Stelrad Group plc - preliminary announcement of final results for the year ended 31 December 2021

Strong results, ahead of expectations, following successful admission to the London Stock Exchange.

Stelrad Group plc ("Stelrad" or "the Group" or "the Company", LSE: SRAD), a leading specialist manufacturer and distributor of steel panel radiators in the UK, Europe and Turkey, today announces its audited financial results for the 12 months ended 31 December 2021.

Results summary

	2021	2020	Increase/ (decrease) %
Revenue, £m	272.3	196.6	38.5
Adjusted operating profit, £m *	33.2	15.6	112.3
Adjusted operating profit margin, % *	12.2	7.9	4.3pp
Adjusted profit after tax, £m *	21.6	5.7	281.0
Adjusted Earnings per share, pence *	16.92	4.44	281.0
Statutory operating profit, £m	26.6	19.5	36.0
Statutory profit after tax, £m	14.7	8.7	68.5
Statutory earnings per share, pence	11.51	6.83	68.5
Adjusted free cash flow, £m *	18.2	12.5	46.5
Net debt (excluding lease liabilities), £m	40.9	58.5	(30.1)
Dividend per share, pence	0.96	-	n/a

*Adjusted figures are stated before exceptional items, foreign exchange differences and tax thereon where applicable.

Financial and operational highlights

- Good progress across all territories during 2021:
  - UK & Ireland – 45.8% revenue growth, 150.5% growth in adjusted operating profit.
  - Europe – 30.4% revenue growth, 31.6% growth in adjusted operating profit.
  - Turkey & International – 43.7% revenue growth, 137.9% growth in adjusted operating profit.
- Total sales volume increased by 20% versus 2020 and was 9% higher than in 2019, the last pre-pandemic year.
- Profitability enhanced by further production transfers to low-cost Turkish facility and an improved mix of premium steel panel radiators where volumes rose by 15% versus 2020 and 23% relative to 2019.
- Proactive price optimisation in light of substantial increases in steel prices.
- Completed a six-year, c£25 million programme of incremental investment into Stelrad's three main operational facilities.
- Successful IPO on the London Stock Exchange's Main Market.

Commenting on the Group's performance, Trevor Harvey, Chief Executive Officer, said:
"2021 was a pivotal year for Stelrad and, following our successful IPO in November and a robust end to the year from a trading perspective, we enter 2022 with strong momentum. Macro trends such as the ongoing focus on decarbonisation and the growing appeal of premium steel panel radiators continue to provide a positive backdrop for our business and support ongoing demand for our products. As a result, the Group remains confident in its ability to deliver on its long-term growth plans."

Current trading and outlook
Trading since the period end has remained broadly in line with management expectations with some reduction in overall volumes more than offset by increased revenues and improving margins.

The Group's market leading products and brands, coupled with unrivalled access to specifiers, mean that the Group remains very well positioned versus its competitors across all key geographies.

Notwithstanding supply chain challenges impacting the building products sector, including the situation in Ukraine, expectations for the year remain unchanged and the Group remains well placed to build on the strong momentum generated in 2021.

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Notes to Editors
Stelrad Group plc is a leading specialist manufacturer and distributor of steel panel radiators in the UK, Europe and Turkey, selling an extensive range of standard and premium steel panel radiators, low surface temperature (LST) radiators, towel warmers, decorative steel tubular radiators and other steel "column" radiators to more than 500 customers annually.

The Group has four core brands: Stelrad, Henrad, Hudevad and Termo Teknik, which had approximately 16.6 per cent. share by volume of total markets in the UK, Europe, and Turkey in 2020, including 50.2 per cent. market share in the UK. In 2020, the Group held top 3 share positions in 11 countries and was #1 in the UK, Ireland, the Netherlands, Belgium and Denmark.

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

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

Chair's statement

Overview

It is a pleasure to be addressing you as Chair of Stelrad Group plc, following our successful flotation on the London Stock Exchange in November 2021. Despite the impact of the Covid-19 pandemic across the world, Stelrad's impressive progress continued in 2021 as we achieved a record financial performance.

This underlines the resilience of Stelrad's business model and the robustness of our strategy in the face of an unpredictable trading environment and volatility in commodity prices. I believe this resilience positions us well to capitalise on the opportunities of the future, as economies recover post-pandemic and decarbonisation initiatives increasingly influence the specification of tomorrow's heating systems.

Purpose

We define our purpose as helping to heat homes sustainably, recognising the valuable role that the Group has to play, both now and in the future, in the specification and supply of heating products that contribute effectively to environmental and social improvement.

People

Our main priority over the last two years has been the safety and wellbeing of our employees and their families. We are extremely grateful to our dedicated and loyal teams for their commitment during this unprecedented period of global disruption and for their outstanding contribution to ensuring a safe working environment whilst generating such exceptional business performance.

Performance and results

Stelrad's strong set of results reflects the underlying resilience of the business despite the pandemic, with a 39% rise in Group revenue to £272.3 million alongside adjusted operating profit more than doubling to £33.2 million underlining the quality of our business.

The Group made good progress in all territories during 2021 with UK & Ireland, Europe and Turkey & International all delivering strong revenue and profit growth. This performance was aided by the supportive backdrop of the continued focus on decarbonisation and the move towards higher added value premium steel panel radiators. We completed our six-year programme of upgrading our three main facilities, which has seen a total of £25 million invested in our best-in-class manufacturing capabilities.

Dividends

The Group's strong financial results led the Board to recommend a final dividend of 0.96 pence per share, to be paid on a pro rata basis relating to the period between listing and 31 December 2021. Subject to approval by shareholders at the Annual General Meeting on 16 May 2022, the final dividend will be paid on 27 May 2022 to shareholders on the register on 29 April 2022.

Strategy

Our strong results in 2021 were driven by clear commercial and operational strategies developed, over many years, in pursuit of four key objectives: growing market share, improving product mix, optimising routes to market and positioning effectively for decarbonisation. We are confident the Group will have increased its overall market share in 2021, a year which saw us complete our significant programme of operational investment to provide the platform for future profitable growth.

2021 showed increasing contribution to performance from higher added value premium steel panel and design radiators. In addition, the Group continues to adapt quickly and effectively to evolving routes to market, with changes in distributor ownership and digital transformation set to affect the heating products supply chain over the longer term.

2021 was also notable for Stelrad's introduction of new products and expansion of product ranges particularly well adapted to lower temperature systems, in readiness for the transition to low and zero carbon heat sources anticipated over the coming years, as we strive to achieve our purpose of helping to heat homes sustainably.

Environmental, social and governance ("ESG") objectives
Stelrad is committed to high standards of corporate responsibility, sustainability and employee engagement. We aim to consider fully the long-term impact of all our business operations. To that end, we have set up a task force, led by the Chief Executive Officer, to develop our ESG strategy more fully during the course of 2022, in line with our purpose of helping to heat homes sustainably.

To ensure sustainability remains at the heart of what we do, the task force will conduct a detailed review of the Group's activities in order to develop a comprehensive ESG strategy. This will build on our existing work to redefine our ambitions and targets and identify how we can better contribute to supporting wider international goals and will be fully aligned with our corporate aims, objectives and values.

Board
I would like to take this opportunity to welcome our independent Non-Executive Directors Terry Miller, Nicola Bruce and Martin Payne to the Board and look forward to Stelrad benefiting from their experience and expertise over the coming years.

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

Summary
Stelrad has continued to progress despite the disruption of the Covid-19 pandemic and our first Annual Report as a listed company underlines the strength of the business during challenging times. This strength is founded on a coherent and robust strategy for profitable long-term growth, substantial investment in our operational assets and the hard work and innovation of our experienced and dedicated people.

With the inevitable changes decarbonisation and digital transformation will bring, the Group is well positioned to maximise its opportunities as markets evolve, motivated by our core purpose to help to heat homes sustainably both now and in the future.

Bob Ellis
Chair
14 March 2022

Chief Executive Officer's review

Overview

This financial year has been one of significant progress by the Stelrad Group, which culminated in November 2021 with our successful listing on the premium segment of the London Stock Exchange.

The Group delivered substantial organic revenue growth in 2021, increasing by 38.5% from £196.6 million in 2020 to £272.3 million, whilst adjusted operating profit rose by 112.3% to £33.2 million (2020: £15.6 million).

Satisfying performance against KPIs

In addition to revenue and profit growth, the Group also performed strongly against its other key metrics.

Sales volume increased by 20% versus 2020 and was 9% higher than in 2019, the last pre-pandemic year. This reflects Stelrad's progress in all of its key territories. The UK & Ireland delivered revenue growth of 45.8% and adjusted operating profit growth of 150.5% while, for Europe, revenue and adjusted operating profit were up 30.4% and 31.6% respectively. In our Turkey & International markets, revenue grew by 43.7% while adjusted operating profit rose by 137.9%.

Our growth in these metrics across all geographies was driven by volume recovery and timely, proactive price optimisation as steel prices rose substantially. Profitability was enhanced by further production transfers to our low-cost Turkish facility, and an improved mix of premium steel panel and design radiators.

As compared to 2020, Stelrad achieved very satisfying volume growth of 15% in higher added value premium steel panel radiators, representing an increase of 23% when compared to 2019. This is the outcome of our clear strategy to develop and grow this profitable segment, enabling us to fully capitalise on the Group's sustainable competitive advantage in this product category, notably in the UK, where total market volume is high, premium steel penetration is low and Stelrad has a strong leadership position.

Investment for the future

In 2021, Stelrad completed a six-year, c£25 million programme of incremental investment into its three main operational facilities. Our goals were to increase production flexibility, capacity and productivity, along with improving product quality. As a result, during 2021, we benefited from further transfers of production from our mainland European sites to the Group's lowest cost facility in Turkey.

The investment in our operational facilities is crucial to the Group improving the health, safety and wellbeing of our employees as demonstrated by our sites in the UK and Netherlands (as of January 2022) currently having both operated for over one full year without any lost time accidents. The Group is now focused on utilising the successes in the UK and Netherlands to further reduce the risk of lost time accidents in Turkey.

The transfer of production to Turkey combined with an improved premium steel panel product mix, drove a 4% increase in contribution per radiator versus 2020, an increase of 23% relative to 2019. Low-cost manufacturing remains an essential enabling strategy for market share growth and positions Stelrad as a natural consolidator of the radiator market over the longer term.

Following the creation of our European Distribution Centre in the Netherlands in 2019, we have also continued to pursue our strategy of making our products readily available for our customers, with 2021 investments in our warehousing facilities in Turkey and the UK. In the Danish market, where we gained market leadership in 2020, we established a new commercial and distribution hub to provide improved logistics for local customers.

Product range innovation

Stelrad has one of the radiator market's most comprehensive and innovative ranges of products. 2021 saw the addition of new electric and fan assisted radiators in the form of the Dahlia E and Vento ranges and further expansion of higher heat output vertical and triple panel, triple convector K3 steel panel ranges. These will form an increasingly important part of the Group's offer as we ensure we continue to provide heat emitters suitable for low and zero carbon heating systems, regardless of heat source. As countries look to decarbonise homes and meet long-term net zero carbon commitments, we have a significant opportunity to help heat homes sustainably and, in so doing, build a stronger business for all Stelrad stakeholders.

Embracing digital transformation

In the private residential RMI segment, routes to market are evolving and sustained progress is being made by multichannel players, which combine a network of physical retail outlets with a strong online presence. Stelrad is well positioned to benefit from the opportunities arising from digital transformation, both through supply to the leading players in the specialist online and multichannel segment and through a programme of increasing investment in its own digital presence in the business to consumer (B2C) market.

The Group also continues to invest in Building Information Modelling to ensure specifiers in new build and commercial segments can easily incorporate Stelrad products into their building and heating system designs.

Trevor Harvey
Chief Executive Officer
14 March 2022

Finance and business review

Group overview

The following table summarises the Group's results from operations for the years ended 31 December 2021 and 31 December 2020.

	2021	2020	Increase / (decrease)	Increase / (decrease)
	£m	£m	£m	%
Revenue	**272.3**	**196.6**	**75.7**	**38.5**
Adjusted operating profit	**33.2**	**15.6**	**17.6**	**112.3**
Exceptional items	(9.6)	-	(9.6)	-
Foreign exchange differences	3.0	3.9	(0.9)	(23.6)
Operating profit	**26.6**	**19.5**	**7.1**	**36.0**
Net finance costs	(10.3)	(10.3)	-	1.0
Profit before tax	**16.3**	**9.2**	**7.1**	**77.7**
Income tax expense	(1.6)	(0.5)	(1.1)	(240.4)
Profit for the year	**14.7**	**8.7**	**6.0**	**68.5**
Earnings per share (p)	**11.51**	**6.83**	**4.68**	**68.5%**
Adjusted Earnings per share (p)[(1)]	**16.92**	**4.44**	**12.48**	**281.0%**
Dividend per share (p)	**0.96**	**-**		

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

Financial overview

Revenue for the year was £272.3 million, an increase of £75.7 million, or 38.5%, on last year (2020: £196.6 million). This was principally as a result of increased sales volumes which were exceptionally low in Q2 2020 due to the Covid-19 pandemic, and implementation of selling price increases in 2021, recovering a significant rise in steel prices.

Adjusted operating profit for the year was £33.2 million, an increase of £17.6 million, or 112.3%, compared to last year (2020: £15.6 million). This was principally as a result of an increase in sales volumes, the transfer of production to lower cost facilities, a growth in premium panel sales volumes and the benefit of increased selling prices, partially offset by the impact of steel price rises. The Group benefited from its normal policy of forward purchasing steel in Turkey when steel prices increased rapidly during 2021 to unprecedented levels.

Statutory operating profit for the year was £26.6 million (2020: £19.5 million), including exceptional costs of £9.6 million (2020: £nil) and the impact of foreign exchange gains of £3.0 million (2020: £3.9 million). The Group’s effective tax rate in the year benefited from the one-off recognition of UK deferred tax assets.

Profit attributable to shareholders increased by £6.0 million, or 68.5%, to £14.7 million (2020: £8.7 million). Earnings per share was 11.51 pence (2020: 6.83 pence) and adjusted earnings per share was 16.92 pence (2020: 4.44 pence).

There was a significant devaluation of the Turkish Lira during 2021. When the opening reserves and current year profits of the Group were retranslated at the closing exchange rate, the result was a charge of £26.1 million through the consolidated statement of comprehensive income in the year.

On 10 November 2021, the Group listed on the premium segment of the London Stock Exchange, having previously been under private ownership. As part of this process, the Group repaid all legacy financing arrangements including shareholder loans. This was funded by a part drawdown on a new £80 million debt facility, a share capital raise of £25.1 million and existing cash. The new debt is a revolving credit facility with an initial three-year term, then two one-year extension options. At 31 December 2021 the Group had cash of £15.6 million and undrawn available facilities of £23.5 million, with net debt excluding finance leases of £40.9 million.

Revenue by geographical market

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

Revenue by geographical market	**2021**	**2020**	**Increase / (decrease)**	**Increase / (decrease)**
	£m	**£m**	**£m**	**%**
UK & Ireland	130.4	89.4	41.0	45.8
Europe	118.1	90.6	27.5	30.4
Turkey & International	23.8	16.6	7.2	43.7
Total	**272.3**	**196.6**	**75.7**	**38.5**

UK & Ireland

The Group's revenue in UK & Ireland for the year was £130.4 million (2020: £89.4 million), an increase of £41.0 million, or 45.8%. This was principally as a result of increased sales volumes which were lower in Q2 2020 due to the impact of the Covid-19 pandemic on the UK market. Additionally, four selling price increases were applied in 2021 following a significant rise in steel prices.

Europe

The Group's revenue in Europe for the year was £118.1 million (2020: £90.6 million), an increase of £27.5 million, or 30.4%. This was principally as a result of market share gains through growth in sales volumes with existing customers and four selling price increases during 2021 due to rising steel prices.

Turkey & International

The Group's revenue in Turkey & International for the year was £23.8 million (2020: £16.6 million), an increase of £7.2 million, or 43.7%. This was principally as a result of increased sales volumes which were lower in 2020 due to the Covid-19 pandemic and selling price increases in 2021 following a significant rise in steel prices.

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	2021	2020	Increase / (decrease)	Increase / (decrease)
	£m	£m	£m	%
UK & Ireland	21.6	8.6	13.0	150.5
Europe	12.9	9.8	3.1	31.6
Turkey & International	2.9	1.2	1.7	137.9
Central costs	(4.2)	(4.0)	(0.2)	(5.3)
Total	**33.2**	**15.6**	**17.6**	**112.3**

UK & Ireland

The Group's adjusted operating profit in the UK & Ireland for the year was £21.6 million (2020: £8.6 million), an increase of £13.0 million, or 150.5%. This was principally as a result of an increase in sales volumes after the initial impact of the Covid-19 pandemic on the UK market, increased premium panel sales volumes, the transfer of additional production to lower cost facilities and the benefit of increased selling prices, partially offset by the impact of steel price rises.

Europe

The Group's adjusted operating profit in Europe for the year was £12.9 million (2020: £9.8 million), an increase of £3.1 million, or 31.6%. This was principally as a result of an increase in sales volumes, the transfer of additional production to lower cost facilities and the benefit of increased selling prices, partially offset by the impact of steel price rises.

Turkey & International

The Group's adjusted operating profit in Turkey & International for the year was £2.9 million (2020: £1.2 million), an increase of £1.7 million, or 137.9%. This was principally as a result of an increase in sales volumes after the initial impact of the Covid-19 pandemic in Turkey and China and the benefit of increased selling prices, partially offset by the impact of steel price rises.

Central costs

Central costs for the year were £4.2 million (2020: £4.0 million), an increase of £0.2 million, or 5.3%. Costs increased principally as a result of additional expenditure arising due to the Group being listed, following the completion of the IPO in November 2021.

Exceptional items

During the year exceptional costs of £9.6 million were incurred (2020: £nil) relating to professional advisers employed to consider the potential recapitalisation of the Group and the costs associated with the IPO undertaken by the Group in the year. These costs are one-off in nature and disclosing these costs as exceptional allows the true underlying performance of the Group to be more easily reviewed.

Finance costs

The Group's finance costs for the year were £10.3 million (2020: £10.3 million). The 1.0% decrease was primarily due to a reduction in interest payable on external loans due to a lower average revolving credit facility usage during 2021 and the benefit of ongoing repayments on the Group's term loans. The 2021 finance costs include accrued interest on repaid shareholder loans which will not recur in future years as a consequence of the Group’s new capital structure.

Income tax expense

The Group's income tax expense for the year was £1.6 million (2020: £0.5 million), an increase of £1.1 million, or 240.4%. The increase was primarily due to an increase in profits chargeable to taxation and an increase in overseas tax rates with the tax rate in Turkey increasing from 22% to 25%.

The tax charge for 2021 has been reduced as the Group has recognised previously unrecognised deferred tax assets relating to tax losses. The newly recognised losses are all post-April 2017 UK losses and the decision has been taken to recognise the losses in the year because the new capital structure of the Group post-IPO means that tax deductible interest will be lower which, along with higher UK profitability, will lead to these losses being utilised over a much shorter time frame.

Earnings per share and adjusted earnings per share

Profit attributable to shareholders increased by £6.0 million, or 68.5%, to £14.7 million (2020: £8.7 million) and earnings per share was 11.51 pence (2020: 6.83 pence). The weighted average number of shares was 127.4 million. Profit attributable to shareholders before exceptional items, foreign exchange differences and tax thereon increased by £15.9 million, or 281.0%, to £21.6 million (2020: £5.7 million) and consequently, adjusted earnings per share was 16.92 pence (2020: 4.44 pence).

Dividends and reserves

The Group is committed to delivering returns for its shareholders. It intends to adopt a progressive dividend policy targeting an initial annualised 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 expects to pay its first dividend in May 2022 which, due to the timing of the Group's admission, will be the only dividend paid in respect of 2021. The 2021 dividend will be determined on a pro rata basis for the period from admission to 31 December 2021.

The Company successfully submitted an application to the High Court of Justice of England and Wales (the "Court") to reduce the value of each ordinary share of the Company from £1.00 to £0.001; the reduction will be credited to the retained earnings of the Company. Under the same application the Court approved the removal of the share premium account of the Company in full, with the reduction credited to the retained earnings of the Company. The Court approved the application on 25 January 2022.

Cash flows

The following table summarises the Group's cash flow for the years ended 31 December 2021 and 31 December 2020.

	2021	2020	Increase / (decrease)
	£m	£m	£m
EBITDA [1]	40.6	23.5	17.1
Gain on disposal of property plant and equipment	(0.2)	(0.1)	(0.1)
Working capital adjustments	(8.7)	0.8	(9.5)
Net capital expenditure	(9.9)	(9.9)	-
Adjusted cash flow from operations	**21.8**	**14.3**	**7.5**
Income tax paid	(3.7)	(1.9)	(1.8)
Interest received	0.1	0.1	-
Adjusted free cash flow	**18.2**	**12.5**	**5.7**

	2021	2020	Increase / (decrease)
	£m	£m	£m
Adjusted cash flow from operations (£'000)	21.8	14.3	7.5
Adjusted operating profit (£'000)	33.2	15.6	17.6
Adjusted cash flow from operations conversion (%)	**65.8**	**91.6**	**(25.8)**

[1] EBITDA is profit before interest, taxation, depreciation, amortisation, exceptional items and foreign exchange differences.

The Group's adjusted free cash flow for the year was £18.2 million (2020: £12.5 million), an increase of £5.7 million. This reflected an increase in the profitability of the Group and increased working capital, due to the replenishment of inventories as the 31 December 2020 inventory levels were exceptionally low.

The Group's adjusted cash flow from operations for the year was £21.8 million (2020: £14.3 million), an increase of £7.5 million. This was principally as a result of an increase in the profitability of the Group partially offset by an increase in working capital, linked to an increase in inventories, and higher income tax paid in 2021. Adjusted operating profit for the year was £33.2 million (2020: £15.6 million), an increase of £17.6 million. This was principally as a result of an increase in the profitability of the Group. Adjusted cash flow from operations conversion for the year was 65.8% (2020: 91.6%), a reduction of 25.8pp, due to the significant impact of replenishment of inventories during 2021 and the higher level of capital expenditure related to the incremental development capital expenditure programme, which was completed in 2021.

On 10 November 2021, the Group listed on the premium segment of the London Stock Exchange, having previously been under private ownership. As part of this process, the Group repaid all legacy financing arrangements including shareholder loans funded by a part draw down on a new £80 million revolving credit facility, of which £56.5 million was drawn at 31 December 2021, a share capital raise of £25.1 million and existing cash.

Capital expenditures

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

	2021	2020
	£m	£m
Freehold land and buildings	0.7	1.0
Leasehold buildings	0.6	0.5
Assets under construction [1]	2.0	(1.4)
Plant and equipment	5.2	8.8
Fixtures and fittings	1.2	0.7
Total	**9.7**	**9.6**

[1] The significant parts of the assets under construction relate to plant and equipment.

Since 2015, approximately £25 million of development capital expenditure has been invested by the Group in an incremental programme across all three of its manufacturing plants to provide flexibility and improve quality, capacity and productivity. The incremental capital expenditure programme was completed in the current financial year.

Key capital expenditure in the year ended 31 December 2021 related to: investment in an additional hybrid production line and robotic systems at the manufacturing site in Turkey; production line upgrades at the UK manufacturing site; and vertical welding line upgrades at the manufacturing site in the Netherlands. Investments in warehousing facilities have also been made in Turkey and the UK.

Net debt

During the year ended 31 December 2021, the Group refinanced and repaid all legacy financing arrangements and shareholder loans, replacing them with a new three-year revolving credit facility of £80 million.

At 31 December 2021, statutory net debt (including IFRS 16 leases) of £50.2 million comprises £56.5 million drawn down against the revolving credit facility and £9.3 million finance leases net of £15.6 million cash.

At 31 December 2020, statutory net debt (including IFRS 16 leases) of £69.1 million comprised £67.6 million shareholder loans, a £1.8 million ABL revolving credit facility, £9.2 million ABL and Lombard term loans and £10.6 million finance leases net of £20.1 million cash.

	2021	2020
	£m	£m
Revolving credit facility	56.5	-
ABL revolving credit facility	-	1.8
ABL and Lombard term loans	-	9.2
Shareholder loans	-	67.6
Cash	(15.6)	(20.1)
Net debt before finance leases	**40.9**	**58.5**
Finance leases	9.3	10.6
Net debt	**50.2**	**69.1**

George Letham
Chief Financial Officer
14 March 2022

Consolidated income statement
for the year ended 31 December 2021

	Notes	2021 £'000	Unaudited 2020 £'000
Continuing operations			
Revenue	4	272,285	196,565
Cost of sales		(192,279)	(139,372)
Gross profit		80,006	57,193
Selling and distribution expenses		(35,478)	(31,265)
Administrative expenses (excluding exceptional items)		(11,584)	(11,741)
Exceptional items	4	(9,589)	-
Administrative expenses		(21,173)	(11,741)
Other operating income	5	3,204	5,356
Other operating expenses		-	(19)
Operating profit	4	26,559	19,524
Finance income		141	68
Finance costs	6	(10,379)	(10,405)
Profit before tax		16,321	9,187
Income tax expense	7	(1,661)	(488)
Profit for the year		14,660	8,699

	Notes	2021	2020
Earnings per share			
Basic	8	11.51p	6.83p
Diluted	8	11.51p	6.83p
Adjusted earnings per share			
Basic	8	16.92p	4.44p
Diluted	8	16.92p	4.44p

Consolidated statement of comprehensive income
for the year ended 31 December 2021

	Notes	2021	Unaudited 2020
		£'000	£'000
Profit for the year		14,660	8,699
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		5,192	1,337
Income tax effect	7	(1,235)	(286)
Exchange differences on translation of foreign operations		(26,072)	(8,890)
Net other comprehensive expense that may be reclassified to profit or loss in subsequent periods		(22,115)	(7,839)
Other comprehensive expense not to be reclassified to profit or loss in subsequent periods:			
Remeasurement losses on defined benefit plans		(141)	(317)
Income tax effect	7	35	70
Net other comprehensive expense not to be reclassified to profit or loss in subsequent periods		(106)	(247)
Other comprehensive expense for the year, net of tax		(22,221)	(8,086)
Total comprehensive (expense)/income for the year, net of tax attributable to owners of the parent		(7,561)	613

Consolidated balance sheet
as at 31 December 2021

	Notes	2021 £'000	Unaudited 2020 £'000
Assets			
Non-current assets			
Property, plant and equipment	10	53,694	61,024
Trade and other receivables	13	10	17
Deferred tax assets	7	6,284	4,342
		59,988	65,383
Current assets			
Inventories	12	56,781	30,986
Trade and other receivables	13	46,731	39,024
Income tax receivable		104	70
Cash and cash equivalents		15,563	20,083
		119,179	90,163
Total assets		179,167	155,546
Equity and liabilities			
Equity			
Share capital	16	127,353	65
Share premium	16	13,391	198
Merger reserve		(114,469)	940
Retained earnings		57,814	43,260
Foreign currency reserve		(57,177)	(35,062)
Total equity attributable to owners of the parent		26,912	9,401
Non-current liabilities			
Interest-bearing loans and borrowings	11	62,865	85,785
Deferred tax liabilities	7	126	-
Provisions	15	158	203
Net employee defined benefit liabilities		1,728	2,529
		64,877	88,517
Current liabilities			
Trade and other payables	14	83,883	53,658
Interest-bearing loans and borrowings	11	1,794	3,347
Income tax payable		1,522	431
Provisions	15	179	192
		87,378	57,628
Total liabilities		152,255	146,145
Total equity and liabilities		179,167	155,546

Consolidated statement of changes in equity

for the year ended 31 December 2021

	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 2020	65	198	940	34,808	(27,223)	8,788
Profit for the year	-	-	-	8,699	-	8,699
Other comprehensive expense for the year	-	-	-	(247)	(7,839)	(8,086)
Total comprehensive income/(expense)	-	-	-	8,452	(7,839)	613
At 31 December 2020 (Unaudited)	65	198	940	43,260	(35,062)	9,401
Profit for the year	-	-	-	14,660	-	14,660
Other comprehensive expense for the year	-	-	-	(106)	(22,115)	(22,221)
Total comprehensive income/(expense)	-	-	-	14,554	(22,115)	(7,561)
Shares issued on incorporation	50	-	-	-	-	50
"C" share redemption	(13)	-	-	-	-	(13)
Noosa share reorganisation	(50)	50	-	-	-	-
Share for share exchange – old	(2)	(248)	250	-	-	-
Share for share exchange – new	115,659	-	(115,659)	-	-	-
Shares issued	11,644	13,391	-	-	-	25,035
At 31 December 2021	127,353	13,391	(114,469)	57,814	(57,177)	26,912

Consolidated statement of cash flows
for the year ended 31 December 2021

	Notes	2021 £'000	Unaudited 2020 £'000
Operating activities			
Profit before tax		16,321	9,187
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation of property, plant and equipment	10	7,409	7,921
Gain on disposal of property, plant and equipment		(213)	(142)
Finance income		(141)	(68)
Finance costs	6	10,379	10,405
Working capital adjustments:			
Increase in trade and other receivables		(17,380)	(6,373)
(Increase)/decrease in inventories		(31,695)	3,681
Increase in trade and other payables		40,291	3,549
Increase in provisions		158	8
Movement in other financial assets and liabilities		-	(33)
Decrease in other pension provisions		(59)	(39)
Difference between pension charge and cash contributions		(22)	5
		25,048	28,101
Income tax paid		(3,734)	(1,927)
Interest received		141	68
Net cash flows from operating activities		21,455	26,242
Investing activities			
Proceeds from sale of property, plant and equipment		487	474
Purchase of property, plant and equipment	10	(8,646)	(8,640)
Net cash flows used in investing activities		(8,159)	(8,166)
Financing activities			
Transaction costs related to refinancing		(1,171)	(153)
Proceeds from external borrowings		56,500	-
Repayment of external borrowings		(11,001)	(6,999)
Repayment of shareholder loans		(76,528)	-
Settlement of deferred consideration		(202)	-
Payment of lease liabilities		(1,666)	(1,723)
Share capital issued		25,085	-
Share capital repaid – "C" shares		(13)	-
Interest paid		(779)	(684)
Net cash flows used in financing activities		(9,775)	(9,559)
Net increase in cash and cash equivalents		3,521	8,517
Net foreign exchange difference		(8,041)	(3,664)
Cash and cash equivalents at 1 January		20,083	15,230
Cash and cash equivalents at 31 December		15,563	20,083

Notes to the consolidated financial statements
for the year ended 31 December 2021

1 Group reorganisation

On 10 November 2021, the Company acquired the entire shareholding of Noosa Holdings Jersey Limited by way of a share for share exchange. Also on 10 November 2021, Noosa Holdings Jersey Limited made a dividend in specie of its investment in Stelrad Radiator Group Limited leaving the Company with two direct subsidiaries. The insertion of the Company on top of the existing Noosa Holdings Jersey Limited group does not constitute a business combination under IFRS 3 Business Combinations and instead has been accounted for as a common control transaction.

Under merger accounting principles, the assets and liabilities of the subsidiaries are consolidated at book value in the consolidated financial statements. The consolidated reserves of the Group have been adjusted to reflect the statutory share capital of the Company with the difference between the statutory share capital of the Company and that of Noosa Holdings Jersey Limited presented as the merger reserve.

These consolidated financial statements of the Group are the first set of financial statements for the newly formed Group and the prior period has been presented as a continuation of the former Noosa Holdings Jersey Limited group on a consistent basis as if the Group reorganisation had taken place at the start of the earliest period presented. The prior period comparatives are those of the former Noosa Holdings Jersey Limited group since no substantive economic changes have occurred.

2 Basis of preparation

The results for the year ended 31 December 2021, including comparative financial information, have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 (IFRS) and the applicable legal requirements of the Companies Act 2006. In addition to complying with international accounting standards in conformity with the requirements of the Companies Act 2006, the financial statements also comply with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

Stelrad Group plc ("the Company") has adopted all IFRS in issue and effective for the year.

While the financial information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of IFRS, this announcement does not itself contain sufficient information to comply with IFRS. The Company expects to publish full financial statements that comply with IFRS in March 2022.

The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 2021 but is derived from those accounts. Statutory accounts for 2021 will be delivered in due course. The auditors have reported on those accounts: their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain statements under s498 (2) or (3) of the Companies Act 2006.

The financial information presented in respect of the year ended 31 December 2021 has been prepared on a basis consistent with the financial information presented for the year ended 31 December 2020.

Notes to the consolidated financial statements
for the year ended 31 December 2021

Going concern
Having considered the Group's current trading, cash flow generation and debt maturity and applying severe but plausible stress testing scenarios including the impacts of Covid-19, the Directors have concluded that it is appropriate to prepare the consolidated financial statements on a going concern basis. Under a severe but plausible downside scenario, the Group remains within its debt facilities and its financial covenants until 31 December 2024. Based on 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.

Prior year comparatives
The financial statements for the year ended 31 December 2020, forming the comparative figures of the financial statements for the year ended 31 December 2021, are referenced as unaudited. Prior to the reorganisation, the Group was not in existence in its current form, as outlined in note 1. As Stelrad Group plc was not incorporated until October 2021, technically an audit of the comparatives in accordance with the Companies Act 2006 was not performed and hence no audit opinion was issued in respect of the consolidated financial statements of Stelrad Group plc for the year ended 31 December 2020. However, a statutory audit was performed and an audit opinion was issued on the consolidated financial statements of Noosa Holdings Jersey Limited for the year ended 31 December 2020 and on the consolidated financial statements of Stelrad Radiator Group Limited for the year ended 31 December 2020, which are publicly available. In addition, as part of the process of Admission to listing on the Official List and to trading on the London Stock Exchange, an accountant's report, undertaken by PricewaterhouseCoopers LLP, in accordance with the Standards for Investment Reporting 2000 issued by the Auditing Practices Board in the United Kingdom, was issued on the historical information included in the Prospectus. The accountant's report, dated 5 November 2021, included an unqualified opinion on the historical information presented.

3 Significant accounting judgements, estimates and assumptions

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

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

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

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

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

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

4 Segmental information

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

During the year ended 31 December 2021, the Group, led by the CODM, amended the way that it reports segments. Previously, there was deemed to be only one reportable segment, being the manufacture and distribution of radiators.

Adjusted operating profit is earnings before interest, tax, amortisation, exceptional items and foreign exchange differences.

Revenue by geographical market	**2021** **£’000**	**Unaudited** **2020** **£’000**
UK & Ireland	130,405	89,430
Europe	118,063	90,566
Turkey and International	23,817	16,569
Total revenue	272,285	196,565

Notes to the consolidated financial statements
for the year ended 31 December 2021

Adjusted operating profit by geographical market	2021 £'000	Unaudited 2020 £'000
UK & Ireland	21,589	8,618
Europe	12,929	9,821
Turkey and International	2,898	1,218
Central costs	(4,247)	(4,034)
Adjusted operating profit	33,169	15,623
Exceptional items	(9,589)	-
Foreign exchange differences	2,979	3,901
Operating profit	26,559	19,524

Non-current operating assets	2021 £'000	Unaudited 2020 £'000
UK	20,237	20,083
The Netherlands	23,606	26,841
Turkey	8,362	12,805
Other	1,489	1,295
Total	53,694	61,024

The exceptional items in the year ended 31 December 2021 are costs relating to professional advisers employed by the Group to explore the potential sale of the Group and to subsequently execute the IPO. These costs are one-off in nature and disclosing these costs as exceptional allows the true underlying performance of the Group to be more easily reviewed. There were no exceptional items in the year ended 31 December 2020.

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

One customer has revenues in excess of 10% of revenue (2020: one).

Notes to the consolidated financial statements
for the year ended 31 December 2021

5 Other operating income

	2021 £'000	Unaudited 2020 £'000
Net gain on disposal of property, plant and equipment	213	142
Foreign currency gains	2,575	3,306
Net gains on forward derivative contracts	404	595
Sundry other income	12	9
Government grant income	-	1,304
	3,204	5,356

6 Finance costs

	2021 £'000	Unaudited 2020 £'000
Interest on bank loans	370	449
Interest on ultimate shareholder loans	9,117	9,230
Amortisation of loan issue costs	178	80
Interest expense on defined benefit liabilities	260	263
Finance charges payable on lease liabilities	127	148
Other finance charges	327	235
	10,379	10,405

Notes to the consolidated financial statements
for the year ended 31 December 2021

7 Income tax expense

The major components of income tax expense are as follows:

	2021 £'000	Unaudited 2020 £'000
Consolidated income statement		
Current income tax:		
Current income tax charge	4,179	1,711
Adjustments in respect of current income tax charge of previous year	(68)	(59)
Deferred tax:		
Relating to origination and reversal of temporary differences	(2,095)	(853)
Relating to change in tax rates	(355)	(311)
Income tax expense reported in the income statement	1,661	488

	2021 £'000	Unaudited 2020 £'000
Consolidated statement of comprehensive income		
Tax related to items recognised in other comprehensive income/(expense) during the year:		
Deferred tax on actuarial loss	(35)	(70)
Current tax on monetary items forming part of net investment and on hedges of net investment	1,235	286
Income tax expensed to other comprehensive income/(expense)	1,200	216

Notes to the consolidated financial statements
for the year ended 31 December 2021

Reconciliation of tax expense and the accounting profit at the tax rate in the United Kingdom of 19% (2020: 19%):

	2021 £'000	Unaudited 2020 £'000
Profit before tax	16,321	9,187
Profit before tax multiplied by standard rate of corporation tax in the UK of 19% (2020: 19%):	3,101	1,746
Adjustments in respect of current income tax charge of previous year	(68)	(59)
Non-deductible expenses	2,715	1,640
Differences arising due to tax losses	(3,052)	(527)
Other timing differences	(271)	(428)
Benefit of overseas investment incentives	(1,723)	(1,974)
Effect of changes in overseas tax rates	(102)	(180)
Effect of different overseas tax rates	1,314	401
Effect of changes in UK deferred tax rate	(253)	(131)
Total tax expense reported in the income statement	1,661	488

Deferred tax

Deferred tax relates to the following:

	Consolidated balance sheet		Consolidated income statement	
	2021 £'000	Unaudited 2020 £'000	2021 £'000	Unaudited 2020 £'000
Capital allowances	579	530	(42)	1,336
Pension	414	526	134	67
Fixed asset fair value adjustments	(491)	(465)	(41)	(542)
Losses available for offsetting against future income	4,440	2,846	1,659	435
Other temporary differences	1,216	905	740	(134)
Deferred tax credit			2,450	1,162
Net deferred tax assets	6,158	4,342		
Reflected in the balance sheet as:				
Deferred tax assets				
Continuing operations	6,284	4,342		
Deferred tax liabilities				
Continuing operations	(126)	-		
Deferred tax assets, net	6,158	4,342		

Notes to the consolidated financial statements
for the year ended 31 December 2021

Reconciliation of deferred tax assets, net

	2021 £'000	Unaudited 2020 £'000
Opening balance as at 1 January	4,342	3,292
Tax income recognised in income statement	2,450	1,162
Tax income recognised in other comprehensive income/(expense)	35	70
Exchange adjustment	(669)	(182)
Closing balance as at 31 December	6,158	4,342

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 £581,000 (2020: £619,000) have been recognised in respect of one (2020: one) loss making subsidiary company; these are recognised on the grounds of future projected performance.

Deferred tax asset recognition
During the year the Group has chosen to recognise previously unrecognised deferred tax assets in relation to tax losses. The newly recognised losses are all post-April 2017 UK losses and the decision has been taken to recognise the losses in the year because the new capital structure of the Group post-IPO means that tax deductible interest will be lower which, along with higher UK profitability, will lead to these losses being utilised over a much shorter time frame.

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

	2021 £'000	Unaudited 2020 £'000
Capital allowances	29	22
Losses available for offsetting against future income	1,904	3,930
	1,933	3,952

The Group has tax losses which arose in the United Kingdom of £8,653,000 (2020: £20,684,000) 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 arose prior to April 2017 and have arisen in subsidiaries that are not profit making and there are no other tax planning opportunities or other evidence of recoverability in the near future.

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

Notes to the consolidated financial statements
for the year ended 31 December 2021

8 Earnings per share

	2021 £'000	Unaudited 2020 £'000
Net profit for the period attributable to owners of the parent	14,660	8,699
Exceptional items	9,589	-
Foreign exchange differences	(2,979)	(3,901)
Tax on exceptional items and foreign exchange differences	282	858
Adjusted net profit for the period attributable to owners of the parent	21,552	5,656

	2021	Unaudited 2020
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)	11.51	6.83
Diluted earnings per share (pence per share)	11.51	6.83
Adjusted earnings per share		
Basic earnings per share (pence per share)	16.92	4.44
Diluted earnings per share (pence per share)	16.92	4.44

The number of shares in issue is as at IPO as this reflects the underlying number of shares. The 2020 comparatives have been adjusted to align with the number of shares at IPO to allow for comparability.

9 Dividends

The Board is recommending a dividend of 0.96 pence per share (2020: nil), which, if approved, will mean a total dividend payment of £1,223,000.

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.

Notes to the consolidated financial statements
for the year ended 31 December 2021

10 Property, plant and equipment

	Freehold land and buildings £'000	Leasehold buildings £'000	Assets under construction £'000	Plant and equipment £'000	Fixtures and fittings £'000	Total £'000
Cost						
At 1 January 2020	23,223	10,082	4,987	46,798	6,967	92,057
Additions	26	523	6,568	2,175	271	9,563
Transfers	971	-	(8,016)	6,583	462	-
Disposals	-	-	(16)	(814)	(466)	(1,296)
Exchange adjustment	(491)	574	(111)	(1,781)	(220)	(2,029)
At 31 December 2020 (Unaudited)	23,729	11,179	3,412	52,961	7,014	98,295
Additions	138	546	6,379	1,724	863	9,650
Transfers	550	-	(4,400)	3,521	329	-
Disposals	-	-	(32)	(163)	(593)	(788)
Exchange adjustment	(2,589)	(706)	(591)	(10,137)	(694)	(14,717)
At 31 December 2021	21,828	11,019	4,768	47,906	6,919	92,440
Accumulated depreciation and impairment						
At 1 January 2020	8,162	920	-	16,977	4,595	30,654
Depreciation charge	859	1,146	-	4,887	1,029	7,921
Disposals	-	-	-	(545)	(419)	(964)
Exchange adjustment	(13)	66	-	(261)	(132)	(340)
At 31 December 2020 (Unaudited)	9,008	2,132	-	21,058	5,073	37,271
Depreciation charge	850	1,151	-	4,688	720	7,409
Disposals	-	-	-	(90)	(424)	(514)
Exchange adjustment	(556)	(160)	-	(4,340)	(364)	(5,420)
At 31 December 2021	9,302	3,123	-	21,316	5,005	38,746
Net book value						
At 31 December 2021	12,526	7,896	4,768	26,590	1,914	53,694
At 31 December 2020 (Unaudited)	14,721	9,047	3,412	31,903	1,941	61,024
At 1 January 2020	15,061	9,162	4,987	29,821	2,372	61,403

Notes to the consolidated financial statements
for the year ended 31 December 2021

The carrying value of right-of-use assets within property, plant and equipment, by line item, at the year end is:

	2021 £'000	Unaudited 2020 £'000
Leasehold buildings	7,814	8,937
Plant and equipment	911	1,240
Fixtures and fittings	638	511
	9,363	10,688

Right-of-use asset additions within property, plant and equipment, by line item, during the year are:

	2021 £'000	Unaudited 2020 £'000
Leasehold buildings	543	407
Plant and equipment	79	357
Fixtures and fittings	382	159
	1,004	923

Depreciation of right-of-use assets within property, plant and equipment, by line item, during the year is:

	2021 £'000	Unaudited 2020 £'000
Leasehold buildings	1,127	1,141
Plant and equipment	348	295
Fixtures and fittings	204	308
	1,679	1,744

Land and buildings with a carrying amount of £10,890,000 (2020: £3,879,000) 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.

Notes to the consolidated financial statements

for the year ended 31 December 2021

11 Financial liabilities

Financial liabilities – interest-bearing loans and borrowings

	Effective interest rate %	Maturity	2021 £'000	Unaudited 2020 £'000
Current interest-bearing loans and borrowings				
Lease liabilities			1,794	1,660
ABL term loan facility	Libor/Euribor + 2.25%	18 Dec 2022	-	561
Lombard facility	Libor + 2.50%	Jul 2024	-	1,187
Unamortised loan costs			-	(61)
			1,794	3,347
Non-current interest-bearing loans and borrowings				
Lease liabilities			7,524	8,955
Ultimate shareholder loans	15%	25 Sep 2033	-	67,411
Deferred consideration – shares			-	202
ABL term loan facility	Libor/Euribor + 2.25%	18 Dec 2022	-	3,853
ABL revolving credit facility	Libor/Euribor + 1.50%	18 Dec 2022	-	1,798
Lombard facility	Libor + 2.50%	Jul 2024	-	3,626
Revolving credit facility	SONIA + 2.25%	9 Nov 2026	56,500	-
Unamortised loan costs			(1,159)	(60)
			62,865	85,785
Total interest-bearing loans and borrowings			64,659	89,132

The ultimate shareholder loans consist of two amounts: i) an amount funded by the ultimate controlling party of the Group, The Bregal Fund III LP; and ii) an amount funded by certain managers of the Company. The loan notes issued by The Bregal Fund III LP were listed on the Channel Islands Securities Exchange. The shareholder loans were repaid during the year ended 31 December 2021 as part of the Group reorganisation with the loan notes issued by The Bregal Fund III LP delisted as part of this transaction.

On 10 November 2021, the Group refinanced its external debt as part of the IPO; consequently the Group had three external debt facilities during the year:

i) a £32.9 million asset-based lending ("ABL") facility with the Royal Bank of Scotland Invoice Finance, consisting of a £28.0 million revolving credit facility and a £4.9 million term loan facility, which was repaid on 10 November 2021;
ii) a term loan facility with Lombard North Central PLC ("Lombard"), which was repaid on 10 November 2021; and
iii) an £80 million revolving credit facility ("RCF") jointly financed by National Westminster Bank plc and Barclays PLC, which was first drawn on 10 November 2021.

The ABL facility was a cross-collateral agreement secured on specific assets of certain Group companies. Certain companies that are party to the agreement were able to draw borrowings that were secured on assets elsewhere in the Group. As part of the facility the Group drew down the following borrowings in the year:

- a term loan secured on the land and buildings and plant and machinery of certain Group companies; and
- a revolving credit facility secured on the inventory and receivables of certain Group companies.

The Lombard facility was secured on the plant and machinery of certain Group companies.
All of the security held under the ABL and Lombard facilities was released as part of the refinancing on 10 November 2021.

The £80 million revolving credit facility is secured on the assets of certain subsidiaries within the Group.

The shareholder loans and accrued interest balances were repaid on 10 November 2021 as part of the Group reorganisation. As a result the ultimate shareholder loan balance, after including accrued interest, at 31 December 2021 is £nil (2020: £67,411,000). Prior to 10 November 2021 further interest of £9,117,000 was accrued during 2021 (2020: £9,230,000 further interest was accrued).

The £202,000 deferred consideration, which arose in 2015 following the sale of a business, was repaid on 15 October 2021 (2020: £202,000 deferred consideration outstanding).

12 Inventories

	2021 £'000	Unaudited 2020 £'000
Raw materials – cost	18,647	10,756
Work in progress – cost	1,293	829
Finished goods – lower of cost and net realisable value	34,181	16,778
Other consumables	2,660	2,623
	56,781	30,986

The cost of inventories recognised as an expense in the year was £192,279,000 (2020: £138,859,000). The provision for the impairment of stocks decreased in the year giving rise to a credit of £127,000 (2020: credit of £28,000). At 31 December 2021 the provision for the impairment of stocks was £1,534,000 (2020: £1,815,000).

13 Trade and other receivables

	2021 £'000	Unaudited 2020 £'000
Current		
Trade receivables	42,749	35,658
Other receivables	3,314	2,912
Prepayments	668	454
	46,731	39,024
Non-current		
Trade receivables	10	17

The table below sets out the movements in the allowance for expected credit losses of trade receivables:

	2021 £'000	Unaudited 2020 £'000
At 1 January	130	105
Charge for the year	108	52
Utilised	(23)	-
Unused amounts reversed	-	(23)
Exchange adjustment	(11)	(4)
At 31 December	204	130

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
2021					
Gross carrying amount	42,963	38,014	1,464	2,645	840
Expected credit loss rate (%)	-	-	1	4	10
Expected credit loss	204	-	15	106	83
2020 (Unaudited)					
Gross carrying amount	35,805	31,771	1,408	1,739	887
Expected credit loss rate (%)	-	-	1	3	7
Expected credit loss	130	-	14	53	63

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14 Trade and other payables

	2021 £'000	Unaudited 2020 £'000
Current		
Trade payables	57,751	31,331
Other payables and accruals	22,198	16,844
Other taxes and social security	3,858	5,452
Interest payable	76	31
	83,883	53,658

15 Provisions

	Warranty £'000	Unused vacation £'000	Total £'000
At 1 January 2020	70	425	495
Arising during the year	26	372	398
Utilised	(34)	(345)	(379)
Unused amounts reversed	-	(10)	(10)
Exchange adjustment	(12)	(97)	(109)
At 31 December 2020 (Unaudited)	50	345	395
Arising during the year	30	397	427
Utilised	(28)	(223)	(251)
Unused amounts reversed	-	(19)	(19)
Exchange adjustment	(17)	(198)	(215)
At 31 December 2021	35	302	337
Current	14	165	179
Non-current	21	137	158

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.

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16 Share capital and reserves

During the year, the Company carried out a reorganisation of its share capital to facilitate a listing to the premium segment of the Official List of the Financial Conduct Authority and to trade on the London Stock Exchange Main Market for listed securities. This is described below in the detail on transactions in the year.

	2021 Number	2021 £	Unaudited 2020 Number	Unaudited 2020 £
Authorised, called up and fully paid				
Ordinary shares of £1 each	127,352,555	127,352,555	-	-
Ordinary “A” shares of £0.01 each	-	-	200,000	2,000
Ordinary “B” shares of £1 each	-	-	50,000	50,000
Ordinary “C” shares of £1 each	-	-	13,000	13,000
		127,352,555		65,000

The movements in the ordinary share capital during the year ended 31 December 2021 were as follows:

	Shares Number	Share capital £
At 1 January 2021 (Unaudited)	263,000	65,000
Issued on incorporation of Stelrad Group plc	50,000	50,000
Redemption of ordinary “C” shares	(13,000)	(13,000)
Noosa Holdings Jersey Limited share reorganisation	-	(49,500)
Share for share exchange:		
• Noosa Holdings Jersey Limited	(250,000)	(2,500)
• Stelrad Group plc	115,658,370	115,658,370
Shares issued	11,644,185	11,644,185
At 31 December 2021	127,352,555	127,352,555

Transactions in the year

On incorporation on 8 October 2021, Stelrad Group plc (the “Company”) issued 50,000 ordinary shares with a nominal value of £1 each for a total cash consideration of £50,000. This was paid up in full on 10 November 2021.

On 15 October 2021, Noosa Holdings Jersey Limited redeemed its 13,000 ordinary “C” shares at par value.

On 10 November 2021, the following transactions arose:

- Noosa Holdings Jersey Limited redesignated its 200,000 ordinary “A” shares as 200,000 ordinary shares of £0.01 each.
- Noosa Holdings Jersey Limited split its 50,000 ordinary “B” shares as 50,000 ordinary shares of £0.01 each and 50,000 deferred redeemable shares of £0.99 each. The 50,000 deferred redeemable shares of £0.99 each were immediately redeemed with the credit applied to share premium.
- The Company acquired 100% of the ordinary shares of Noosa Holdings Jersey Limited by way of a share for share exchange by issuing 115,658,370 ordinary shares of £1 each to the shareholders of Noosa Holdings Jersey Limited.
- The Company issued an additional 11,644,185 ordinary shares of £1 each at a value of £2.15 giving rise to a share premium of £13,391,000.

Subsequent to the year end, 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 will be transferred to retained earnings.

17 Commitments and contingencies

Commitments
Amounts contracted for but not provided in the financial statements amounted to £1,389,000 (2020: £657,000) 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 $30,089,000 (2020: $6,814,000) and $40,518,000 (2020: $29,256,000) respectively. Termo Teknik Ticaret ve Sanayi A.S. has also issued letters of guarantee denominated in Turkish Lira totalling TL9,497,000 (2020: TL7,002,000).

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 2021 is £nil (2020: £nil).

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 £nil (2020: £nil).

As part of the new £80 million revolving credit facility, entered into in November 2021, 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.

18 Related party disclosures

Prior to admission to the London Stock Exchange on 10 November 2021, the ultimate controlling party was The Bregal Fund III LP.

The ultimate shareholder loans bore interest at 15% and consisted of two amounts: i) an amount funded by the ultimate controlling party of the Group, The Bregal Fund III LP; and ii) an amount funded by certain managers of the Company.

The value of the loans at 31 December 2020 was £67,411,000, including accrued interest of £28,000 (The Bregal Fund III LP: £56,932,000; managers: £10,479,000).

During 2021 interest was accrued totalling £9,117,000 (2020: £9,230,000) (The Bregal Fund III LP: £7,700,000 (2020: £7,795,000); managers: £1,417,000 (2020: £1,435,000)).

The value of the loans at 31 December 2021 was £nil, due to repayment of the shareholder loans and all accrued interest totalling £76,528,000 (The Bregal Fund III LLP: £64,632,000; managers: £11,896,000) as part of the Group reorganisation on 10 November 2021.

The Group owed deferred consideration to shareholders related to the sale of a business of £nil (2020: £202,000 (The Bregal Fund III LP: £171,000; managers: £31,000)). The deferred consideration to shareholders was repaid on 15 October 2021.

Under the ownership agreement, before the Group reorganisation, the Group was charged a monitoring fee of £200,000 per annum by Bregal Capital LLP, which was the management company of the ultimate controlling party of the Group, The Bregal Fund III LP. An amount of £nil (2020: £nil) was accrued for this at the year end.

During the year the Group spent £9,000 (2020: £24,000) on purchases from Polypal Netherlands BV (whose ultimate controlling party is also The Bregal Fund III LP); the balance outstanding at the year end was £nil (2020: £nil).

The key management personnel are considered to be the 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:

	2021 £'000	Unaudited 2020 £'000
Short-term employment benefits	2,175	2,388