 29 adjustment (note 30)	—	—	—	8,327	—	8,327
At 1 January 2022 (restated)	127,353	13,391	(114,469)	66,141	(57,177)	35,239
Profit for the year	—	—	—	4,309	—	4,309
Other comprehensive expense for the year	—	—	—	(1,509)	(4,881)	(6,390)
Total comprehensive income/(expense)	—	—	—	2,800	(4,881)	(2,081)
Capital reduction	(127,226)	(13,391)	—	140,617	—	—
IAS 29 adjustment to retained earnings in the year (note 30)	—	—	—	22,982	—	22,982
Share-based payment charge (note 11)	—	—	—	250	—	250
Dividends paid (note 16)	—	—	—	(4,941)	—	(4,941)
At 31 December 2022	127	—	(114,469)	227,849	(62,058)	51,449
Profit for the year	**—**	**—**	**—**	**15,424**	**—**	**15,424**
Other comprehensive expense for the year	**—**	**—**	**—**	**(730)**	**(1,734)**	**(2,464)**
Total comprehensive income/(expense)	**—**	**—**	**—**	**14,694**	**(1,734)**	**12,960**
Share-based payment charge (note 11)	**—**	**—**	**—**	**515**	**—**	**515**
Dividends paid (note 16)	**—**	**—**	**—**	**(9,729)**	**—**	**(9,729)**
At 31 December 2023	**127**	**—**	**(114,469)**	**233,329**	**(63,792)**	**55,195**

Consolidated statement of cash flows

for the year ended 31 December 2023

	Note	2023 £'000	2022 £'000
Operating activities			
Profit before tax		**19,182**	10,245
Adjustments to reconcile profit before tax to net cash flows:			
– Depreciation of property, plant and equipment	17	**11,615**	9,700
– Amortisation of intangible assets	18	**457**	163
– Loss/(gain) on disposal of property, plant and equipment		**11**	(220)
– Monetary loss IAS 29	30	**—**	7,860
– IAS 29 – inflation adjustment before taxation		**—**	3,530
– Share-based payments charge		**515**	250
– Finance income	12	**(182)**	(50)
– Finance costs	13	**7,681**	4,573
Working capital adjustments:			
– Decrease in trade and other receivables		**8,237**	1,632
– Decrease in inventories		**12,884**	5,831
– Decrease in trade and other payables		**(20,364)**	(11,528)
– Increase/(decrease) in provisions		**2,214**	(1,297)
– Movement in other financial liabilities		**319**	—
– Decrease in other pension provisions		**(7)**	(23)
– Difference between pension charge and cash contributions		**(1,674)**	(319)
		40,888	30,347
Income tax paid		**(7,497)**	(3,801)
Interest received		**182**	50
Net cash flows generated from operating activities		**33,573**	26,596
Investing activities			
Proceeds from sale of property, plant, equipment and intangible assets		**352**	316
Purchase of property, plant and equipment	17	**(6,586)**	(9,671)
Purchase of intangible assets	18	**(507)**	(164)
Business combination of subsidiaries, net of cash acquired	19	**—**	(20,484)
Net cash flows used in investing activities		**(6,741)**	(30,003)
Financing activities			
Transaction costs related to refinancing		**(500)**	(429)
Proceeds from external borrowings		**—**	34,122
Repayment of external borrowings		**(8,350)**	(1,250)
Repayment of borrowings acquired with subsidiary		**—**	(10,746)
Payment of lease liabilities		**(2,619)**	(2,049)
Interest paid		**(6,428)**	(3,269)
Dividends paid	16	**(9,729)**	(4,941)
Net cash flows (used in)/generated from financing activities		**(27,626)**	11,438
Net (decrease)/increase in cash and cash equivalents		**(794)**	8,031
Net foreign exchange difference		**(405)**	(953)
Cash and cash equivalents at 1 January	23	**22,641**	15,563
Cash and cash equivalents at 31 December	23	**21,442**	22,641

Notes to the consolidated financial statements
for the year ended 31 December 2023

1 Corporate information

The consolidated financial statements of Stelrad Group plc and its subsidiaries (collectively, the "Group") for the year ended 31 December 2023 were authorised for issue by the Board of Directors on 8 March 2024.

Stelrad Group plc (the "Company") was incorporated in England and Wales on 8 October 2021 as a public company, limited by shares. The Company is incorporated, domiciled and registered in England and Wales, with its registered office situated at 69–75 Side, Newcastle upon Tyne, Tyne and Wear, United Kingdom NE1 3JE.

The principal activity of the Group is the manufacture and distribution of radiators. The principal activity of the Company is that of a holding company.

2 Basis of preparation

The consolidated financial statements of Stelrad Group plc have been prepared in accordance with UK adopted international accounting standards in conformity with the requirements of the Companies Act 2006 and the disclosure guidance and transparency rules sourcebook of the United Kingdom's Financial Conduct Authority.

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments which, where used, are measured at fair value. The consolidated financial statements are presented in GB Pounds and all values are rounded to the nearest thousand (£'000), except when otherwise indicated. The consolidated financial statements have been prepared on a going concern basis. Details of the going concern assessment can be found in the Strategic Report on page 55.

3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2023. 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 year 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 accounting policies 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 the 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 the 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. The fair values of financial instruments measured at amortised cost are disclosed in note 32.

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.

4 Summary of significant accounting policies continued

B. Fair value measurement continued

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 is 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 financial statements 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 financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing 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 financial statements 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 consolidated financial statements are 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 remeasured. 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 in the income statement, except when deferred in other comprehensive income/(expense) 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 other operating income/(expenses) within the income statement.

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 (except when the functional currency is a hyperinflationary currency and the closing rate is used – see note 4(Q)); and
- all resulting exchange differences are recognised in other comprehensive income/(expense).

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/(expense).

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.

4 Summary of significant accounting policies continued

D. Revenue recognition continued

In accordance with IFRS 15 Revenue from Contracts with Customers, the Group follows a five-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, which is upon delivery of the goods to 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 which 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. Estimated 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 recognised 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, recognition of 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 estimates the 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/(expense) or directly in equity, in which case the current income tax is recognised in other comprehensive income/(expense) 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; or
- 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; or
- 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.

4 Summary of significant accounting policies continued

E. Taxation continued

Deferred tax continued

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 reassessed 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 year 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/(expense) or directly in equity, in which case the deferred tax is recognised in other comprehensive income/(expense) 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, fittings and motor vehicles	–	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 asset's carrying value is written down immediately to its recoverable amount if the asset's 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(N)(i) for the accounting policy related to right-of-use assets.

G. Business combinations and goodwill

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

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred over the fair values of net identifiable assets acquired, liabilities assumed and contingent liabilities.

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

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

H. Intangible assets – other

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the business combination date.

The fair value of customer relationships acquired and recognised as part of a business combination is determined using the multiperiod excess earnings method.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses.

4 Summary of significant accounting policies continued

H. Intangible assets – other continued

Research and development

Research costs are expensed as incurred.

Other intangible assets purchased or produced internally are recorded as assets when the use of the asset is likely to generate future economic benefits and when the cost of the asset can be determined in a reliable manner. These assets are valued at the cost of purchase or production and amortised at constant rates over their estimated useful life.

Subsequent measurement of intangible assets

Intangible assets with a finite life are amortised on a straight-line basis over their estimated useful lives as follows:

Technology and software costs	–	4 years
Customer relationships	–	13 years

The estimated useful life and amortisation methods are reviewed at the end of each reporting period, with the effect of any changes in estimates being accounted for on a prospective basis.

I. 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 the purposes of subsequent measurement, financial assets of the Group are classified in two categories:

- financial assets at fair value through profit or loss; and
- 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 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 rate ("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.

4 Summary of significant accounting policies continued

I. Financial instruments – initial recognition and subsequent measurement continued

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.

J. 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 remeasured 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.

The documentation includes identification of the hedging instrument and 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; and
- 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.

4 Summary of significant accounting policies continued

J. Derivative financial instruments continued

Initial recognition and subsequent measurement continued

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/(expense) 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.

K. 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; and
- 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.

L. Impairment of non-financial assets

Intangible assets, including goodwill, that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable.

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's") 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 three years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the third year.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount, where the recoverable amount is the higher of the asset's fair value less costs of disposal and value in use. 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.

M. 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.

N. 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.

4 Summary of significant accounting policies continued

N. Leases continued

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 machinery	–	3 to 10 years
Fixtures, fittings and motor vehicles	–	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 (L) 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 20).

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 twelve 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.

O. 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 steel panel radiators based on the very low claims history. The Group sells electrical radiators and a small volume of boilers 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.

Restructuring provisions are recognised only when the Group has a constructive obligation, which is when a detailed formal proposal identifies the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs and an appropriate timeline, and when the employees affected have been notified of the proposal's main features.

4 Summary of significant accounting policies continued

P. Pensions and other post-employment benefits

The Group has an obligation to provide lump sum termination payments to certain employees in Turkey and also in Italy; these schemes are accounted for under IAS 19.

The cost of providing benefits under the schemes is determined using the projected unit credit method.

Remeasurements, comprising actuarial gains and losses, are recognised immediately in the balance sheet with a corresponding debit or credit to retained earnings through other comprehensive income/(expense) in the period in which they occur. Remeasurements 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 the 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.

Q. Financial reporting in hyperinflationary economies (IAS 29)

The financial statements of any subsidiary entity whose functional currency is the currency of a hyperinflationary economy are 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) are 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 are not restated;
- all items in the statement of comprehensive income are expressed in terms of the measuring unit current at the end of the reporting period and are therefore restated for inflation from the dates when the items of income and expenses were initially recorded in the financial statements; and
- a gain or loss on the net monetary position is 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.

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

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

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

Comparative amounts presented previously in a stable currency are not restated.

Upon first application of IAS 29, the difference between the closing equity of the previous year and the opening equity of the current year is recognised as an IAS 29 adjustment in the consolidated statement of changes in equity.

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

Further details on the application of IAS 29 are presented in note 30.

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

Notes to the consolidated financial statements *continued*

for the year ended 31 December 2023

4 Summary of significant accounting policies continued

R. Share-based payments (IFRS 2)

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

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

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

S. 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.

T. Dividends

Final dividends are recorded in the financial statements in the period in which they are approved by the Company's shareholders. Interim dividends are recorded in the period in which they are approved and paid.

U. New standards applied in the year

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

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

V. New standards and interpretations not applied

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

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

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

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

5 Significant accounting judgements, estimates and assumptions

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

Judgements

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

Functional currency

Following the economic crisis in Turkey in 2018 the Group has tried to limit its exposure to volatility in Turkish Lira (TL) in the Turkish business. Over that time export growth opportunities for the Turkish business have also increased as the Group has looked to take advantage of the lower manufacturing cost in Turkey. Both of these factors have resulted in a gradual decrease in sales into the local Turkish market with the percentage of the Turkish business' sales in TL over that period reducing to c.15% of total sales in Turkey.

5 Significant accounting judgements, estimates and assumptions continued

Judgements continued

Functional currency continued

The strategic focus for the Turkish business has evolved over that time and following the installation of two additional radiator manufacturing lines in the Group's Turkish factory, the Directors confirmed that a strategic change was now complete and that the Turkish business would be operated primarily as an export company going forward. Based on this decision the Directors recognised they needed to consider whether the functional currency for the Turkish business should be changed taking into account IAS 21 paragraph 13 which stipulates that the functional currency should only be changed when there is a change in the relevant underlying transactions, events and conditions.

When considering whether or not there had been a change in the underlying transactions, events and conditions the Directors considered the increased production capabilities at the Turkish factory arising from the installation of the two additional manufacturing lines, which are predominantly to serve the European and UK export markets, and the resultant sales to European and UK export markets that this change has created. They considered this alongside the steady reduction in TL sales and rise in Euro and GBP sales in recent years. In the Directors' judgement these factors confirm that there has been a change in the currency profile of the Turkish business which is now a permanent change and is expected to continue. As a result, the Directors carried out a review of the functional currency of the Turkish business by reference to the primary and secondary indicators outlined in IAS 21 The Effects of Changes in Foreign Exchange Rates. Another relevant factor that the Directors took into consideration was the decision from 1 January 2023 to put in place Euro:USD forward contracts at the point of purchase for all USD purchases and Euro:GBP forward contracts at the point of sale for all GBP sales made by the Turkish business.

The results of this review, which are outlined below, led the Directors to decide that it was necessary to change the functional currency of the Turkish business from Turkish Lira to Euros from 1 January 2023.

An analysis of the functional currency of the Turkish business by reference to the key indicators outlined in IAS 21 The Effects of Changes in Foreign Exchange Rates is outlined below:

Indicator	Analysis
Sales price The currency that mainly influences sales prices for goods and services (this will often be the currency in which sales prices for goods and services are denominated and settled).	A high proportion of sales are denominated and settled in GBP and Euro due to the predominant sales markets being GBP (UK) and Euro (Europe) denominated. These two currencies now make up approximately 80 – 85% of total sales for the Turkish business. Local competition in the UK and European sales markets dictates the sales price. Sales prices are negotiated in both GBP and Euro. Selling prices and margins for all customers in all geographies are analysed, benchmarked and assessed by the business in Euros.
Sales market The currency of the country whose competitive forces and regulations mainly determine the sales prices of goods and services.	The predominant sales markets are GBP (UK) and Euro (Europe) denominated.
Costs The currency that mainly influences labour, material and other costs of providing goods or services (this will often be the currency in which such costs are denominated and settled).	Raw material purchases are denominated in USD and Euro. Selling and distribution expenses and administrative expenses are denominated in Euro and TL. Employee and utilities costs are denominated in TL, with management salaries being benchmarked against Euro equivalents annually. Capital expenditure is predominantly in Euro including one of the two recently installed additional manufacturing lines.
Financing The currency in which funds from financing activities (i.e. issuing debt and equity instruments) are generated.	Intercompany loans are denominated in Euro. Historically, external loan arrangements, where undertaken, have been exclusively in Euro.
Cash flows The currency in which receipts from operating activities are usually retained.	The majority of excess cash from operating activities is retained in Euro. Since 1 January 2023, Euro:USD forward contracts are put in place at the point of purchase for USD purchases made by the Turkish business, and Euro:GBP forward contracts are put in place at the point of sale for GBP sales made by the Turkish business. As a result, Euro is the currency that underpins the majority of cash flows. Cash balances exists in GBP and USD intermittently following receipt of income and in advance of supplier payments being made. A small amount of cash is retained in TL for local funding. Dividends from the business are made in Euro.

5 Significant accounting judgements, estimates and assumptions continued

Judgements continued

Functional currency continued

Based on the indicators for functional currency being mixed between Euro, GBP and USD, IAS 21 requires the Directors to use their judgement to determine the functional currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

In the judgement of the Directors, the functional currency is Euro based on the following factors:

- the agreed strategy to operate the Turkish business primarily as an export company;
- Euro accounts for a significant proportion of both sales and costs;
- all financing is carried out in Euro;
- excess cash from operating activities is retained in Euro, with the use of Euro:USD forward contracts for USD purchases and Euro:GBP forward contracts for GBP sales. As a result, Euro is the currency that underpins the majority of cash flows;
- the increase in production capabilities in the second half of 2022 was carried out to accommodate higher Euro sales; and
- the Turkish business has historically prepared its Group level reporting information in Euro.

The Directors recognise that determining whether or not there has been a change in the relevant underlying transactions, events and conditions in relation to the Turkish business and the functional currency of the Turkish business are critical judgements.

Business combinations

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

As a result, an exercise was undertaken to measure the fair value of assets and liabilities acquired as part of the business combination. This included ascertaining a fair value for all inventory acquired as part of the business combination. Management exercised judgement in determining whether any additional intangible assets, such as customer relationships, should be identified and the valuation assigned to these. Management engaged with experts in order to assist with the valuation of certain tangible and intangible assets, including customer relationships. The opening acquisition balance sheet was finalised in the period with the changes from the initial assessment outlined in note 19.

Impairment of non-financial assets

Intangible assets, including goodwill, that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. Details of the impairment assessment of goodwill are disclosed in note 18.

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 the value of the rebates recognised 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 level of rebate 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 estimate.

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

6 Segmental information

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

Adjusted operating profit is earnings before interest, tax, amortisation of customer relationships, exceptional items, the impact of IAS 29 (until 31 December 2022) and foreign exchange differences (until 31 December 2022).

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

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

Revenue by geographical market

	2023 £'000	2022 £'000
UK & Ireland	**139,422**	140,066
Europe	**149,063**	149,673
Turkey & International	**19,708**	26,576
Total revenue	**308,193**	316,315

The revenue arising in the UK, being the Company's country of domicile, was £133,323,000 (2022: £133,458,000).

Adjusted operating profit by geographical market

	2023 £'000	2022 £'000
UK & Ireland	**24,485**	22,716
Europe	**9,061**	13,877
Turkey & International	**1,348**	2,055
Central costs	**(5,606)**	(4,668)
Adjusted operating profit	**29,288**	33,980
Exceptional items	**(2,466)**	(1,809)
Amortisation of customer relationships	**(141)**	(57)
Foreign exchange differences	**—**	(3,446)
Impact of IAS 29	**—**	(6,040)
Operating profit	**26,681**	22,628

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

In the year ended 31 December 2022 the exceptional items within administrative expenses of £755,000 relate to redundancy costs and acquisition costs, and the exceptional item within cost of sales of £1,054,000 relates to the reversal of the IFRS 3 fair value uplift on finished goods and work in progress.

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

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

No customer has revenues in excess of 10% of revenue (2022: none).

Notes to the consolidated financial statements *continued*

for the year ended 31 December 2023

6 Segmental information continued

Non-current operating assets

	2023 £'000	2022 £'000
UK	17,547	18,823
The Netherlands	20,581	22,757
Turkey	26,500	26,854
Italy	26,818	25,786
Other	1,052	1,239
Total	**92,498**	95,459

7 Other operating income/(expenses)

	2023 £'000	2022 £'000
Net (loss)/gain on disposal of property, plant and equipment	(11)	220
Foreign currency gains/(losses)	1,736	(3,446)
Net losses on forward derivative contracts	(689)	—
Sundry other expenses – environmental claim	(104)	—
Sundry other income	267	153
	1,199	(3,073)

8 Operating profit

Operating profit is stated after charging/(crediting):

	2023 £'000	2022 £'000
Auditors' remuneration:		
– Audit of the Company and consolidated financial statements	155	133
– Audit of subsidiaries	275	265
	430	398
– Non-audit services – interim review fee	36	35
– Non-audit services – other	8	7
	44	42
Total auditors' remuneration	**474**	440
Depreciation of owned assets	9,085	7,672
Depreciation of right-of-use assets	2,530	2,028
	11,615	9,700
Amortisation of customer relationships	141	57
Amortisation of other intangibles	316	106
	457	163
Loss/(profit) on sale of property, plant and equipment	11	(220)
Other exchange (gains)/losses	(1,047)	3,446
Research and development costs	1,591	1,083

9 Employee benefits expense

	2023 £'000	2022 £'000
Wages and salaries	**42,232**	34,546
Social security costs	**7,327**	5,397
Other pension costs	**3,349**	2,732
Share-based payment charge (note 11)	**515**	250
	53,423	42,925

The average monthly number of employees during the year was made up as follows:

	2023 Number	2022 Number
Cost of sales	**788**	788
Selling and distribution	**560**	571
Administration	**131**	124
	1,479	1,483

10 Directors' remuneration

The Remuneration Policy is described in the Remuneration Report on pages 74 to 87.

	2023 £'000	2022 £'000
Aggregate remuneration	**1,715**	1,289

The amounts in respect of the highest paid Director are as follows:

	2023 £'000	2022 £'000
Aggregate remuneration	**832**	569

Aggregate remuneration is inclusive of basic salary, annual bonus (including any accrued bonuses), pension contributions and other taxable benefits. No retirement benefits are accruing to Directors under a defined contribution scheme or a defined benefit scheme (2022: £nil). Further details on Directors' remuneration can be found in the Remuneration Report on pages 74 to 87.

11 Share-based payments

Long Term Incentive Plans

The Executive Directors and selected members of the senior management team across the Group participate in the Stelrad Group plc Long Term Incentive Plan ("LTIP"), which was set up and launched during the year ended 31 December 2022. The LTIP provides for the Executive Directors and selected members of the senior management team to be awarded nil-cost shares in the Group, conditional on specified performance conditions being met over a period of three years. The LTIP is based on the achievement of two performance conditions, and the awards granted are split equally between the two conditions – adjusted EPS (a non-market condition) and relative TSR as compared to the selected benchmark index (a market condition). Refer to the Remuneration Report on pages 74 to 87 for further details of the LTIP.

The expense recognised for the LTIP during the year ended 31 December 2023 was £406,000 (2022: £250,000).

The fair value of LTIP awards granted (based on market conditions) is estimated as at the date of grant using a Monte Carlo model, taking into account the terms and conditions upon which the awards were granted. The inputs to the model used for the awards granted in the year ended 31 December 2022 were:

	2022
Stelrad Group plc:	
Share price at date of grant	£2.15
Dividend yield	0.0%
Risk-free rate	1.6%
Future share price volatility	25.0%
Selected comparator group:	
Future share price volatility	47.9%
Correlation between companies	1.0%

Notes to the consolidated financial statements *continued*

for the year ended 31 December 2023

11 Share-based payments continued

Long Term Incentive Plans continued

The fair value of the LTIP awards granted (based on non-market conditions) is equal to the share price at the date of grant.

The following table shows the number of share awards for the LTIP:

	2023	2022
Outstanding at the beginning of the year	**985,729**	—
Granted during the year	**—**	1,011,180
Forfeited during the year	**—**	(25,451)
Exercised during the year	**—**	—
Outstanding at the end of the year	**985,729**	985,729

The weighted average share price of the share awards at the year end was £1.31 (2022: £1.25).

There were no awards granted during the year ended 31 December 2023. The weighted average fair value of awards granted during the year ended 31 December 2022 was £1.75.

The weighted average remaining contractual life of the awards was 1.39 years (2022: 2.39 years).

There were no awards exercised in the year (2022: nil).

Deferred Share Bonus Plan

The Deferred Share Bonus Plan ("DSBP") provides for the Executive Directors of the Group to be awarded shares in the Group conditional on the achievement of financial and strategic targets. The shares are deferred over a two-year period. The DSBP awards are not subject to any market-based conditions. Therefore, the fair value of the awards is equal to the share price at the date of grant. Refer to the Remuneration Report on pages 74 to 87 for further details of the DSBP.

The expense recognised for the DSBP during the year ended 31 December 2023 was £109,000 (2022: £nil).

No share awards have been granted under the DSBP during the year ended 31 December 2023 (2022: nil).

12 Finance income

	2023 £'000	2022 £'000
Interest on cash deposits	**182**	50

13 Finance costs

	2023 £'000	2022 £'000
Interest on bank loans	**5,663**	2,564
Amortisation of loan issue costs	**513**	492
Interest expense on defined benefit liabilities	**357**	481
Finance charges payable on lease liabilities	**120**	124
Other finance charges	**1,028**	912
	7,681	4,573

14 Income tax expense

The major components of income tax expense are as follows:

	2023 £'000	2022 £'000
Consolidated income statement		
Current income tax:		
Current income tax charge	**7,214**	4,090
Adjustments in respect of current income tax charge of previous year	**10**	(290)
Deferred tax:		
Relating to origination and reversal of temporary differences	**(3,466)**	2,802
Relating to change in tax rates	**—**	(666)
Income tax expense reported in the income statement	**3,758**	5,936

14 Income tax expense continued

	2023 £'000	2022 £'000
Consolidated statement of comprehensive income		
Tax related to items recognised in other comprehensive income/(expense) during the year:		
Deferred tax on actuarial loss	**(206)**	(423)
Current tax on monetary items forming part of net investment and on hedges of net investment	**158**	631
Income tax (credited)/expensed to other comprehensive income	**(48)**	208

Reconciliation of tax expense and the accounting profit at the tax rate in the United Kingdom of 23.5% (2022: 19%):

	2023 £'000	2022 £'000
Profit before tax	**19,182**	10,245
Profit before tax multiplied by standard rate of corporation tax in the UK of 23.5% (2022: 19%)	**4,508**	1,947
Adjustments in respect of current income tax charge of previous year	**10**	(290)
Non-deductible expenses	**60**	147
Adjustments due to IAS 29 – non-tax deductible expenses	**—**	4,779
Differences arising due to tax losses	**1,205**	(321)
Other timing differences (including 2023 inflation adjustment to Turkish tax assets)	**(3,163)**	(161)
Benefit of overseas investment incentives	**(263)**	(1,042)
Withholding tax on dividend income	**1,760**	527
Effect of changes in overseas tax rates	**—**	(127)
Effect of different overseas tax rates	**(359)**	1,016
Effect of changes in UK deferred tax rate	**—**	(539)
Total tax expense reported in the income statement	**3,758**	5,936

Deferred tax

Deferred tax relates to the following:

	Consolidated balance sheet		Consolidated income statement	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Capital allowances	**279**	204	**(538)**	(730)
Pension	**719**	806	**(275)**	10
Fixed asset fair value adjustments	**(1,421)**	(1,711)	**252**	116
Losses available for offsetting against future income	**4,387**	5,471	**(1,039)**	572
Other temporary differences	**2,503**	(1,984)	**5,066**	(2,104)
Deferred tax credit/(charge)			**3,466**	(2,136)
Net deferred tax assets	**6,467**	2,786		
Reflected in the balance sheet as:				
Deferred tax assets	**6,685**	5,397		
Deferred tax liabilities	**(218)**	(2,611)		
Deferred tax assets, net	**6,467**	2,786		

14 Income tax expense continued

Reconciliation of deferred tax assets, net

	2023 £'000	2022 £'000
Opening balance as at 1 January	**2,786**	6,158
On business combination	—	315
IAS 29 opening balance sheet adjustment	—	(2,284)
Tax income/(charge) recognised in income statement	**3,466**	(2,136)
Tax income recognised in other comprehensive income/(expense)	**206**	423
Exchange adjustment	**9**	310
Closing balance as at 31 December	**6,467**	2,786

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 £2,130,000 (2022: £1,821,000) have been recognised in respect of two (2022: two) loss making subsidiary companies; these are recognised on the grounds of future projected performance.

Deferred tax asset recognition

During the years ended 31 December 2022 and 31 December 2023, the Group chose to derecognise certain tax losses, in particular those arising from Corporate Interest Restriction ("CIR") rules. An increase in debt to finance the acquisition of Radiators SpA and an increase in interest rates mean that these tax losses will take longer to utilise and therefore an element has been derecognised.

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

Unrecognised deferred tax balances

	2023 £'000	2022 £'000
Capital allowances	**20**	17
Losses available for offsetting against future income	**3,733**	2,810
	3,753	2,827

The Group has tax losses which arose in the United Kingdom of £14,932,000 (2022: £11,240,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they either relate to CIR losses which cannot be reliably utilised in the short term or they arose prior to April 2017 in subsidiaries that are not profit making and where there is no evidence of recoverability in the near future.

Changes in the corporate income tax rate

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

15 Earnings per share

	2023 £'000	2022 £'000
Net profit for the year attributable to owners of the parent	**15,424**	4,309
Exceptional items	**2,466**	1,809
Amortisation of customer relationships	**141**	57
Foreign exchange differences	—	3,446
Impact of IAS 29	—	13,906
Tax on exceptional items	**(651)**	(462)
Tax on foreign exchange differences	—	(656)
Tax on amortisation of customer relationships	**(39)**	(16)
Tax on IAS 29	—	1,940
Adjusted net profit for the year attributable to owners of the parent	**17,341**	24,333

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

15 Earnings per share continued

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

	2023 Number	2022 Number
Basic weighted average number of shares in issue	**127,352,555**	127,352,555
Diluted weighted average number of shares in issue	**127,352,555**	127,352,555
Earnings per share		
Basic earnings per share (pence per share)	**12.11**	3.38
Diluted earnings per share (pence per share)	**12.11**	3.38
Adjusted earnings per share		
Basic earnings per share (pence per share)	**13.62**	19.11
Diluted earnings per share (pence per share)	**13.62**	19.11

16 Dividends paid

The Board is recommending a final dividend of 4.72 pence per share (2022: 4.72 pence per share), which, if approved, will mean a final dividend payment of £6,011,000 (2022: £6,011,000).

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

	2023 £'000	2022 £'000
Declared and paid during the year		
Equity dividend on ordinary shares:		
Final dividend for 2022: 4.72p per share (2021: 0.96p per share)	**6,011**	1,223
Interim dividend for 2023: 2.92p per share (2022: 2.92p per share)	**3,718**	3,718
	9,729	4,941

	2023 £'000	2022 £'000
Dividend proposed (not recognised as a liability)		
Equity dividend on ordinary shares:		
Final dividend for 2023: 4.72p per share (2022: 4.72p per share)	**6,011**	6,011

Notes to the consolidated financial statements *continued*
for the year ended 31 December 2023

17 Property, plant and equipment

	Freehold land and buildings £'000	Leasehold buildings £'000	Assets under construction £'000	Plant and equipment £'000	Fixtures, fittings and motor vehicles £'000	Total £'000
Cost						
At 31 December 2021	21,828	11,019	4,768	47,906	6,919	92,440
IAS 29 opening adjustment	7,282	—	31	14,517	1,005	22,835
At 1 January 2022	29,110	11,019	4,799	62,423	7,924	115,275
On business combination	10,608	127	974	4,321	1,498	17,528
Additions	228	427	7,773	1,577	1,276	11,281
Transfers	1,820	—	(6,183)	4,068	295	—
Disposals	—	—	—	(94)	(488)	(582)
IAS 29 adjustment	5,528	—	—	13,853	922	20,303
Exchange adjustment	(821)	649	(94)	(2,760)	(193)	(3,219)
At 31 December 2022	46,473	12,222	7,269	83,388	11,234	160,586
Additions	**233**	**1,100**	**3,616**	**2,833**	**1,483**	**9,265**
Transfers	**406**	**—**	**(9,539)**	**8,434**	**699**	**—**
Disposals	**(88)**	**(292)**	**—**	**(3,779)**	**(1,006)**	**(5,165)**
Exchange adjustment	**(822)**	**(289)**	**(80)**	**(1,798)**	**(130)**	**(3,119)**
At 31 December 2023	**46,202**	**12,741**	**1,266**	**89,078**	**12,280**	**161,567**
Accumulated depreciation and impairment						
At 31 December 2021	9,302	3,123	—	21,316	5,005	38,746
IAS 29 opening adjustment	1,845	—	—	10,748	847	13,440
At 1 January 2022	11,147	3,123	—	32,064	5,852	52,186
Depreciation charge	1,289	1,330	—	5,785	1,296	9,700
Transfers	—	—	—	(101)	101	—
Disposals	—	—	—	(87)	(457)	(544)
IAS 29 adjustment	1,180	—	—	7,502	575	9,257
Exchange adjustment	(241)	230	—	(1,399)	(207)	(1,617)
At 31 December 2022	13,375	4,683	—	43,764	7,160	68,982
Depreciation charge	**1,634**	**1,482**	**—**	**6,676**	**1,823**	**11,615**
Disposals	**(88)**	**(292)**	**—**	**(3,577)**	**(877)**	**(4,834)**
Exchange adjustment	**(172)**	**(113)**	**—**	**(1,097)**	**(61)**	**(1,443)**
At 31 December 2023	**14,749**	**5,760**	**—**	**45,766**	**8,045**	**74,320**
Net book value						
At 31 December 2023	**31,453**	**6,981**	**1,266**	**43,312**	**4,235**	**87,247**
At 31 December 2022	33,098	7,539	7,269	39,624	4,074	91,604
At 31 December 2021	12,526	7,896	4,768	26,590	1,914	53,694

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

	2023 £'000	2022 £'000
Leasehold buildings	**6,927**	7,466
Plant and equipment	**1,255**	896
Fixtures, fittings and motor vehicles	**1,700**	1,672
	9,882	10,034

17 Property, plant and equipment continued

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

	2023 £'000	2022 £'000
Leasehold buildings	**1,090**	418
Plant and equipment	**731**	153
Fixtures, fittings and motor vehicles	**858**	1,039
	2,679	1,610

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

	2023 £'000	2022 £'000
Leasehold buildings	**1,456**	1,307
Plant and equipment	**374**	282
Fixtures, fittings and motor vehicles	**700**	439
	2,530	2,028

Land and buildings with a carrying amount of £20,022,000 (2022: £21,547,000) 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.

18 Intangible assets

	Goodwill £'000	Customer relationships £'000	Technology and software costs £'000	Total £'000
Cost				
At 1 January 2023	**1,294**	**1,865**	**865**	**4,024**
Final fair value adjustment on business combination	**1,481**	**—**	**—**	**1,481**
Additions	**—**	**—**	**507**	**507**
Disposals	**—**	**—**	**(32)**	**(32)**
Exchange adjustment	**(43)**	**(43)**	**(21)**	**(107)**
At 31 December 2023	**2,732**	**1,822**	**1,319**	**5,873**
Accumulated amortisation and impairment				
At 1 January 2023	**—**	**59**	**110**	**169**
Depreciation charge	**—**	**141**	**316**	**457**
Disposals	**—**	**—**	**—**	**—**
Exchange adjustment	**—**	**(1)**	**(3)**	**(4)**
At 31 December 2023	**—**	**199**	**423**	**622**
Net book value				
At 31 December 2023	**2,732**	**1,623**	**896**	**5,251**
At 31 December 2022	1,294	1,806	755	3,855

Included in technology and software costs are assets under construction of £126,000 (2022: £345,000), which are not amortised.

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

Impairment assessment of goodwill

Goodwill is not amortised but is subject to annual impairment testing. All of the goodwill recognised is allocated to a single cash-generating unit ("CGU"), being the Radiators SpA division. A CGU represents the lowest level in the Group at which goodwill is monitored for internal management purposes.

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

18 Intangible assets continued

Impairment assessment of goodwill continued

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

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

A pre-tax discount rate of 15.32% has been applied in determining the recoverable amounts of CGUs. The pre-tax discount rate is estimated based on the Group's risk adjusted cost of capital. Another key assumption is EBITDA, which is included in the terminal value at a margin of 7.7%.

The Group has applied sensitivities to assess whether any reasonably possible changes in assumptions could cause an impairment that would be material to these consolidated financial statements. Details of the sensitivity analysis are disclosed in relation to Radiators SpA because it is sensitive to changes in assumptions. The base case scenario for Radiators SpA has headroom of £1.9 million. A change in EBITDA margin of 0.5% percentage points, holding all other assumptions constant, would erode the headroom to zero for Radiators SpA. A change in discount rate of 0.75%, holding all other assumptions constant, would erode the headroom to zero for Radiators SpA. A reasonably possible change to the EBITDA margin of 1.0% would give rise to an impairment of £1.6 million.

19 Business combinations

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

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

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

During the year ended 31 December 2023, the provisional fair values of the identifiable net assets were revisited with the fair value reduced by £1,481,000 which increased the goodwill value to £2,703,000. Goodwill of £2,703,000 reflects certain intangibles that cannot be individually separated and reliably measured due to their nature. These items include the value of expected synergies arising from the business combination and the experience and skill of the acquired workforce. The fair value of the customer relationships was identified and included in intangible assets.

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

Transaction costs relating to professional fees associated with the business combination in the year ended 31 December 2023 were £81,000 (2022: £251,000) and have been expensed.

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

20 Financial liabilities

Financial liabilities – other – not interest bearing

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.

Liabilities	2023 £'000	2022 £'000
Financial instruments at fair value through profit or loss		
Derivatives not designated as hedges – foreign exchange forward contracts	**318**	—
Total instruments at fair value through profit or loss	**318**	—
Current	**318**	—
Non-current	**—**	—

Financial liabilities – interest bearing loans and borrowings

	Effective interest rate %	Maturity	2023 £'000	2022 £'000
Current interest-bearing loans and borrowings				
Lease liabilities			**2,469**	1,520
			2,469	1,520
Non-current interest-bearing loans and borrowings				
Lease liabilities			**7,402**	8,516
Revolving credit facility – GBP	SONIA + 2.25%	9 Nov 2026	**46,900**	55,250
Revolving credit facility – Euro	Euribor + 2.25%	9 Nov 2026	**10,399**	10,647
Term loan	Euribor + 2.25%	9 Nov 2026	**24,563**	25,150
Unamortised loan costs			**(1,037)**	(1,050)
			88,227	98,513
Total interest-bearing loans and borrowings			**90,696**	100,033

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

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

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

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

Changes in liabilities arising from financing activities

	1 January 2023 £'000	Cash flows £'000	Non-cash changes £'000	31 December 2023 £'000
Revolving credit facility – GBP	55,250	(8,350)	—	**46,900**
Revolving credit facility – Euro	10,647	—	(248)	**10,399**
Term loan	25,150	—	(587)	**24,563**
Lease liabilities	10,036	(2,619)	2,454	**9,871**
Cash and cash equivalents	(22,641)	794	405	**(21,442)**
Net liabilities arising from financing activities	78,442	(10,175)	2,024	**70,291**

Notes to the consolidated financial statements *continued*

for the year ended 31 December 2023

21 Inventories

	2023 £'000	2022 £'000
Raw materials – cost	**21,723**	32,111
Work in progress – cost	**3,327**	3,530
Finished goods – lower of cost and net realisable value	**34,509**	38,974
Other consumables	**3,817**	3,236
	63,376	77,851

The cost of inventories recognised as an expense in the year was £221,343,000 (2022: £236,248,000). The provision for the impairment of stocks increased in the year, giving rise to a cost of £355,000 (2022: cost of £138,000). At 31 December 2023, the provision for the impairment of stocks was £3,347,000 (2022: £2,640,000).

22 Trade and other receivables

	2023 £'000	2022 £'000
Current		
Trade receivables	**47,619**	55,739
Other receivables	**2,462**	4,197
Prepayments	**593**	561
	50,674	60,497
Non-current		
Other receivables	**301**	317
	301	317

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

	2023 £'000	2022 £'000
At 1 January	**763**	204
On business combination	**—**	844
Charge for the year	**155**	—
Utilised	**—**	(223)
Unused amounts reversed	**(95)**	(122)
Exchange adjustment	**(17)**	60
At 31 December	**806**	763

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

	Total £'000	Current £'000	<30 days £'000	30–90 days £'000	>90 days £'000
2023					
Gross carrying amount	**48,425**	**41,635**	**4,600**	**777**	**1,413**
Expected credit loss rate (%)	**2**	**—**	**1**	**16**	**45**
Expected credit loss	**806**	**—**	**46**	**125**	**635**
2022					
Gross carrying amount	56,502	49,403	3,217	3,056	826
Expected credit loss rate (%)	1	—	1	3	77
Expected credit loss	763	—	32	92	639

23 Cash and cash equivalents

	2023 £'000	2022 £'000
Cash at bank and on hand	**21,442**	22,641

24 Trade and other payables

	2023 £'000	2022 £'000
Current		
Trade payables	**49,263**	73,903
Other payables and accruals	**22,319**	18,860
Other taxes and social security	**5,685**	6,045
Interest payable	**789**	406
	78,056	99,214

25 Provisions

	Warranty £'000	Compensation fund £'000	Restructuring £'000	Unused vacation £'000	Total £'000
At 1 January 2022	35	—	—	302	337
On business combination	587	1,125	1,868	—	3,580
Arising during the year	218	12	—	537	767
Utilised	(274)	(5)	(1,184)	(557)	(2,020)
Unused amounts reversed	—	—	(27)	(16)	(43)
Exchange adjustment	27	67	62	(58)	98
At 31 December 2022	593	1,199	719	208	2,719
On business combination	**—**	**—**	**131**	**—**	**131**
Arising during the year	**864**	**50**	**2,652**	**728**	**4,294**
Utilised	**(696)**	**—**	**(799)**	**(506)**	**(2,001)**
Exchange adjustment	**(15)**	**(29)**	**(19)**	**(83)**	**(146)**
At 31 December 2023	**746**	**1,220**	**2,684**	**347**	**4,997**
Current	194	—	2,684	139	3,017
Non-current	552	1,220	—	208	1,980

Compensation fund

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

Restructuring

Restructuring provisions at 31 December 2023 relate to a Group-wide restructuring programme undertaken to drive cost savings for future periods.

Restructuring provisions at 31 December 2022 related to the remaining costs still to be settled in respect of the closure of a manufacturing site in Italy. The site was closed prior to the acquisition of Radiators SpA and the costs were provided for at the point of acquisition.

Unused vacation

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

26 Share capital and reserves

	2023 Number	2023 £	2022 Number	2022 £
Authorised, called up and fully paid				
Ordinary shares of £0.001 each	**127,352,555**	**127,353**	127,352,555	127,353
		127,353		127,353

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

27 Commitments and contingencies

Commitments

Amounts contracted for but not provided in the financial statements amounted to £215,000 (2022: £433,000) 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 $18,309,000 (2022: $22,685,000) and $10,204,000 (2022: $11,175,000) respectively. Termo Teknik Ticaret ve Sanayi A.S. has also issued letters of guarantee denominated in Turkish Lira totalling TL14,876,000 (2022: TL13,220,000).

The Group enters into various forward currency contracts to manage the risk of foreign currency exposures on certain purchases and sales. The total amount of unsettled forward contracts as at 31 December 2023 is £12,197,000 (2022: £nil) on purchases and £20,750,000 (2022: £nil) on sales.

The fair value of the unsettled forward contracts held at the balance sheet date, determined by reference to their market values, is a liability of £318,000 (2022: £nil).

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

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

28 Pensions and other post-employment plans

	2023 £'000	2022 £'000
Net employee defined benefit liability		
Turkish scheme – IAS 19	**3,148**	3,546
Italian scheme – IAS 19	**860**	944
Other retirement obligations – non-IAS 19	**45**	52
	4,053	4,542

Turkish scheme

In Turkey there is an obligation to provide lump sum termination payments to certain employees; this represents 30 days' pay (subject to a cap imposed by the Turkish Government) for each year of service. The IAS 19 valuation gives a liability of £3,148,000 (2022: £3,546,000). There are no assets held in this plan (2022: £nil). The expected contributions to the plan for the next reporting period to cover benefits paid are £269,000. The service cost in the year was £372,000 (2022: £269,000).

Italian scheme

The Italian pension scheme, the Trattamento di Fine Rapporto, is a deferred compensation scheme established by Italian law. Employers are required to provide a benefit to employees when, for any reason, their employment is terminated. The IAS 19 valuation gives a net liability of £860,000 (2022: £944,000). The expected contributions to the plan for the next reporting period to cover benefits paid are £71,000. The service cost in the year was £nil (2022: £nil).

UK scheme

The UK has one defined contribution pension scheme, following the transfer of all pension arrangements to a Master Trust in 2020.

The total employer contributions made in the year were £1,222,000 (2022: £1,077,000). There were outstanding contributions totalling £nil (2022: £nil) due to the scheme at the balance sheet date.

28 Pensions and other post-employment plans continued

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 contributions to overseas pension schemes in the year and any movements in the provision for other retirement obligations are reported as part of the employee benefits note and total £1,755,000 (2022: £1,369,000).

IAS 19 accounting – Turkish and Italian schemes

Movement in defined benefit obligation

	Italian scheme 2023 £'000	Turkish scheme 2023 £'000	Italian scheme 2022 £'000	Turkish scheme 2022 £'000
At 1 January	**944**	**3,546**	—	1,655
On acquisition	—	—	1,033	—
Current service cost	—	329	—	216
Interest cost	33	291	9	377
Plan curtailments – service cost	—	43	—	53
Plan curtailments – interest cost	—	33	—	95
Amounts recognised in income statement	33	696	9	741
Actuarial losses/(gains)	11	925	(118)	2,050
Benefits paid	(107)	(473)	(39)	(548)
Exchange differences	(21)	(1,546)	59	(352)
At 31 December	**860**	**3,148**	944	3,546

Amounts recognised in other comprehensive income/(expense)

	Italian scheme 2023 £'000	Turkish scheme 2023 £'000	Italian scheme 2022 £'000	Turkish scheme 2022 £'000
Experience adjustments – obligation	6	(1,055)	(72)	(969)
Changes in demographic assumptions – obligation	—	(93)	—	(197)
Changes in financial assumptions – obligation	(17)	223	190	(884)
At 31 December	**(11)**	**(925)**	118	(2,050)

Principal actuarial assumptions

	Italian scheme 2023	Turkish scheme 2023	Italian scheme 2022	Turkish scheme 2022
Discount rate (per annum)	3.2%	25.0%	3.7%	10.6%
Future salary increases (per annum)	n/a	22.0%	n/a	10.1%

Quantitative sensitivity analysis

	2023 Discount rate (per annum)		2023 Future salary increases (per annum)	
	+1% £'000	-1% £'000	+1% £'000	-1% £'000
(Decrease)/increase in defined benefit obligation – Italian scheme	(63)	68	—	—
(Decrease)/increase in defined benefit obligation – Turkish scheme	(139)	164	160	(139)

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 year.

29 Related party disclosures

The Group does not consider that it has an ultimate controlling party. The Bregal Fund III LP does not have control of the Group because its share of the Group is less than 50% and it does not have the power to affect its returns from the Group.

During the year, the Group spent £3,000 (2022: £6,000) on purchases from Polypal Netherlands BV (whose ultimate controlling party is The Bregal Fund III LP); the balance outstanding at the year end was £nil (2022: £nil). During the year, the Group made purchases of £3,742,000 (2022: £4,189,000) from AMG Fabrications (NE) Limited (whose ultimate controlling party is a close member of key management personnel's family); the balance outstanding at the year end was £447,000 (2022: £378,000).

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

	2023 £'000	2022 £'000
Short-term employment benefits	**1,952**	1,466

30 IAS 29 Financial Reporting in Hyperinflationary Economies

The Turkish economy was designated as hyperinflationary from 19 April 2022. As a result, application of IAS 29 Financial Reporting in Hyperinflationary Economies has been applied to all Stelrad Group plc entities whose functional currency is the Turkish Lira. IAS 29 requires that adjustments are applicable from the start of the relevant entity's reporting period. For Stelrad Group plc that was 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 being translated at the period-end foreign exchange rate instead of an average rate; and
- adjustment of the income statement to reflect the impact of inflation and exchange rate movement on holding monetary assets and liabilities in local currency.

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

Reconciliation of opening equity at 1 January 2022

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

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

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

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

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

The impact of the restatement of the opening reserves of entities whose functional currency is the Turkish Lira was £22,982,000; this was credited to the statement of changes in equity in the year ended 31 December 2022 and subsequently reversed through the "monetary losses – net" line in the income statement.

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

30 IAS 29 Financial Reporting in Hyperinflationary Economies continued

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

Monetary losses – net for the year ended 31 December 2022

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

	Year ended 31 December 2022 £'000
Retained earnings	(22,982)
Property, plant and equipment	11,046
Inventories	234
Prepayments	(16)
Income statement	3,858
Monetary losses – net	(7,860)

31 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 borrowings in the current year. 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 26. Details of interest-bearing loans and borrowings are shown in note 20.

32 Financial instrument disclosures

A. Fair value measurement hierarchy

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities.

Year ended 31 December 2023	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Liabilities measured at fair value				
Derivative financial liabilities				
Foreign exchange forward contracts – GBP/EUR	**199**	**199**	—	—
Foreign exchange forward contracts – EUR/USD	**119**	**119**	—	—
	318	**318**	—	—

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. Where used, 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 twelve months.

Hedge of net investments in foreign operations

Included in subsidiary loans at 31 December 2023 and at 31 December 2022 were Euro denominated borrowings which have been designated as a hedge of the net investments in the Group's 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/(expense) to offset any gains or losses on translation of the net investments in the subsidiaries. There is no ineffectiveness in the years ended 31 December 2023 and 31 December 2022.

32 Financial instrument disclosures continued

C. Fair value of financial instruments at amortised cost

	Carrying amount		Fair value	
	2023 £'000	2022 £'000	**2023 £'000**	2022 £'000
Financial liabilities				
Lease liabilities	**9,871**	10,036	**9,871**	10,036
Revolving credit facility – GBP	**46,900**	55,250	**46,900**	55,250
Revolving credit facility – Euro	**10,399**	10,647	**10,399**	10,647
Term loan	**24,563**	25,150	**24,563**	25,150
	91,733	101,083	**91,733**	101,083

The external loan balances are stated gross of any issue costs.

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 loans and borrowings are determined by using the DCF method using a discount rate that reflects the issuer's borrowing rate as at the end of the reporting year. As the external debt is all at variable rate, the fair values are deemed to be identical to the carrying values.
- 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.
- 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 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 unsettled derivative contracts as at the end of the reporting year.

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 comprises 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 to long-term interest-bearing borrowings.

The Group manages its interest rate risk by entering into interest rate swaps, where deemed appropriate, 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 31 December 2022 and 31 December 2023, no interest rate swaps are in place. Approximately 11% (2022: 10%) of the Group's borrowings are at a fixed rate of interest.

32 Financial instrument disclosures continued

D. Financial risk management objectives and policies continued

Market risk continued

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:

Year ended 31 December 2023	Increase/ decrease	Effect on profit before tax £'000
SONIA/Euribor	**+0.5%**	**(469)**
SONIA/Euribor	**-0.5%**	**469**

Year ended 31 December 2022	Increase/ decrease	Effect on profit before tax £'000
SONIA/Euribor	+0.5%	(384)
SONIA/Euribor	-0.5%	384

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 twelve-month period. There were foreign currency exchange contracts in place at 31 December 2023. No foreign currency exchange contracts were in place at 31 December 2022.

The Group hedges its exposure to fluctuations on the translation into GBP of its foreign operations by holding net borrowings in foreign currencies, including intercompany loans.

Foreign currency risk – sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in the Euro, USD and TL 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 Group's exposure to foreign currency changes for all other currencies is not material.

The net gain/(loss) on qualifying hedges of net investments in foreign operations disclosed in the consolidated statement of comprehensive income arises from changes in Euro denominated borrowings in the hedge of net investments in European operations. These movements will offset the translation of the European operations' net assets into GBP – this movement is not shown.

	Change in Euro rate[1]	Effect on profit before tax £'000
2023	**+10%**	**(17)**
	-10%	**21**
2022	+10%	(336)
	-10%	411

	Change in USD rate[1]	Effect on profit before tax £'000
2023	**+10%**	**(7)**
	-10%	**9**
2022	+10%	1,869
	-10%	(2,285)

(1) A + movement indicates GBP strengthening relative to the other currency.

32 Financial instrument disclosures continued

D. Financial risk management objectives and policies continued

Market risk continued

Foreign currency risk – sensitivity continued

	Change in TL rate (1)	Effect on profit before tax £'000
2023	**+10%**	**529**
	-10%	**(646)**
2022	+10%	n/a
	-10%	n/a

(1) A + movement indicates 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 homogeneous 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 22 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 31 December 2023.

Liquidity risk

Liquidity risk for the Group arises from the management of working capital commitments and meeting its financial obligations as they fall due. The Group monitors its exposure to the risk of 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% of borrowings should mature in the next twelve-month period.

Approximately 2.7% of the Group's debt will mature in less than one year at 31 December 2023 (2022: 1.5%) based on the carrying value of borrowings reflected in the financial statements. 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.

At 31 December 2023, the Group had available £18,728,000 (2022: £10,130,000) of undrawn committed borrowing facilities.

32 Financial instrument disclosures continued

D. Financial risk management objectives and policies continued

Liquidity risk continued

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 and these are reported on a net basis in the analysis below.

Year ended 31 December 2023	<1 year £'000	1 to 5 years £'000	>5 years £'000	Total £'000
Lease liabilities	2,582	7,826	—	10,408
Interest-bearing loans	6,240	90,142	—	96,382
Trade and other payables	72,371	—	—	72,371
Derivatives not designated as hedges – foreign exchange forward contracts	318	—	—	318
	81,511	97,968	—	179,479

Year ended 31 December 2022	<1 year £'000	1 to 5 years £'000	>5 years £'000	Total £'000
Lease liabilities	1,627	6,773	1,911	10,311
Interest-bearing loans	4,829	94,462	—	99,291
Trade and other payables	93,169	—	—	93,169
	99,625	101,235	1,911	202,771

33 Reconciliation of alternative performance measures

The Group uses some alternative performance measures to monitor and assess the underlying performance of the business. These measures include adjusted operating profit and adjusted profit for the year. These measures are deemed useful as they aid comparability year on year. The use of alternative performance measures compared to statutory IFRS measures does give rise to limitations, including a lack of comparability across companies and the potential for them to present a more favourable view. Further, these measures are not a substitute for IFRS measures of profit. Alternative performance measures are defined in the glossary of terms on page 21. Alternative performance measures are reconciled to the appropriate financial statements line item being disclosed.

On 1 January 2023, the functional currency of the Turkish business was changed from Turkish Lira to Euro and, as a result, IAS 29 is no longer being applied after this date. As a result of the change in functional currency, the foreign exchange differences are no longer adjusted for in the Group's alternative performance measures and the IAS 29 differences no longer arise.

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

	2023 £'000	2022 £'000
Profit for the year	15,424	4,309
Adjusted for:		
Exceptional items	2,466	1,809
Amortisation of customer relationships	141	57
Foreign exchange differences (2022 only)	—	3,446
Impact of IAS 29 (2022 only)	—	13,906
Tax on exceptional items	(651)	(462)
Tax on foreign exchange differences (2022 only)	—	(656)
Tax on amortisation of customer relationships	(39)	(16)
Tax on impact of IAS 29 (2022 only)	—	1,940
Adjusted profit for the year	17,341	24,333
Basic weighted average number of shares in issue	127,352,555	127,352,555
Diluted weighted average number of shares in issue	127,352,555	127,352,555
Earnings per share		
Basic earnings per share (pence per share)	12.11	3.38
Diluted earnings per share (pence per share)	12.11	3.38
Adjusted earnings per share		
Basic earnings per share (pence per share)	13.62	19.11
Diluted earnings per share (pence per share)	13.62	19.11

Notes to the consolidated financial statements *continued*

for the year ended 31 December 2023

33 Reconciliation of alternative performance measures continued

Reconciliation of adjusted operating profit and EBITDA

	2023 £'000	2022 £'000
Operating profit	**26,681**	22,628
Adjusted for:		
Exceptional items	**2,466**	1,809
Amortisation of customer relationships	**141**	57
Foreign exchange differences (2022 only)	**—**	3,446
Impact of IAS 29 (2022 only)	**—**	6,040
Adjusted operating profit	**29,288**	33,980
Adjusted for:		
Depreciation (excluding IAS 29 depreciation of £1,628,000 – 2022 only)	**11,615**	8,072
Amortisation (excluding customer relationships)	**316**	106
EBITDA	**41,219**	42,158

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

	2023 £'000	2022 £'000
EBITDA (see reconciliation above)	**41,219**	42,158
Adjusted for:		
Exceptional items	**(2,466)**	(1,809)
Loss/(gain) on disposal of property, plant and equipment	**11**	(220)
Share-based payments	**515**	250
Working capital adjustments (adjusted for foreign exchange – 2022 only)	**1,609**	(9,150)
Net capital expenditure	**(9,360)**	(11,568)
Cash flow from operations	**31,528**	19,661
Income tax paid	**(7,497)**	(3,801)
Interest paid – net	**(6,246)**	(3,219)
Free cash flow	**17,785**	12,641
Cash flow from operations (see reconciliation above)	**31,528**	19,661
Adjusted for:		
Exceptional items	**2,466**	1,809
Exceptional items impact on working capital	**(2,237)**	—
Adjusted cash flow from operations	**31,757**	21,470

	2023 £'000	2022 £'000
Decrease in trade and other receivables	**8,237**	1,632
Decrease in inventories	**12,884**	5,831
Decrease in trade and other payables	**(20,364)**	(11,528)
Increase/(decrease) in provisions	**2,214**	(1,297)
Movement in other financial liabilities	**319**	—
Decrease in other pension provisions	**(7)**	(23)
Difference between pension charges and cash contributions	**(1,674)**	(319)
Foreign currency losses	**—**	(3,446)
Working capital adjustments (adjusted for foreign exchange – 2022 only)	**1,609**	(9,150)

33 Reconciliation of alternative performance measures continued

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

	2023 £'000	2022 £'000
Proceeds from sale of property, plant, equipment and intangible assets	**352**	316
Purchase of property, plant and equipment	**(6,586)**	(9,671)
Purchase of intangible assets	**(507)**	(164)
Payment of lease liabilities	**(2,619)**	(2,049)
Net capital expenditure	**(9,360)**	(11,568)

Reconciliation of business capital employed and return on capital employed

	2023 £'000	2022 £'000
Property, plant and equipment	**87,247**	91,604
Technology and software costs	**896**	755
Inventories	**63,376**	77,851
Trade and other receivables	**50,975**	60,814
Trade and other payables	**(78,056)**	(99,214)
Provisions	**(4,997)**	(2,719)
Net employee defined benefit liabilities	**(4,053)**	(4,542)
Financial liabilities	**(318)**	—
Business capital employed	**115,070**	124,549

	2023 £'000	2022 £'000
Adjusted operating profit	**29,288**	33,980
Business capital employed	**115,070**	124,549
Return on capital employed	**25.5%**	27.3%

Reconciliation of net debt and leverage

	2023 £'000	2022 £'000
Total interest-bearing loans and borrowings	**90,696**	100,033
Cash and cash equivalents	**(21,442)**	(22,641)
Adjusted for:		
Unamortised loan costs	**1,037**	1,050
Net debt	**70,291**	78,442
EBITDA (see reconciliation above)	**41,219**	42,158
Debt leverage ratio	**1.71**	1.86

Reconciliation of net debt and leverage before finance leases

	2023 £'000	2022 £'000
Total interest-bearing loans and borrowings	**90,696**	100,033
Cash and cash equivalents	**(21,442)**	(22,641)
Adjusted for:		
Unamortised loan costs	**1,037**	1,050
Lease liabilities	**(9,871)**	(10,036)
Net debt before finance leases	**60,420**	68,406
EBITDA (see reconciliation above)	**41,219**	42,158
Debt leverage ratio before finance leases	**1.47**	1.62

Notes to the consolidated financial statements *continued*

for the year ended 31 December 2023

33 Reconciliation of alternative performance measures continued

Loan facility covenant calculations

	2023 £'000	2022 £'000
Leverage calculation		
Net debt (excluding IFRS 16 lease liabilities)/adjusted EBITDA (before exceptional items and foreign exchange differences)		
Net debt (see reconciliation above)	**70,291**	78,442
Adjusted for:		
IFRS 16 lease liabilities	**(9,388)**	(9,859)
Interest payable	**789**	406
Non-obligor cash excluded from the covenant calculation	**3,407**	2,283
Net debt (excluding IFRS 16 lease liabilities)	**65,099**	71,272
EBITDA (see reconciliation above)	**41,219**	42,158
Adjusted for:		
Impact of full year acquisition (2022 only)	**—**	(178)
Foreign currency gains (2023 only*)	**(1,736)**	—
Net losses on forward derivative contracts (2023 only*)	**689**	—
Adjusted EBITDA (before exceptional items and foreign exchange differences)	**40,172**	41,980
Leverage for loan facility covenant	**1.62**	1.70

	2023 £'000	2022 £'000
Interest cover calculation		
Adjusted EBITDA (before exceptional items and foreign exchange differences)/covenant interest		
Adjusted EBITDA (before exceptional items and foreign exchange differences) (see reconciliation above)	**40,172**	41,980
Finance costs	**7,681**	4,573
Finance income	**(182)**	(50)
Adjusted for:		
Interest expense on defined benefit liabilities	**(357)**	(481)
Amortisation of loan issue costs	**(513)**	(492)
Finance charges payable on IFRS 16 lease liabilities	**(113)**	(124)
Covenant interest	**6,516**	3,426
Interest cover for loan facility covenant	**6.17**	12.25

* Not adjusted for in 2022 as already excluded in arriving at EBITDA in 2022.

Company balance sheet

as at 31 December 2023

	Note	2023 £'000	2022 £'000
Assets			
Non-current assets			
Investments	9	**115,908**	115,908
Amounts due from subsidiary undertakings	10	**6,816**	16,247
		122,724	132,155
Total assets		**122,724**	132,155
Equity and liabilities			
Equity			
Called up share capital	12	**127**	127
Share premium		**—**	—
Retained earnings		**119,565**	132,028
Total equity		**119,692**	132,155
Current liabilities			
Amounts due to subsidiary undertakings	11	**3,032**	—
Total liabilities		**3,032**	—
Total equity and liabilities		**122,724**	132,155

As permitted by section 408 of the Companies Act 2006, the Company's statement of profit or loss has not been included in these financial statements.

The Company realised a loss of £3,249,000 for the year ended 31 December 2023 (2022: profit of £237,000). There are no elements of 'other comprehensive income' in the year; accordingly, a statement of comprehensive income has not been prepared.

The financial statements on pages 139 to 143 were approved by the Board of Directors on 8 March 2024 and signed on its behalf by:

Annette Borén
Chief Financial Officer

Company statement of changes in equity

for the year ended 31 December 2023

	Attributable to the owners of the parent			
	Called up share capital £'000	Share premium £'000	(Accumulated losses)/retained earnings £'000	Total £'000
At 1 January 2022	127,353	13,391	(4,135)	136,609
Profit for the year	—	—	237	237
Total comprehensive income	—	—	237	237
Capital reduction	(127,226)	(13,391)	140,617	—
Share-based payment charge	—	—	250	250
Dividends paid (note 8)	—	—	(4,941)	(4,941)
At 31 December 2022	127	—	132,028	132,155
Loss for the year	**—**	**—**	**(3,249)**	**(3,249)**
Total comprehensive income	**—**	**—**	**(3,249)**	**(3,249)**
Share-based payment charge	**—**	**—**	**515**	**515**
Dividends paid (note 8)	**—**	**—**	**(9,729)**	**(9,729)**
At 31 December 2023	**127**	**—**	**119,565**	**119,692**

Notes to the Company financial statements
for the year ended 31 December 2023

1 Corporate information
The corporate information of the Company is disclosed in note 1 of the consolidated financial statements.

2 Basis of preparation
The financial statements have been prepared on a going concern basis under the historical cost convention and in accordance with United Kingdom Generally Accepted Accounting Policy (Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102")) in conformity with the requirements of the Companies Act 2006.

The Company has taken advantage of the following disclosure exemptions permitted by FRS 102:

- the requirements of section 7 Statement of Cash Flows and section 3 Financial Statement Presentation, paragraph 3.17(d);
- the requirements of section 11 Financial Instruments, paragraphs 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c); and
- the requirements of section 33 Related Party Disclosures, paragraph 33.7.

The Company financial statements are presented in GB Pounds and all values are rounded to the nearest thousand (£'000), except when otherwise indicated.

In preparing these financial statements on the going concern basis, the Directors have considered the Company's current and future prospects and its availability of cash resources and financing and the Group's financial position. The Company is directly impacted by the Group's going concern position which is as follows:

The Group meets its day-to-day working capital requirements through bank loan facilities which are in place up to November 2026, comprising a £76.027 million revolving credit facility and a €28.346 million term loan facility. At the year-end date, the whole term loan was drawn along with £57.299 million of the revolving credit. The remainder of the facility and significant cash balances of £21.442 million were available to enable day-to-day working capital requirements to be met.

As part of its year-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, and examining expected future performance. Based on the output of this going concern review, management has concluded that the Group will be able to continue to operate within its existing facilities for a period of at least twelve months after the date of signing the financial statements and as such the financial statements have been prepared on a going concern basis.

Details of the Group's going concern assessment can be found in the Strategic Report on page 55.

3 Summary of significant accounting policies
The accounting policies outlined below have been applied consistently, other than where new policies have been adopted.

The policies applied by the Company are consistent with those set out in note 4 to the consolidated financial statements.

The following additional policies are also relevant to the Company financial statements.

A. Investments
Investments are stated at cost less any provision for impairment.

B. Share-based payments
The Company provides benefits to certain employees (including Executive Directors) in the form of share-based payment transactions, whereby employees render services as consideration in exchange for equity instruments (equity-settled transactions). Further details of the share-based payments accounting policy can be found in note 11 of the consolidated financial statements.

C. Share capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

4 Summary of significant accounting judgements, estimates and assumptions
The following judgements have had the most significant effect on amounts recognised in the financial statements:

Investments
The Company assesses, at each reporting date, whether there is an indication that any investment may be impaired. If any indication exists, or when annual impairment testing for an investment is required, the Company estimates the investment's recoverable amount. In assessing an investment's recoverable amount, 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.

5 Employee benefit expense
The Company does not have any employees, other than Directors, and does not have any employee benefit expenses.

Notes to the Company financial statements *continued*

for the year ended 31 December 2023

6 Directors' remuneration

The Directors of the Company are also directors of fellow subsidiary undertakings. The Directors received remuneration which was paid by a fellow subsidiary undertaking and not recharged to the Company. These emoluments are disclosed in the Group Directors' remuneration note (note 10) of the consolidated financial statements and the Directors' Remuneration Report on pages 74 to 87.

7 Auditors' remuneration

The Company has incurred audit fees of £8,000 (2022: £8,000) which are borne by Stelrad Management Limited.

8 Dividends

See note 16 of the consolidated financial statements for further detail of the dividends of the Company.

9 Investments

	£'000
At 31 December 2022 and 31 December 2023	**115,908**

As the Company is reporting under FRS 102, under section 615 of the Companies Act 2006, the Company opted to record its investment in the shares acquired at an amount equal to the aggregate share capital only.

A list of the Company's investments in subsidiary undertakings can be found in note 13.

10 Amounts due from subsidiary undertakings

	2023 £'000	2022 £'000
Amounts due from subsidiary undertakings	**6,816**	16,247

The amounts due from subsidiary undertakings are repayable on demand. Interest is charged on amounts due from subsidiary undertakings at 2.5%.

11 Amounts due to subsidiary undertakings

	2023 £'000	2022 £'000
Amounts due to subsidiary undertakings	**3,032**	—

The amounts due to subsidiary undertakings are repayable on demand. No interest is charged on amounts due to subsidiary undertakings.

12 Called up share capital

	2023 Number	2023 £	2022 Number	2022 £
Authorised, called up and fully paid				
Ordinary shares of £0.001 each	**127,352,555**	**127,353**	127,352,555	127,353
	127,352,555	**127,353**	127,352,555	127,353

See note 26 of the consolidated financial statements for further detail of the called up share capital of the Company.

13 Subsidiary undertakings

The registered address and principal place of business of each subsidiary undertaking are shown in the footnotes below the table. The financial performance and financial position of these undertakings are included in the consolidated financial statements:

Name of company	Country of incorporation	Holding	Voting rights held 2023 %	2022 %	Nature of business
Stelrad Radiator Group Limited(1)	United Kingdom	Ordinary	**100**	100	Holding company
*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 distributor
*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 distributor
Noosa Holdings Jersey Limited(9)	Jersey	Ordinary	**100**	100	Holding company
*Radiators SpA(10)	Italy	Ordinary	**100**	100	Radiator manufacturer

* Held by subsidiary companies.
(1) Registered office is 69–75 Side, Newcastle upon Tyne, Tyne and Wear NE1 3JE, United Kingdom.
(2) Registered office is Zakliki Z Mydlnik Street, no. 16, 30–198 Kraków, 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 Second floor, No.420, Fenglin Road, Xuhui District, Shanghai, P.R.China.
(7) Registered office is Ostrava-Slezská-Ostrava, Hradní 27/37, PSČ 710 00, Czech Republic.
(8) Registered office is Ambolten 37, Kolding 6000, Denmark.
(9) Registered office is 15 Esplanade, St Helier JE1 1RB, Jersey.
(10) Registered office is Strada Statale, 54 Km 21 Snc, Moimacco (UD), Italy.

The dormant subsidiaries in the Group comprise: Woolamai Group UK Limited and Henrad (UK) Limited. Both are incorporated in the UK(1) and 100% of the ordinary shares are owned.

Shareholder information

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Stelrad Group plc

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