

24 September 2024

## **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 its unaudited results for the six months ended 30 June 2024.

Despite experiencing short-term trading challenges consistent with those experienced across the automotive sector as a whole, this has been a transformational period for the Company. The three significant new nominations secured have increased the lifetime value of the order book by 181% and position the Company for medium term growth.

#### **Key Financials:**

- Total Revenues of £4.8 million (H1 2023: £5.6 million)
- Battery Technologies sales of £0.3 million (H1 2023: £0.6 million)
- Glazing sales of £4.5 million (H1 2023: £5.1 million)
- Gross Margin of £1.7 million / 35.4% (H1 2023: £1.5 million / 26.7%)
- Adjusted<sup>1</sup> EBITDA of -£0.8 million (H1 2023: £0.05 million)
- Cash generation from operations of -£1.6 million (H1 2023: £0.1 million); cash balance of £2.0 million with no draw down against the CID facility
- Completed £5.1 million fundraise in January 2024
- Basic EPS<sup>2</sup> of (14.58)p versus H1 2023 (2.85)p

#### **Operational updates:**

- New nominations received in H1 underpin medium-term growth prospects, with financial benefits starting to be realised from late 2025 onwards
- The Battery Technologies ("BT") division secured a £43.0 million win with a leading Tier 1 manufacturer
- The Glazing division won two "smart glass" PDLC nominations, together worth £18.6 million
- Short-term challenges from customer launch delays, weak European car production, cost pressures and increased overheads to manage growth
- Strengthened senior management team and continued investment into manufacturing capabilities

#### **Outlook:**

- The Board is confident of meeting the revised guidance for EBITDA provided in the 16 July 2024 trading update
- Long-term growth drivers remain despite near-term automotive market challenges, which are expected to continue into H2 and into 2025
- Total lifetime sales value of all nominations has increased to £95.7 million, a 181% increase from the position as at 1 January 2024
- Company sales expected to double by the end of 2026 with 85% nomination coverage already received

#### **Adam Robson, Executive Chair of Strip Tinning, commented:**

*"This has been a transformational period for the Company with three significant new nominations secured increasing the lifetime value of the order book by 181% and positioning the Company for medium term growth. Despite experiencing short-term trading challenges consistent with the automotive sector as a whole, which has impacted financial performance in the current period, we are pleased to have made such excellent sales progress in H1, securing record nominations across both divisions. While we expect current challenges to continue into 2025, we expect to see steadily improving financial performance as our new sales programmes come into production in H2 2025."*

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<sup>1</sup> Adjusted for FX impacts, share based payments, restructuring and IPO exceptionals

<sup>2</sup> Based on weighted average number of shares in the period

*"Our recent wins have given us great confidence in our market and investment strategy and provide a strong underpinning to our unchanged expectation of a doubling in sales by the end of 2026. Our immediate focus is on delivering the current commitments into production, which has required us to accelerate the growth in our respective launch teams for engineering, project management, quality, sourcing and sales staff, and to press ahead with investment in our production facilities."*

**Enquiries:**

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A copy of this announcement will be available to view on the Company's website at [www.striptinning.com](http://www.striptinning.com).

## Introduction

The first half of the year (H1) has been characterised by transformational, record nominations which underpin the medium-term growth prospects of the business, but also by challenging near-term market trading conditions which have impacted financial performance in the current period.

The new nominations received in H1 have a total lifetime sales value of £61.6 million and increase the total lifetime sales value of all nominations held by the Company to £95.7 million, a 181% increase from the position as at 1 January 2024 (when the nominations book was worth £34.1 million). The three nominations secured in H1 comprised the Battery Technologies ("BT") division securing a £43.0 million win and the Glazing division winning two "smart glass" PDLC nominations, together worth £18.6 million.

As previously announced, given the lead time of these particular projects and later than expected starts of production, the financial benefits of these wins will start to be realised from late 2025 onwards, therefore giving limited benefit to the FY24 financial performance. Sales arising from these nominations are expected by the end of FY26 to double the sales of the Company, for which we now have 85% nomination coverage.

Despite the significant wins secured in H1, we are facing challenging near-term trading conditions, along with the broader automotive supply sector. These include higher material prices, as copper in May reached levels last seen in 2022, and moderation of market demand from OEMs as they align inventory levels in response to lower market demand.

In addition, the size and complexity of our new sales successes, combined with the strength of our sales pipeline for further new nominations has led us to pull forward growth in our engineering teams. Resultantly, and as announced in July, the combination of these factors led the Company to revise expectations for FY24 and FY25. These revised expectations remain appropriate.

## The market

In both the markets we serve, we are seeing good prospects for growth in terms of our new business sales pipeline. This is focused on high growth niches backed by our enhanced - product offering (notably manufacture of flexible printed circuits), despite weakening short-term call-offs against our existing nominations.

Within the EV battery pack market, growth has slowed due to reduced government subsidies and softened consumer confidence. For H1 2024, the share of registrations in Europe<sup>3</sup> (EU, EFTA and UK, which are our major geographic markets) of battery electric powered vehicles (full and hybrid) increased by just 3.7% points year-on-year. However, this does mean that in H1 more than half of all vehicles registered contained a battery pack (50.9%). We believe that growth rates will increase again given the significant investments being made in new EV platforms and the continued pressure on governments and consumers to respond to global warming.

Higher growth rates are being seen in the mid-market, our primary target market which comprises all lower volume vehicle or equipment platforms, typically with volumes under 50,000 units per annum in the sectors of high autonomous vehicles, performance cars, trucks, buses and vans, motorbikes, e-mobility solutions, off-highway equipment and static storage solutions. In the truck market, registrations in Europe<sup>4</sup> (EU, EFTA, and UK) of battery electric powered vehicles (both full and hybrid) increased by c.20%, up from 1.8% of all vehicles sold in H1 2023 to 2.2% in H1 2024. Investment in new electric mobility and delivery vehicles, from autonomous delivery vans to static storage packs also continues. These mid-market customers are highly attracted to working with European suppliers such as Strip Tinning that can provide local, highly responsive, full service, engineered solutions for their battery pack developments. This is evidenced by our growing pipeline of new business customers and vehicle programmes, which has increased from £80 million in April 2024 to £120 million today. There is of course a lag between this strong investment in new programmes and the resulting production sales, which will only come post launch of the new vehicles.

Within our Glazing division, we are encouraged by our strong market positioning. We benefit from having a high share of higher specification vehicles that we supply to. This allows us to capitalise on the higher volume growth rates of these vehicle categories and higher product prices resulting from enhanced electrical functionality within the glazing products. That said, in the immediate term, growth is slowing.

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<sup>3</sup> <https://www.acea.auto/pc-registrations/new-car-registrations-4-3-in-june-2024-battery-electric-14-4-market-share/>

<sup>4</sup> <https://www.acea.auto/pc-registrations/new-car-registrations-17-8-in-june-battery-electric-15-1-market-share/>

In H1, total car registrations in Europe grew by just 4.2% year-on-year, and this growth rate has been slowing over the period. In July 2024, growth was just 0.2%<sup>5</sup> and industry consensus is for registrations in Europe to be flat year-on-year in H2 2024. This has led to de-stocking by OEMs which has had a negative impact on the call-off volumes we are so far experiencing in Q2 and Q3 of this year. In the medium term we expect to see a rebound in demand as de-stocking ends and economic recovery improves across Europe.

We also benefit from some favourable structural changes which are driving growth in demand for our glazing products. The use of larger glass panels in vehicles, especially in the roof, and the adoption of "Polymer Dispersion Liquid Crystal" (PDLC) "smart glass" in these panels is creating significant new product opportunities. With our growing capability to deploy flexible printed circuits (FPC) in our products, we are finding new connector applications such as in antennae and heating pads which support the sensors (e.g. cameras) mounted on the glazing which are part of the movement towards autonomous vehicle functionality. Consequently, we remain confident in our medium-term sales growth prospects, as illustrated by the progress made in sales developments during H1 2024, which will drive material future revenue growth.

## **Review of Operations**

A key milestone was the completion of a £5.1 million fundraise in January 2024, predominately from supportive existing shareholders. This allowed us to accelerate the growth of our integrated new product launch teams to prepare for the launches of our new nominations, and to work on winning further nominations from our strong BT and Glazing sales pipelines. Over H1, we have increased our total staff headcount from 42 to 49 and we have created dedicated launch teams for each of our major new nominations.

Our senior management team has also been strengthened. Mark Perrins, who has led the operational turnaround of the business over the last two years, has been promoted from Managing Director to Group Chief Executive Officer. Rob Smith also joined in December 2023 as Chief Technology Officer and Kevin Edwards began his role as Group Chief Financial Officer on 1 August 2024.

Notwithstanding the aforementioned cost and sales pressures, we are pleased that gross margins in H1 improved year-on-year from 26.7% to 35.4%, primarily driven by the elimination of loss-making products and increased productivity.

Our key operational focus is to ensure the successful delivery of our growth plans. Accordingly, in H1 we started negotiations for the lease of a new building on our current site, which will increase our floor space from 29,287 square feet to 36,977 square feet. The increased floor space will provide enough capacity to launch all new products and to further increase production of certain products, notably more conventional Glazing connectors, for which we are actively seeking new nominations.

Successfully securing additional new business opportunities in our sales pipeline is likely to require new production processes, lines, and factory space. With this in mind, we are applying to the government's Automotive Transformation Fund for a multi-million-pound grant to support additional capacity. We are pleased to have been told that we have passed the Expression of Interest stage of the application process and we will now proceed to the detailed application phase.

We are also continuing our ESG journey. Notable progress in H1 2024 has been the addition of further EV charging ports, taking our total now to 10. Additionally we have also made improvements to our chemical's storage and handling facilities.

## **Battery Technologies**

Sales in the Battery Technologies (BT) division have been weak in H1 due to delays in customer programmes primarily caused by customer driven engineering changes. Sales in H1 24 were £0.3 million (H1 23: £0.6 million). These delayed orders, worth £0.4m, are expected to be largely delivered in H2.

This pause in sales has allowed more effort to be focused on preparing the BT division for the start of high-volume production for its new £43 million Cell Contact System (CCS) contract. Under the terms of the nomination, production supply will start in Q4 2025 with further pre-production revenues of over £1.0 million to be received over 2024 and 2025 for the supply of tooling and pre-serial parts. To date £0.3 million has been received to support initial tooling orders.

We continue to engage with a growing number of actual and prospective mid-market customers. Today we produce production parts for three active customer programmes and samples for multiple programmes in development.

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<sup>5</sup> <https://www.acea.auto/pc-registrations/new-car-registrations-0-2-in-july-2024-battery-electric-12-1-market-share/>

Our pipeline for new BT programmes is developing strongly, with leads exceeding our current ability to respond in all cases, a factor that emphasises the value of our strict mid-market focus and the significance of our plans to further grow our people resources. At the current time, our top 12 sales leads (based on strength of engagement) have a total lifetime sales value up to 2032 of £120 million, with typical annual sales ranging from £0.5 million to £5.0 million and production nomination dates ranging from 2025 to 2026.

Investment in our CCS production facilities also continues; notably with the delivery of our new £0.6 million laser welding line, which was delivered on 1 September. During H1, the facilities have been certified to conform to the IATF 16949, ISO 9001, ISO45001 and ISO14001 quality standards and have been subject to and passed 5 customers audits.

In order to fund current operational demands, to meet the production targets set by the CCS contract already signed, and to be able to secure further nominations from the growing pipeline of BT programmes, additional capital expenditure will need to be made, and the Company is assessing the optimum ways of securing the funding required.

## **Glazing**

Sales in H1 were £4.5 million (H1 2023: £5.1 million). We had anticipated a decline in sales as we exited the last of the of low-margin products from our previous portfolio, but sales in the second quarter fell £0.2 million short of expectations as the ramp-up of new products was slower than anticipated. However, now that the impact of the Russian invasion of the Ukraine on sales, materials shortages and price inflation has stabilised, as well as our internal margin improvement actions, gross margins have improved, from 27.1% in H1 2023 to 36.7% in H1 2024, although still short of our expectations. We have further reduced our shop floor headcount from 87 heads at the end of H1 2023 to 55 heads today, however we have faced other unexpected cost pressures, in particular from the cost of rising copper prices, adverse mix changes, and some loss of overhead absorption based on the lower sales. We are working to address this margin weakness with selective price increases, improved sourcing and further gains in productivity.

The notable development in the Glazing division has been our success in winning two major new nominations for the supply of an advanced connector to be used within Polymer Dispersed Liquid Crystal (PDLC) technology "smart" glass:

1. Nomination with expected lifetime value of £6.3 million for which supply will start in Q3 2025 and run until 2035, with forecasted annual sales value peaking at £0.9 million; and
2. Nomination with an expected lifetime value of £12.3 million for which supply will start in Q3 2026 and run until 2031, with forecasted annual sales value peaking at £2.8 million.

In "smart glass" applications, electrically activated layers within sunroofs, roof systems, windows, and visors turn car glass into a dynamically adjustable and responsive light-management system. The connector benefits from being built around flexible printed circuits (FPC) which give weight and packaging advantages within the vehicle roof space. This is a rapidly expanding segment of the automotive glazing market, with the new technology already being deployed down through the vehicle platforms from the initial prestige segment into mid-volume vehicle platforms.

Strip Tinning has had early success in the new PDLC market segment, and since Q4 2022 has been supplying glazing connectors for the panoramic roofs of the fully electric BMW iX vehicles. The Company is well placed for further successes, having invested in in-house FPC manufacturing capabilities as well as the required engineering know-how to satisfy increasing customer demand for more complex connector solutions.

The Company has now received four nominations in the "smart" glass market, which demonstrates Strip Tinning's first mover advantage within this growing segment and underlines our position as the supplier of choice for specialist connectors to the Glazing sector. The Company is now supplying smart roofing connectors to all the leading German automotive OEMs for use across a significant number of different prestige Electric Vehicle (EV) and Internal Combustion Engine (ICE) vehicles in their ranges.

The Glazing business will be looking to return to growth in 2025 with the new production nominations either already won or in the pipeline. We are intent on delivering growth in both sales and margins through a focus on higher value-added products and our selective pipeline for these types of products is developing strongly. At the end of July, our top 12 leads (based on strength of engagement) had a total lifetime sales value of £25 million with many production nominations expected over the next 12 months. We are optimistic that this will deliver net Glazing sales growth in 2025.

## KPIs

The company uses Adjusted EBITDA as a key metric, below is a reconciliation to the Statement of Consolidated Comprehensive Income.

<b>Adjusted EBITDA</b>	<b>(807)</b>	<b>51</b>	<b>(1,636)</b>
Depreciation	(483)	(544)	(687)
Amortisation	(88)	(34)	13
FX	(58)	(17)	43
Taxation fees	-	(14)	-
Reorganisation (Staff Exceptionals)	(88)	-	(91)
Share Based Payments	(75)	(90)	(62)
FV Adjustment on Derivative CLN Liability	(791)	-	-
Fundraise Fees in P&L	(53)	-	-
<b>Operating Profit / (Loss)</b>	<b>(2,442)</b>	<b>(648)</b>	<b>(2,802)</b>
<i>Financing Costs (excluding FX)</i>	<i>(284)</i>	<i>(150)</i>	<i>(81)</i>
<i>Tax</i>	<i>102</i>	<i>357</i>	<i>412</i>
<b>Net Income</b>	<b>(2,624)</b>	<b>(441)</b>	<b>(2,471)</b>

## Principal Risks & Uncertainties

The principal risks and uncertainties faced by the Company remain unchanged from those elaborated in detail in our full financial reports. The current results highlight that of all of these, the most significant today are the risks of automotive market downturns reducing sales from our Glazing division and new product launch slippage delaying sales of both prototype/sample parts and eventually production parts in our BT division.

## Outlook

The Company remains confident in its medium-term prospects, underpinned by the £95.7m nominations book, new business pipeline, and the improving margins in the core Glazing division.

This year has seen us demonstrate our ability to win transformational nominations across both BT and Glazing, and, based on the strength of the sales pipeline for both divisions, we are confident that we will continue to receive further nominations. The nominations already received underpin our confidence that by the end of 2026 the company's total sales will have doubled, and the new sales pipeline gives us robustness against any programme delays that could arise.

## Statement of Consolidated Comprehensive Income for the six months ended 30 June 2024

	Note	Unaudited Six months ended 30 June 2024 £'000	Unaudited Six months ended 30 June 2023 £'000
<b>Revenue</b>	<b>3</b>	4,780	5,646
Cost of sales		(3,086)	(4,134)
<b>Gross profit</b>		<u>1,694</u>	<u>1,512</u>
Other operating income	<b>4</b>	150	790
Administrative expenses		(3,437)	(2,950)
<b>Operating loss</b>		<u>(1,593)</u>	<u>(648)</u>
Finance costs		(342)	(150)
Revaluation of derivative liability	<b>7</b>	(791)	-
<b>Loss before taxation</b>		<u>(2,726)</u>	<u>(798)</u>
Taxation	<b>5</b>	102	357
<b>Loss and total comprehensive expense for the period</b>		<u>(2,624)</u>	<u>(441)</u>
<b>Loss per share (pence)</b>			
Basic and diluted	<b>6</b>	<u>(14.58)</u>	<u>(2.85)</u>

## Consolidated statement of Financial Position as at 30 June 2024

	Notes	Unaudited 30 June 2024 £'000	Audited 31 December 2023 £'000	Unaudited 30 June 2023 £'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Intangible assets		1,791	1,643	1,193
Right-of-use assets		979	1,090	1,201
Property, plant and equipment		2,948	3,233	3,202
		<u>5,718</u>	<u>5,966</u>	<u>5,596</u>
<b>Current assets</b>				
Inventories		1,333	1,287	1,518
Trade and other receivables		2,472	2,685	2,427
Corporation tax receivable		1,093	991	386
Cash and cash equivalents		2,030	343	736
		<u>6,928</u>	<u>5,306</u>	<u>5,067</u>
<b>Total assets</b>		<b><u>12,646</u></b>	<b><u>11,272</u></b>	<b><u>10,663</u></b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade and other payables		(1,445)	(2,197)	(1,766)
Borrowings		(362)	(973)	(483)
Lease liabilities		(196)	(201)	(173)
		<u>(2,003)</u>	<u>(3,371)</u>	<u>(2,422)</u>
<b>Non-current liabilities</b>				
Accruals and deferred income		(16)	(11)	(24)
Borrowings	7	(3,915)	(798)	(846)
Derivative Fair Value liability	7	(1,392)	-	-
Lease liabilities		(835)	(936)	(1,064)
Provisions		(245)	(360)	(233)
		<u>(6,403)</u>	<u>(2,105)</u>	<u>(2,167)</u>
<b>Total liabilities</b>		<b><u>(8,406)</u></b>	<b><u>(5,476)</u></b>	<b><u>(4,589)</u></b>
<b>Net assets</b>		<b><u>4,240</u></b>	<b><u>5,796</u></b>	<b><u>6,074</u></b>
<b>EQUITY</b>				
Share capital	8	182	154	154
Share premium account		7,931	6,966	6,966
Merger reserve		(100)	(100)	(100)
Other reserve		(3)	(3)	(3)
Retained earnings		(3,770)	(1,221)	(943)
<b>Total equity</b>		<b><u>4,240</u></b>	<b><u>5,796</u></b>	<b><u>6,074</u></b>



## Consolidated statement of changes in equity

	Share capital £'000	Share premium £'000	Merger reserve £'000	Other reserve £'000	Retained earnings £'000	Total equity £'000
<b>At 1 January 2023</b>	<b>154</b>	<b>6,966</b>	<b>(100)</b>	<b>(3)</b>	<b>(592)</b>	<b>6,425</b>
Loss and total comprehensive expense for the period	-	-	-	-	(441)	(441)
Share based payment	-	-	-	-	90	90
<b>At 30 June 2023</b>	<b>154</b>	<b>6,966</b>	<b>(100)</b>	<b>(3)</b>	<b>(943)</b>	<b>6,074</b>
Loss and total comprehensive expense for the period	-	-	-	-	(330)	(330)
Share based payment	-	-	-	-	52	52
<b>At 31 December 2023</b>	<b>154</b>	<b>6,966</b>	<b>(100)</b>	<b>(3)</b>	<b>(1,221)</b>	<b>5,796</b>
Loss and total comprehensive expense for the period	-	-	-	-	(2,624)	(2,624)
Shares issued in the period	28	965	-	-	-	993
Share based payment					75	75
<b>At 30 June 2024</b>	<b>182</b>	<b>7,931</b>	<b>(100)</b>	<b>(3)</b>	<b>(3,770)</b>	<b>4,240</b>

## Consolidated statement of cash flows for the six months ended 30 June 2024

	Unaudited Six months ended 30 June 2024 £'000	Unaudited Six months ended 30 June 2023 £'000
<b>Cash flow from operating activities</b>		
Loss for the financial period	(2,624)	(441)
<i>Adjustment for:</i>		
Depreciation of property, plant and equipment	371	435
Depreciation of right-of-use assets	111	109
Amortisation of intangible assets	88	84
Amortisation of government grants	(150)	(49)
Share based payment	75	90
Derivative liability fair value revaluation	791	-
Finance costs	342	150
Taxation credit	(102)	(357)
<i>Changes in working capital:</i>		
(Increase)/decrease in inventories	(46)	330
Decrease in trade and other receivables	82	22
Decrease in trade and other payables	(847)	(1,237)
<b>Cash generated (used in)/from operations</b>	<b>(1,909)</b>	<b>(864)</b>
Income tax received	-	530
<b>Net cash (used in)/from operating activities</b>	<b>(1,909)</b>	<b>(334)</b>
<b>Cash flow from investing activities</b>		
Purchase of property, plant and equipment	(86)	(604)
Purchase of intangible assets	(236)	-
<b>Net cash used in investing activities</b>	<b>(322)</b>	<b>(604)</b>
<b>Cash flow from financing activities</b>		
Shares issued (net of issue costs)	993	-
Convertible loan note (net of share issue costs)	3,699	-
Interest paid	(142)	(150)
Grants received	266	932
Payment of lease liabilities	(106)	(99)
Repayment of bank loans	(537)	(19)
Repayment of capital element of hire purchase contracts	(255)	(280)
<b>Net cash generated from/(used in) financing activities</b>	<b>3,918</b>	<b>384</b>
<b>Increase/(decrease) in cash and cash equivalents</b>	<b>1,687</b>	<b>(554)</b>
Net cash and cash equivalents at beginning of the period	343	1,290
<b>Net cash and cash equivalents at end of the period (all cash balances)</b>	<b>2,030</b>	<b>736</b>

## **Notes to the interim consolidated financial statements for the six months ended 30 June 2024**

### **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 subsidiaries (the 'Group') is the manufacture of automotive busbar, ancillary connectors, flexible printed circuits and Cell Contacting Systems (CCS).

### **2. Accounting policies**

#### **Basis of preparation**

This unaudited condensed consolidated interim financial statements for the six months ended 30 June 2024 and 30 June 2023 have been prepared in accordance with IAS 34 'Interim Financial Reporting'.

The accounting policies applied by the Group include those as set out in the financial statements for the year ended 31 December 2023 and are consistent with those to be used by the Group in its next financial statements for the year ending 31 December 2024. The policy for the convertible loan note issued in the period and accounted for as a compound instrument is explained in note 7. The directors have also reviewed new IFRS accounting amendments applicable to 2024 in respect of the classification of current and non-current liabilities, sale and leasebacks and supplier finance arrangements and consider that none of these are applicable to these financial statements. 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 2024 and 30 June 2023 is unreviewed and unaudited and does not constitute the Group's statutory financial statements for those periods.

The comparative financial information for the full year ended 31 December 2023 has, however, been derived from the audited statutory financial statements for Strip Tinning Holdings plc 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. The audit report contained an emphasis of matter in respect of a material uncertainty related to the continued recognition of the capitalized development costs intangible asset for the Battery Technologies cash generating unit. The forecasts prepared by the Group to support the continued recognition of the asset included uncertainty as a result of revenue from a contract that had yet to be awarded to the Group. These contracts have now been awarded to the Group in 2024.

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 fair value calculations applied in accounting for share based payments and the Convertible Loan (CLN). 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 Group, except where otherwise indicated.

#### **Going concern**

After making appropriate enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least twelve months from the date of approval of the financial information. In adopting the going concern basis for preparing the financial statements, the directors have considered a base case going concern model. The results of this model suggested that with the financing arrangements available to the business and / or realistic mitigating actions, the Group has adequate resources to continue in operational existence. For this reason, the directors continue to adopt the going concern basis in preparing the Group's financial information.

### 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 has two operating segments for the sale of automotive circuit components for glazing products and glazing circuits for electric vehicles ('BT' segment). 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. Management reporting and information is prepared at a revenue and gross profit level only for a Glazing segment (sale of glazing circuits for petrol/diesel vehicles) and BT as follows

<b>6 months ended 30 June 2024</b>	<b>Glazing £'000</b>	<b>BT £'000</b>	<b>Total £'000</b>
Revenue	4,506	274	4,780
Cost of sales	(2,854)	(232)	(3,086)
Gross profit	<u>1,652</u>	<u>42</u>	<u>1,694</u>

<b>6 months ended 30 June 2023</b>	<b>Glazing £'000</b>	<b>BT £'000</b>	<b>Total £'000</b>
Revenue	5,050	596	5,646
Cost of sales	(3,680)	(454)	(4,134)
Gross profit	<u>1,370</u>	<u>142</u>	<u>1,512</u>

Turnover with the largest customers (including customer groups) representing in excess of 10% of total revenue in the period for 3 customers (2023: 3 customers) has been as follows:

	<b>Six months ended 30 June 2024 £'000</b>	<b>Six months ended 30 June 2023 £'000</b>
Customer A	1,030	1,575
Customer B	523	711
Customer C	594	491

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:

	<b>Six months ended 30 June 2024 £'000</b>	<b>Six months ended 30 June 2023 £'000</b>
UK	300	706
Rest of Europe	3,331	2,738
Rest of the World	1,149	2,202
	<u>4,780</u>	<u>5,646</u>

#### 4. Other operating income

	Six months ended 30 June 2024 £'000	Six months ended 30 June 2023 £'000
Government revenue development grants	135	741
Amortisation of capital grants	15	49
	<u>150</u>	<u>790</u>

The group was awarded a £1.5m UK innovation development grant in respect of revenue expenditure with £20,000 recognised in first half of 2024, £335,000 in the second half of 2023, £741,000 recognised against eligible costs in the first half of 2023, £389,000 was recognised in the second half of 2022.

A second grant in respect of revenue expenditure was awarded, totalling £166,000. £51,000 of this was recognised in the second half of 2023, with the remaining £115,000 recognised in the first half of 2024.

#### 5. Income tax

	Six months ended 30 June 2024 £'000	Six months ended 30 June 2023 £'000
<i>Current tax:</i>		
UK corporation tax	102	78
Adjustments in respect of prior periods	-	279
Total current tax credit	<u>102</u>	<u>357</u>
<i>Deferred tax:</i>		
Origination and reversal of temporary differences	-	-
Total deferred tax credit	<u>-</u>	<u>-</u>
Total tax credit	<u>102</u>	<u>357</u>

The credit for the period can be reconciled to the loss for the period as follows:

	Six months ended 30 June 2024 £'000	Six months ended 30 June 2023 £'000
Loss before taxation	<u>(2,726)</u>	<u>(798)</u>
Income tax calculated at 25% (2023: 22%)	(682)	(176)
Expenses not deductible including derivative loss	280	20
Enhanced research and development allowances	(118)	(71)
Surrender of losses for R&D tax credit	153	59
Enhanced capital allowances	-	(20)
Deferred tax not recognised	265	110
Adjustments in respect of prior periods	-	(279)
Total tax credit	<u>(102)</u>	<u>(357)</u>

The tax rate used to calculate deferred tax not recognised is 25% at 30 June 2024 (2023: 25%), being the rate at which the timing differences would be expected to unwind based on enacted UK corporate tax legislation at each balance sheet date.

A deferred tax asset, estimated at approximately £720,000 at 30 June 2024, has not been recognised for losses carried forward net of accelerated capital allowances. 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. Earnings per share

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

<b>Earnings</b>	<b>Six months ended 30 June 2024 £'000</b>	<b>Six months ended 30 June 2023 £'000</b>
Loss for the purpose of basic and diluted earnings per share being net loss attributable to the shareholders	(2,624)	(441)
	<b>Six months ended 30 June 2024</b>	<b>Six months ended 30 June 2023</b>
<b>Number of shares</b>		
Weighted average number of ordinary £0.01 shares for the purposes of basic and diluted loss per share	17,997,174	15,459,714

There were options in place over 734,505 shares at 30 June 2024 (2023: 734,505) that were anti-dilutive at the period end but which may dilute future earnings per share.

## 7. Non-current liabilities

	<b>30 June 2024 £'000</b>	<b>31 December 2023 £'000</b>	<b>30 June 2023 £'000</b>
<b>Borrowings</b>			
Convertible loan note liabilities	3,298	-	-
Loans	118	155	192
Asset based borrowings	499	643	654
	<u>3,915</u>	<u>798</u>	<u>846</u>
<b>Derivative Fair Value liability</b>	<u>1,392</u>	<u>-</u>	<u>-</u>

On the 15<sup>th</sup> January 2024, the company received the £3.65m of proceeds, net of issue costs, of a £4m convertible loan note from its shareholders. The value of the conversion rights is recognised as a derivative fair value liability within non-current liabilities. This is valued at each balance sheet date using an appropriate option pricing model and was a £601,000 liability on the date of issue of the convertible loan. The balance of the net proceeds received was recognised as the initial loan note liability on issue and together with subsequent financing charges is shown within borrowings in non-current liabilities. The £791,000 loss on revaluation of this derivative liability at 30 June 2024 is shown in the Statement of Comprehensive Income below finance costs. The fair value of the derivative liability is directly impacted by movements in the quoted share price and can therefore fluctuate significantly with the 30 June 2024 liability increased as a result of the higher share price on that date. If the revaluation was done on the 20 September 2024 the full £791,000 will reverse and a further profit of £153,000 would be recognised. The annual coupon rate is 10% and the loan is repayable 15 January 2029.

## 8. 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)
Shares issued to employee benefit trust at £0.01 each	322,345	3	-
At 30 June 2023 and 31 December 2023	15,459,714	154	6,966
EIS and VCT placing shares issued at £0.40 each	2,765,375	28	965
At 30 June 2024	18,225,089	182	7,931