RNS Number : 9320Z
Strip Tinning Holdings PLC
20 September 2022

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Strip Tinning Holdings plc

("Strip Tinning" or the "Company")

Interim Results

Strip Tinning Holdings plc (AIM: STG), a leading supplier of specialist connection systems to the automotive sector, is pleased to announce the unaudited results for Strip Tinning Limited ("STL") the Group's wholly owned operating subsidiary for the six months ended 30 June 2022[1].

Key Financials:

- Total Revenues of £4.7m (H1 2021 :£5.8m)
- EV product sales of £0.6m (H1 2021: £0.1m)
- Glazing product sales of £4.1m (H1 2021: £5.7m)
- Combined Gross Margin of £0.4m / 9% (H1 2021: £2.3m / 40%)
- Like for like adjusted[2] EBITDA loss of £1.4m versus profit of £1.1m in H1 2021
- Reported loss after tax of £2.5m compared to reported profit on £0.1m in H1 2021
- Cash of £3.1m with asset finance borrowings of £1.5m (Net cash £1.6m positive versus negative £0.7m in H1 2021)
- Basic EPS of (£0.18)[3] (H1 2021: £0.01[4])

[1]The Company was incorporated on 6 January 2022 as Strip Tinning Holdings Limited and on 7 February re-registered as public company changing its name to Strip Tinning Holdings plc, ahead of its admission to AIM. The Company is the holding company of the Group. Save for the Company and STL there are no other companies within the Group.
[2]adjusted for FX impacts, share based payments, and IPO exceptionals plus £0.2m of PLC costs not relevant in H1 2021
[3]based on weighted average shares
[4]based on shares in Strip Tinning Limited immediately prior to IPO

Operational updates:

- Increased sales across EV side of the business highlight the continuing focus of vehicle manufacturers on electric ranges, a continuing trend which the Company is well-positioned to benefit from
- 10-year supply agreement for €3m incremental Busbar sales with second biggest customer
- Glazing revenues hampered due to the deterioration in the automotive sector as a result of well publicised external factors heightened by Russia's invasion of Ukraine
- Prudent action taken to accelerate the capture of the EV opportunity as well as profitability in Glazing, with investment into people, operations and product
- Strengthened management team with extensive experience within the sector

Post period end developments:

- Confirmation of successful government grant application worth £1.4m, over the period to January 2024, to support production scale up of the EV business
- Successful set-up of employee Share Incentive Plan, comprising a free share award based on length of service for all employees with service of 6 months as at 30 September 2022 to reward loyalty and aid retention of key skills
- Termination of contract with a Croatian electric vehicle technology innovator for the supply of cell management systems to a leading German OEM
- Subsequent to successful delivery and completion of milestones on major EV series production programme, Purchase Order for £0.5m received for next build phase
- 5-year nomination to provide Glazing connectors for panoramic roofs of the new range of electric BMW iX vehicles expected to generate revenues for FY 2023 of c. $1.2m
- Securing a low volume, high margin prototype order from a EV new entrant

Board Changes

- Adam Robson to move to Executive Chairman with immediate effect
- Appointment made in order to leverage Adam's long standing relationships within the sector and explore partnerships to accelerate EV division progress

Richard Barton, Group Chief Executive Officer of Strip Tinning, commented:

"In spite of a challenging backdrop, in which the automotive sector has sharply declined amidst sector-wide headwinds, the Board still retains a strong degree of confidence in the medium-term prospects of the business, typified by the recent £1.4 million government grant award, which will be used to scale up EV production and increase market share.

Although the EV contract termination request is an undoubted setback for the EV division as it provided a visible validation of the Strip Tinning EV product offering, the business is working hard to ensure that the contract is respected and a fair settlement is reached. With a fast-growing pipeline across the EV side of the business, we look forward to progressing further and continuing on our growth trajectory.

The Glazing side of our business has been impacted by the wider decline in the automotive sector, catalysed by global supply chain disruptions, higher inflation in material and labour costs, Russia's invasion of Ukraine and Covid-19 lockdowns in Shanghai, all only partially offset by price increases. That said, thanks to operational adjustments and productivity improvements, we are starting to see an improving picture and progress made in sales developments but we continue to monitor progress carefully with a view to optimising the focus of our activities across Glazing and EV.

We are strengthened by a robust cash position, an established reputation within the automotive sector and a highly experienced management team. I am confident in the continued growth of our EV division and further improvements in Glazing."

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Strip Tinning Holdings

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Chief Executive's Report

Introduction

I would like to take this opportunity to thank our shareholders for their continued support and advice. In the face of what has been a challenging backdrop, in which the business has had to deal with the implications of Russia's invasion of Ukraine, spiralling inflation, and the softening of the automotive sector, to have such continuing support is highly appreciated and an endorsement of Strip Tinning's significant growth potential.

Although the business has not been able to advance as quickly as we would have liked in some areas, and has had a setback in EV, there is plenty to be optimistic about. The strength of our relationships with our Glazing customers built over many years remain very strong and we are confident that this line of our business will recover in line with the wider recuperation of the automotive sector. We are seeing a strong pipeline of opportunities within the EV division and are well positioned to exploit the opportunities which we anticipate to receive in such a fast-growing space.

I am delighted that Adam Robson has agreed to take on an executive role within the business. As a Board we have been impressed by his automotive experience and believe that he can add significant value in a more hands on role, particularly in identifying and progressing potential partnership opportunities that could accelerate our growth in the EV market.

I would also like to take this opportunity to thank the entire Strip Tinning team for their continued hard work. In the face of an unprecedented backdrop, the resilience of the business reflects the quality and diligence of all our people and on behalf of the Board, I wish to offer them my sincere thanks.

Review of Operations

EV

EV revenues in H1 increased to£0.6m (H1 2021: £0.1m) reflecting strong progress on this side of the business, and the Company is well-positioned to exploit further growth opportunities within the fast-growing EV space. The request to terminate the contract signed in December 2021 with a technology developer to supply series production parts to a major German OEM with a Start of Production date in H2 2023 is clearly disappointing. Negotiations have begun with the contracted party to settle the liabilities arising from the decision and we will provide further information as these progress.

This aside, the opportunity for the EV division continues to grow and we remain very confident in its future. All other EV programmes are progressing towards expected milestones, with indications that volumes will exceed original forecasts. During H1 we started shipping production parts to two customers for use on their niche high performance vehicles, and we have received the nomination to supply the production parts on a third niche vehicle. We also continued to deepen our connection with our key UK technology development customers, with whom we have nominations to supply the production parts on five vehicles and from who we have had orders worth £0.9m for samples to be delivered in 2022. Beyond these customers, we have a further four projects for major OEM customers with whom we are actively engaged at the quotation stage. In the first half of the year we started working with a German business development adviser who is helping us to market our growing proposition within the EV market. He has proved instrumental in our progress with these new major potential European OEM customers.

The recent government funded grant award of£1.4 million through the Advanced Propulsion Centre ("APC") Scale-up Readiness Validation ("SuRV") competition underpins this confidence and is the foundation for further grant applications, the first of which under the APC's Faraday programme we have applied for in partnership with one of our key UK customers. The grant will be used in its totality to fund the development and validation of a pilot production system for the manufacturing of our Cell Contacting and Management System (CCMS) product, and will be received via six quarterly drawdowns covering the period to end of January 2024. The CCMS product is an integral part of the power electronics system in battery electric vehicles, providing electrical connectivity and utilising an array of sensors and other surface mount electronics devices to monitor the performance and safety of batteries. The project will produce a pilot production line capable of 80,000 units per year, presenting a clear route to scale up and increased market share. The Company continues to explore further grant opportunities.

Glazing

Revenues in Glazing decreased to£4.1m (H1 2021: £5.7m) due to the macro-economic conditions which continue to affect the automotive industry. Despite these challenges, our relationships with our customer base built over many years remain particularly strong and we do not believe that there has been any impact to Strip Tinning's market share. As well as reduced volumes in the first half of the year, margins have been impacted by higher costs of raw materials, labour, energy and shipping. They have also suffered from an adverse mix change as customers have destocked busbar during the early months of the year.

Despite these difficulties, there continue to be a number of reasons for optimism within the Glazing division. Mark Perrins joined us as Managing Director of the division in February in line with our plans stated at the time of IPO. Mark brings with him 20 years of Tier 1 automotive senior management production experience, with a particular focus on quality and process improvement. Since joining and as part of a review into our product ranges, he has been identifying those areas in which we can most effectively invest and focus our improvement activities, as well as those that are most difficult to improve.

Alongside the previously announced 10 year deal for increased Busbar volumes withSisecam Automotive worth an incremental €0.3m per year, we have also commenced trials with a potential new busbar customer which provides an opportunity for significant growth. Furthermore, the Company will benefit in H2 and beyond from price increases agreed with customers coming into effect.

Our growing reputation for delivering innovative connectors to the EV market was also evidenced by the award in July of a 5 year nomination for a BMW electric vehicle line. This contract is due to commence in Q4 of FY22 and is expected to generate revenues for the full year ending 31 December 2023 of circa $1.2 million. Additionally, we were pleased to announce a 45% connector volume uplift on a 5-year nomination for use across the Skoda electric vehicle range.

We plan to increasingly focus on higher margin products where we can generate a return in spite

We plan to increasingly focus on higher margin products where we can generate a return in spite of higher raw material, energy and labour costs, whilst retaining the ability to ramp up production across all product ranges when conditions normalise.

Outlook

Sales in the second half of 2022 continue to improve. However, the rate of market recovery has been slower than previously envisaged and the business has now also stopped production of some low margin Glazing products.

EBITDA losses have been steadily reducing and this trend is expected to materially continue into the second half of 2022. However, with lower sales than previously anticipated and harsher headwinds from market weakness, high inflation and slower progress than expected on automation, the Board still expects that EBITDA in the second half of 2022 will remain negative.

Beyond 2022, external headwinds are expected to remain and trading in the Glazing business overall will remain challenging. However, the Board believes that further improvements can be made and that the business is well placed to benefit as these changes are delivered into 2023 when eventually the headwinds ease and conditions normalise.

The loss of the EV production supply contract with the technology developer will have a minimal impact this financial year, but the short-term outlook for the EV division is subject to ongoing discussions with the customer to resolve contractual liabilities.

The medium to long-term prospects for the EV division and the Group as a whole continue to be very positive as discussed above. With our reputation for innovation and excellence, our world-class customer base and increasing exposure to the fast-growing EV industry, we are well placed to succeed.

Financial Review

	Unaudited six months ended 30 June 2022 £'000	**Unaudited six months ended 30 June 2021 £'000**
Revenue	4,677	5,815
Gross profit	410	2,351
EBITDA	**(1,420)**	**1,087**
PLC costs	(216)	
Exceptional IPO related expenses	(382)	(91)
Other Exceptional expenses	(91)	
FX	43	(114)
Share Based Payments	(62)	(38)
Depreciation	(687)	(342)
Amortisation	13	(69)
Operating Profit / (Loss)	**(2,802)**	**433**

Glazing sales declined £1.6m / 28% compared to H1 2021. This decline reflected the overall 14% reduction in passenger vehicle registrations versus the comparable period in 2021 reported by ACEA, compounded by Strip Tinning's direct exposure to 3 glazing plants owned by multinational glazing customers located in Russia which have not been calling off product following the Russian invasion of Ukraine.

Busbar accounted for £1.3m of the sales decline as customers unwound stock holdings from 2021 with the declines in the production of new vehicles. This had a significant impact on overall gross margin for the group in H1.

In common with the wider economy, the business has experienced significant inflationary pressures for materials (metals and plastics). London Metal Exchange (LME) copper and tin prices peaked in H1 2022 at US$10,730 / US$50,050 at 15% / 53% higher respectively than 2021 averages. By 30th June 2022, prices had fallen back to US$8,245 / US$27,050 (below 2021 average prices) and the LME stock index had increased. This indicated less demand pressure, which is a positive, especially in conjunction with the additional sources of supply the business has been developing to diversify supply and improve pricing. The weakening of the £ versus the € and US$ is also helpful to cash flows as the majority of sales are in these currencies versus the majority of costs remaining in GBP.

The tight labour market in the UK has also resulted in the need for over-time and more expensive agency staff to cover production staffing requirements. The well-publicised cost of living pressures have led to an average pay rise of 6%, lifting production worker pay above the National Living Wage, to assist with retention and recruitment. Investment into engineering, quality and programme management has also increased administrative costs. Direct labour costs have been, and remain, the biggest challenge to profitability in the glazing connector business, particularly as disruption to planned production from material or staff shortages inevitably leads to premium freight costs to ensure customer schedules are met.

The reduced sales and gross margin % therefore provided insufficient contribution to cover the overhead cost base that has been built up in the previous 12 months to support the EV growth strategy and PLC structure, resulting in the £1.6m EBITDA loss for the period (inclusive of all PLC costs incurred).

Cash stood at £3.1m as at 30 June 2022. Together with the government grant award to assist with the scale-up of the EV business and R&D Tax Credit claims in preparation, this underpins the investment programme to meet the requirements of customers.

Statement of Comprehensive Income for the six months ended 30 June 2022

	Note	Unaudited Six months ended 30 June 2022 £'000	Unaudited Six months ended 30 June 2021 £'000
Revenue	**3**	4,677	5,815
Cost of sales		(4,267)	(3,464)
Gross profit		410	2,351
Other operating income		-	17
Administrative expenses excluding exceptional costs		(2,830)	(1,844)
Exceptional IPO related expenses	**4**	(382)	(91)
Total administrative expenses		(3,212)	(1,935)
Operating (loss)/profit		(2,802)	433
Finance costs		(81)	(64)
(Loss)/profit before taxation		(2,883)	369
Taxation	**5**	412	(248)
(Loss)/profit and total comprehensive (expense)/income for the period		(2,471)	121
(Loss)/earnings per share (pence)			
Basic and diluted	**7**	(17.8)	1.21

Consolidated statement of Financial Position as at 30 June 2022

	Notes	Unaudited 30 June 2022 £'000	Audited 31 December 2021 £'000	Unaudited 30 June 2021 £'000
ASSETS				
Non-current assets				
Intangible assets		1,489	1,561	1,080
Right-of-use assets		1,287	1,142	1,161
Property, plant and equipment		2,936	3,089	3,003
		5,712	5,792	5,244
Current assets				
Inventories		2,316	2,014	2,090
Trade and other receivables		2,155	3,778	2,622
Corporation tax receivable		353	279	90
Cash and cash		3,134	337	566

	Note			
Cash and cash equivalents		[illegible]	[illegible]	[illegible]
		7,958	6,408	5,368
Total assets		**13,670**	**12,200**	**10,612**
LIABILITIES				
Current liabilities				
Trade and other payables		(1,678)	(4,413)	(1,991)
Hire purchase liabilities		(567)	(559)	(490)
Lease liabilities		(177)	(152)	(104)
		(2,422)	(5,124)	(2,585)
Non-current liabilities				
Accruals and deferred income		(137)	(162)	(219)
Hire purchase liabilities		(945)	(1,235)	(815)
Lease liabilities		(1,099)	(1,104)	(1,165)
Provisions	**8**	(222)	-	-
Deferred tax liabilities		-	(338)	(835)
		(2,403)	(2,839)	(3,034)
Total liabilities		**(4,825)**	**(7,963)**	**(5,619)**
Net assets		**8,845**	**4,237**	**4,993**
EQUITY				
Share capital	**9**	151	100	100
Share premium account		6,966	-	-
Merger reserve		(100)	(100)	(100)
Retained earnings		1,828	4,237	4,993
Total equity		**8,845**	**4,237**	**4,993**

Consolidated statement of changes in equity

	Share capital £'000	**Share premium £'000**	**Merger reserve £'000**	**Retained earnings £'000**	**Total equity £'000**
At 1 January 2021	100	-	(100)	5,104	5,104
Profit and total comprehensive income for the period	-	-	-	121	121
Share based payment	-	-	-	38	38
Dividends paid	-	-	-	(270)	(270)
At 30 June 2021	**100**	-	**(100)**	**4,993**	**4,993**
Loss and total comprehensive expense for the period	-	-	-	(946)	(946)
Share based payment	-	-	-	107	107
Share options deferred tax credit				225	225
Dividends paid	-	-	-	(142)	(142)
At 31 December 2021	**100**	-	**(100)**	**4,237**	**4,237**
Loss and total comprehensive expense for the period	-	-		(2,471)	(2,471)
Shares issued in the period	51	6,966	-	-	7,017
Share based payment	-	-	-	62	62
At 30 June 2022	**151**	**6,966**	**(100)**	**1,828**	**8,845**

Consolidated statement of cash flows for the six months ended 30 June 2022

	Unaudited	**Unaudited**

	Six months ended 30 June 2022 £'000	Six months ended 30 June 2021 £'000
Cash flow from operating activities		
(Loss)/profit for the financial period	(2,471)	121
Adjustment for:		
Depreciation of property, plant and equipment	285	267
Depreciation of right-of-use assets	171	75
Amortisation of intangible assets	229	84
Amortisation of government grants	(13)	(15)
Share based payment	62	38
Finance costs	81	64
Taxation (credit)/charge	(412)	248
Changes in working capital:		
(Increase) in inventories	(302)	(568)
Decrease/(increase) in trade and other receivables	1,623	(449)
(Decrease)/increase in trade and other payables	(2,707)	641
Cash (used in)/generated from operations	(3,454)	506
Income tax paid	-	-
Net cash (used in)/from operating activities	(3,454)	506
Cash flow from investing activities		
Purchase of property, plant and equipment	(132)	(357)
Purchase of intangible assets	(157)	(144)
Net cash used in investing activities	(289)	(501)
Cash flow from financing activities		
Shares issued (net of issue costs)	7,017	-
Dividends paid to shareholders	-	(270)
Interest paid	(81)	(64)
Payment of lease liabilities	(114)	(57)
Repayment of capital element of hire purchase contracts	(282)	(278)
Net cash generated from/(used in) financing activities	6,540	(669)
Increase/(decrease) in cash and cash equivalents	2,797	(664)
Net cash and cash equivalents at beginning of the period	337	1,230
Net cash and cash equivalents at end of the period (all cash balances)	3,134	566

Notes to the interim financial statements for the six months ended 30 June 2022

1. Corporate information

Strip Tinning Holdings plc is a public company incorporated in the United Kingdom. The registered address of the Company is Arden Business Park, Arden Road, Frankley Birmingham, West Midlands, B45 0JA.

The principal activity of the Company and its subsidiary (the 'Group') is the manufacture of automotive busbar, ancillary connectors and flexible printed circuits.

2. Accounting policies

Basis of preparation
This unaudited consolidated interim financial information for the six months ended 30 June 2022 and 30 June 2021 has been prepared in accordance with IFRS as adopted by the United Kingdom including IAS 34 'Interim Financial Reporting'.

The accounting policies applied by the Group include those as set out in the financial statements for the subsidiary company, Strip Tinning Limited, for the year ended 31 December 2021 and are consistent with those to be used by the Group in its next financial statements for the year ending 31 December 2022. In addition to the policies presented in the 2021 financial statements, the Group will apply the policies below applicable to consolidated financial statements and the Company becoming the parent company for Strip Tinning Limited. There are no new standards, interpretations and amendments which are not yet effective in these financial statements, expected to have a material effect on the Group's future financial statements.

The financial information does not contain all of the information that is required to be disclosed in a full set of IFRS financial statements. The financial information for the six months ended 30 June 2022 and 30 June 2021 is unreviewed and unaudited and does not constitute the Group or Company's statutory financial statements for those periods.

periods.

The comparative financial information for the full year ended 31 December 2021 has, however, been derived from the audited statutory financial statements for Strip Tinning Limited for that period. A copy of those statutory financial statements has been delivered to the Registrar of Companies. The auditor's report on those accounts was unqualified and did not contain a statement under section 498(2)-(3) of the Companies Act 2006.

These policies have been applied consistently to all periods presented, unless otherwise stated.

The interim financial information has been prepared under the historical cost convention with the exception of the fair values applied in accounting for share based payments. The financial information and the notes to the historical financial information are presented in thousands of pounds sterling ('£'000'), the functional and presentation currency of the Company, except where otherwise indicated.

Merger accounting and consolidated financial statements

The Company was incorporated on 6 January 2022 with one £0.01 ordinary share and on 2 February 2022, became the Group parent company when it issued 9,999,999 £0.01 ordinary shares in exchange for all the ordinary shares in Strip Tinning Limited. In addition, options over ordinary shares in Strip Tinning Limited were converted, on equivalent terms, to options over 813,045 shares in the Company. This is considered not to be a business combination and outside the scope of IFRS3. This is a key judgement. and as a transaction where there was no change in the shareholders or holdings is accordingly accounted for using merger accounting with no change in the book values of assets and liabilities with no fair value accounting applied.
The consolidated financial statements present the results of the Company and its subsidiary as if they have always formed a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full. The share capital presented is that of Strip Tinning Holdings plc with the difference on elimination of Strip Tinning Limited's capital being shown as a merger reserve.

A subsidiary is an entity over which the Group has control. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Going concern

The directors have considered the principal risks and uncertainties facing the business, along with the company's objectives, policies and processes for managing its exposure to financial risk. In making this assessment the directors have prepared cash flows for the foreseeable future, being a period of at least 12 months from the expected date of approval of the financial information. These forecasts show that the Company should be able to manage its working capital and existing resources to enable it to meet its liabilities as they fall due.

Based on the above factors, the directors have prepared the interim financial information on a going concern basis.

3. Segmental and geographical destination reporting

IFRS 8, Operating Segments, requires operating segments to be identified on the basis of internal reports that are regularly reviewed by the company's chief operating decision maker. The chief operating decision maker is considered to be the executive Directors.

The Group previously comprised only one operating segment for the sale of automotive circuit components for glazing products. The operating segments are monitored by the chief operating decision maker and strategic decisions are made on the basis of adjusted segment operating results. All assets, liabilities and revenues are located in, or derived in, the United Kingdom. However, the Company has commenced the development and initial sales of products for electric vehicles ('EV') which are expected to grow to be a material segment. Separate management reporting and information has now been prepared in the period to 30 June 2022 at a revenue and gross profit level only as follows:

6 months ended 30 June 2022	**Glazing £'000**	**EV £'000**	**Total £'000**
Revenue	4,089	588	4,677
Cost of sales	(3,736)	(529)	(4,265)
Gross profit	353	57	410

Some estimated information for EV was derived for the six months ended 30 June 2021 showing sales of £135,000, net costs of about £260,000 and hence a loss of £125,000 as a result of the increasing investment and development in this area.

In the six months ended 30 June 2022 the company had 4 major customers who represented 22%, 19%, 12% and 8% of revenue (2021:4 customers who represented 27%, 17%, 14% and 9% of revenue).

All revenue arises at a point in time and relates to the sale of automotive busbar, ancillary connectors and flexible printed circuit product. Turnover by geographical destination is as follows:

	Six months ended 30 June 2022 *£'000*	**Six months ended 30 June 2021 £'000**
Europe	3,260	2,886
Rest of the World	1,417	2,929
	4,677	5,815

4. Exceptional costs

	Six months ended 30 June 2022	**Six months ended 30 June 2021**

	£'000	£'000
IPO related costs	382	91

The directors consider that the specific professional fees and costs incurred in preparation for the IPO and connection with the admission process are exceptional as they are non-recurring in nature and not related to the underlying trading. The majority of the fees (£1.077m) have been taken against share premium as they relate to the new shares issued, with the balance expensed and classified as an exceptional cost.

5. Income tax

	Six months ended 30 June 2022 *£'000*	**Six months ended 30 June 2021** *£'000*
Current tax:		
UK corporation tax	74	(18)
Total current tax credit/(charge)	74	(18)
Deferred tax:		
Origination and reversal of temporary differences	338	(29)
Effect of change in tax rate on opening liability	-	(201)
Total deferred tax credit/(expense)	338	(230)
Total tax credit/(charge)	412	(248)

The (credit)/charge for the year can be reconciled to the (loss)/profit for the year as follows:

	Six months ended 30 June 2022 £'000	**Six months ended 30 June 2021 £'000**
(Loss)/profit before taxation	(2,883)	369
Income tax calculated at 19% (2021: 19%)	(548)	70
Expenses not deductible	88	22
Enhanced research and development allowances	(32)	(45)
Enhanced capital allowances	(6)	
Deferred tax not recognised	220	
Effect of change in deferred tax rate	-	201
Effect of differing deferred tax and current period tax rates	(134)	-
Total tax (credit)/charge	(412)	248

The tax rate used to calculate deferred tax is 25% at 30 June 2022 (2021: 25%), being the rate at which the timing differences were expected to unwind based on enacted UK corporate tax legislation at each balance sheet date.

A deferred tax asset has not been recognised for losses carried forward as, the key accounting judgement made is that it is not yet considered sufficiently probable that the losses will be utilised in the short term.

6. Dividends paid and proposed

Amounts recognised as distributions to equity holders in the period:

	Six months ended 30 June 2022 *£'000*	**Six months ended 30 June 2021 £'000**
Interim ordinary dividends paid for the period ended 30 June 2022 of £nil per share (2021 six months: 2.7 pence paid)	-	270

The comparative information is presented as if the 10,000,000 £0.01 shares exchanged for the prior Strip Tinning Limited capital had been in place.

7. Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

Earnings	**Six months ended**	**Six months ended 30 June 2021**

	30 June 2022 *£'000*	**£'000**
(Loss)/earnings for the purpose of basic and diluted earnings per share being net profit attributable to the shareholders	(2,471)	121

Number of shares	**Six months ended 30 June 2022** ***£'000***	**Six months ended 30 June 2021** **£'000**
Weighted average number of ordinary £0.01 shares for the purposes of basic and diluted (loss)/earnings per share	13,895,056	10,000,000

There are potentially dilutive options in place over 254,051 shares at 30 June 2022 (2021: over 354 A £0.10 ordinary shares in Strip Tinning Limited exercisable on a sale or listing. The 2021 options were subject to a hurdle value before any entitlement to share in the capital proceeds or new shares on a listing arises and it was considered that they were not dilutive in the period to 30 June 2021).

8. Provisions

The dilapidations provisions have been reassessed in respect of the group's rented properties and increased to allow for potential reinstatement costs that may be incurred at the end of the leases under the standard terms in the contracts. This primarily results in an increase in the amount recognised in respect of the right of use assets for property and in the discounted provisions liability of £222,000 at 30 June 2022.

9. Share capital

The movements in share capital have been as follows:

	Number of £0.01 shares	**Nominal** ***£'000***	**Share premium** ***£'000***
Share issued on incorporation	1	-	-
Shares issued in exchange for Strip Tinning Limited shares	9,999,999	100	-
EIS and VCT placing shares issued at £1.85 each	2,702,702	27	4,973
Other placing shares issued at £1.85 each	1,621,622	16	2,984
Exercise of options at £0.116 each	813,045	8	86
Share issue costs			(1,077)
	15,137,369	151	6,966

The issue of shares resulted in a share premium of £6,966,000 (net of £1,077,000 of share issue costs).

The issue of shares with a nominal value of £100,000 in exchange for the 2,000 £0.10 shares in Strip Tinning Limited with a nominal value of £200 results in a debit to a merger reserve of £99,800, after consolidating applying merger accounting principles as set out in note 2.