RNS Number : 3354A
Surface Transforms PLC
23 September 2025

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**Surface Transforms plc**
("Surface Transforms" or the "Company")

**Interim results for the six months ended 30 June 2025 and trading update**

Surface Transforms (AIM: SCE) manufacturers of carbon fibre reinforced ceramic automotive brake discs, announces its unaudited interim results for the six months ended 30 June 2025 ("H1 2025") and trading update.

**Financial highlights:**

- Revenue increased 72% to £8.1m (six months ended 30 June 2024 ("H1 2024"): £4.7m)
- Gross margin at 64% (H1 2024: 56%) improved due to higher pricing and increased yield particularly in Q2 together with reductions in the unit cost of manufacture
- Operating loss £5.2m (H1 2024: £7.4m)
- Loss before tax £5.6m (H1 2024: £7.6m)
- Cash at 30 June 2025 was £1.2m (31 December 2024: £0.5m)

**Q3 highlights:**

- Paul Marr joins the Board as a Non-Executive Director and Steve Harrison as Chief Financial Officer
- Q3 revenue expected to be c£5.5m, and full year 2025 now anticipated to be c£20m, c.10% ahead of previous expectations
- Yield in Q3 is anticipated to be c.70% and has been temporarily impacted by the introduction of new equipment and processes directed towards capacity growth and efficiency. With the completion of these projects, yield returned to Q2 levels of greater than 75% and we remain focused on achieving our target of above 80% in Q4
- Cash remains in line with expectations and continues to be tightly managed. The Board re-iterates it continues to expect gross cash at 31 December 2025 will be c.£1.0m
- Customer support continues but with a much-reduced cash prepayment requirement as improving EBITDA reduces dependency
- Key capacity expansion projects are in line with plan and expected to meet the growth needs for 2026

**CEO statement**

2025 continues to be a year of transformation both in terms of scaling up production and improving processes. The business is making substantial progress towards sustainable and profitable operations.

Output and revenue have improved significantly with expectations for the full year now at c£20 million, broadly 10% ahead of previous management guidance.

Our customers continue to be highly supportive and collaborate closely with us. They understand the challenges of building capacity and achieving higher yields and are encouraged by what they are observing with the improving output and capacity.

Cash at 30 June 2025 stood at £1.2 million. Operational and working capital needs continue to dominate utilisation of cash as we step up to deliver customer orders. The Company is developing means to release cash tied up in working capital through ongoing discussions with key customers and suppliers to optimise payment terms and to drive down inventory levels.

**New capacity update**

Specific capacity upgrade projects to take the existing £20m manufacturing capacity up to £50m manufacturing revenue capacity continue to form the backbone of our investment programme. This will provide the further benefit of additional resilience, by resolving a key risk from any single points of failure.

Installation of an additional furnace, which alleviates the most significant capacity constraint has been progressing throughout 2025. We expect the furnace will be commissioned and supporting 2026 revenues and production output.

We continue to draw down from our £13.2m ERDF loan which wholly supports the investment in the £50m manufacturing revenue capacity programme.

**Operations update**

Q3 has maintained the foundations laid in Q2 and the Company's focus on continuous improvement has seen the resolution of a number of technical problems, further enhancements to our manufacturing resilience and reductions in the bill of materials. However, the integration of new equipment and processes has meant that average yield for the third quarter is expected to be c.70% (Q2 2025: 77%). This is a necessary and anticipated temporary reduction which ultimately allows the required capacity expansion and process enhancement to occur. Further improvements linked to equipment and automation are due to take root in Q4, with a yield of 80% the target for Q4.

**Financial review**

Revenue increased by 72% to £8.1 million in the first half of 2025, primarily driven by growth in OEM customer sales. Gross margin increased slightly to 64% due to higher pricing, improved yield and reductions in the unit cost of manufacture, particularly in Q2.

Operating loss reduced to £5.2 million, primarily reflecting the increase in gross profit as the underlying operating expenses rose only moderately (3.5% year on year).

Cash at 30 June 2025 stood at £1.2 million, with working capital requirements having been met by continued customer support in the form of a further £11.3 million of prepayments during H1 2025.

We continue with R&D to optimise our manufacturing operations, improve yield, and reduce cost per disc. We believe these initiatives will position us for sustainable growth and profitability in the future.

Planned capital expenditure of £3.8 million occurred in the period, primarily aimed at delivering capacity and efficiency. £9.2 million ERDF facility had been drawn down at 30 June 2025 and a further £1.9m to support our capital investment programme has been drawn down as at the end of August. It is envisaged that the £13.2m facility will be fully drawn down by 31 December 2025.

**Summary**

The business has a clear roadmap to profitable growth, anchored in awarded contracts. H1 2025 saw the business operating scale production with resultant improved revenues, particularly in the second quarter.

The strategic objectives of building further capacity and improving yield remain crucial, but cautious steps forward are taking the business into a more robust state.

Demand for our product remains strong and our customers are supportive. Cash management remains critical, but the advent of positive EBITDA enables self-funding to become attainable.

**Board and Management**

We are pleased to announce two appointments to the Board. Paul Marr as Non-Executive Director and Steve Harrison as Chief Financial Officer.

Paul brings a wealth of experience in automotive manufacturing and is well-versed in the key US market. He has already played a key role in an advisory capacity with the Company so we are confident that his experience and knowledge will assist us further.

Steve has been with the Company in an interim role since March 2025 and has brought a steady control and clarity to our financial position. In becoming a permanent addition Steve is ideally positioned to drive the Company towards a financially sustainable position.

**Outlook statement from the Chair**

The continued focus on operational improvement and cash management has underpinned the recovery we have delivered in the first half of 2025. There is still much to improve on; however we are confident that we will slightly exceed previous 2025 expectations. We now anticipate full year revenue will be c.£20m, EBITDA to be broadly neutral in H2 2025 and we continue to expect gross cash at 31 December 2025 will be c.£1.0m.

Capacity improvements from the extensive investment program occurring in H2 2025 should provide a suitable platform for further growth in 2026 and beyond.

The support of our customers and the patience of our investors is greatly appreciated. We hope to reward them with further improvements and deliver on the opportunity of scale and profitability we believe exists.

**For enquiries, please contact:**

| | |
|---|---|
| **Surface Transforms plc** | **+44 151 356 2141** |
| Kevin Johnson CEO<br>Steve Harrision, CFO | |
| **Zeus (Nominated Adviser and Sole Broker)**<br>David Foreman / James Edis (Investment Banking)<br>Dominic King (Corporate Broking) | **+44 203 829 5000** |

*About Surface Transforms*

*Surface Transforms plc . (AIM:SCE) develops and produces carbon-ceramic material automotive brake discs. The Company is the UK's only manufacturer of carbon-ceramic brake discs, and only one of two mainstream carbon ceramic brake disc companies in the world, serving customers that include major OEMs in the global automotive markets.*

*The Company utilises its proprietary next generation Carbon Ceramic Technology to create lightweight brake discs for high-performance road and track applications for both internal combustion engine cars and electric vehicles. While competitor carbon-ceramic brake discs use discontinuous chopped carbon fibre, Surface Transforms interweaves continuous carbon fibre to form a 3D matrix, producing a stronger and more durable product with improved heat conductivity compared to competitor products; this reduces the brake system operating temperature, resulting in lighter and longer life components with superior brake performance. These benefits are in addition to the benefits of all carbon-ceramic brake discs vs. iron brake discs: weight savings of up to 70%, longer product life, consistent performance, reduced brake pad dust and corrosion free.*

*The Company holds the London Stock Exchange's Green Economy Mark.*

*For additional information please visit [www.surfacetransforms.com](http://www.surfacetransforms.com)*

| **Statement of Total Comprehensive Income** | Six months ended 30-Jun-25 | Six months ended 30-Jun-24 | Year to 31 December 2024 |
|---|---|---|---|
| | Unaudited £'000 | Unaudited £'000 | Audited £'000 |

| | | | |
|---|---|---|---|
| Revenue | 8,121 | 4,653 | 8,243 |
| Cost of sales | (2,961) | (2,065) | (4,137) |
| Gross profit | 5,160 | 2,588 | 4,106 |
| Margin % | 64% | 56% | 50% |
| Other income | 10 | 7 | 516 |
| Gross profit after other income | 5,170 | 2,595 | 4,622 |
| Administrative expenses: | | | |
| Before research and development costs | (3,181) | (2,792) | (6,050) |
| Research and development costs | (7,157) | (7,195) | (15,440) |
| Impairment of fixed assets | | | (6,488) |
| Total administrative expenses | (10,338) | (9,987) | (27,978) |
| Operating loss | (5,168) | (7,392) | (23,356) |
| Financial income | 65 | 57 | 148 |
| Financial expenses | (518) | (257) | (678) |
| Loss before tax | (5,621) | (7,592) | (23,886) |
| Taxation | 517 | 539 | 1,537 |
| Loss for the year after tax | (5,104) | (7,053) | (22,349) |
| Total comprehensive loss for the year attributable to members | (5,104) | (7,053) | (22,349) |
| Loss per ordinary share Basic and diluted | (0.39)p | (1.28)p | (2.31)p |

| **Statement of Financial Position** | As at 30-Jun-25 Unaudited £'000 | *Restated* * As at 30-Jun-24 Unaudited £'000 | As at 31-Dec-24 Audited £'000 |
|---|---|---|---|
| Non-current assets | | | |
| Property, plant and equipment | 17,094 | 19,449 | 13,772 |
| Intangibles | 41 | 22 | 34 |
| Contract fulfilment assets | 365 | 323 | 422 |
| Total non-current assets | 17,500 | 19,794 | 14,228 |
| Current assets | | | |
| Inventories | 6,911 | 5,356 | 5,376 |
| Trade receivables | 3,743 | 2,939 | 1,543 |
| Other receivables | 2,902 | 1,530 | 1,998 |
| Contract assets | 977 | - | 278 |
| Tax receivable | 1,848 | 1,735 | 1,331 |
| Contract fulfilment assets | 466 | 1,387 | 235 |
| Cash and cash equivalents | 1,248 | 4,983 | 462 |
| Total current assets | 18,095 | 17.930 | 11,223 |
| Total assets | 35,595 | 37,724 | 25,451 |
| Current liabilities | | | |
| Other interest-bearing borrowings | (9,106) | (3,676) | (5,214) |
| Lease liabilities | (374) | (381) | (390) |
| Trade and other payables** | (19,103) | (5,671) | (7,524) |
| Total current liabilities | (28,583) | (9,728) | (13,128) |
| Non-current liabilities | | | |
| Government grants | (154) | (168) | (161) |
| Lease liabilities | (1,405) | (1,799) | (1,648) |
| Other interest-bearing borrowings | (84) | (298) | (193) |
| Total non-current liabilities | (1,643) | (2,265) | (2,002) |
| Total liabilities | (30,226) | (11,993) | (15,130) |
| Net assets | 5,369 | 25,731 | 10,321 |
| Equity | | | |
| Share capital | 13,021 | 13,021 | 13,021 |
| Share premium | 66,793 | 66,811 | 66,799 |
| Capital reserve | 464 | 464 | 464 |
| Retained loss | (74,909) | (54,565) | (69,963) |
| Total equity attributable to equity shareholders of the company | 5,369 | 25,731 | 10,321 |

*restatement according to IFRS15, as detailed in note 1.

** Trade and other payables is inclusive of customer advances of£12.9m (H1 2024: £nil)

| Statement of Cash Flows | Six months ended | Restated *Six months ended | Year to 31 December |
|---|---|---|---|
| | 30-Jun-25 | 30-Jun-24 | 2024 |
| | Unaudited | Unaudited | Audited |
| | £'000 | £'000 | £'000 |
| **Cash flow from operating activities** | | | |
| Loss after tax for the year | (5,104) | (7,054) | (22,349) |
| Adjusted for: | | | |
| Depreciation and amortisation charge | 561 | 708 | 2,091 |
| Impairment of assets | - | - | 6,488 |
| Non-government grant amortisation | (7) | (7) | (13) |
| Equity settled share-based payment expenses | 158 | 117 | 14 |
| Foreign exchange (gains)/losses | (13) | 6 | 22 |
| Financial expense | 518 | 257 | 678 |
| Financial income | (65) | (57) | (148) |
| Taxation | (517) | (539) | (1,537) |
| | (4,469) | (6,569) | (14,754) |
| **Changes in working capital** | | | |
| Increase in inventories | (1,535) | (887) | (907) |
| Increase in trade and other receivables | (3,104) | (1,607) | (678) |
| Increase in contract assets | (699) | - | (278) |
| Increase in contract fulfillment assets | (174) | (366) | 492 |
| Increase/(decrease) in trade and other payables | 10,733 | (38) | 691 |
| | 752 | (9,467) | (15,434) |
| Taxation received | - | - | 1,402 |
| **Net cash used in operating activities** | **752** | **(9,467)** | **(14,032)** |
| **Cash flows from investing activities** | | | |
| Acquisition of tangible assets | (2,989) | (3,432) | (4,253) |
| Acquisition of intangible assets | (45) | (24) | (59) |
| Proceeds from disposal of property, plant and equipment | | | 10 |
| Interest received | 65 | 57 | 148 |
| **Net cash used in investing activities** | **(2,969)** | **(3,399)** | **(4,154)** |
| Cash flows from financing activities | | | |
| Proceeds from issue of share capital | - | 9,500 | 9,500 |
| Costs for issue of share capital | (6) | (560) | (571) |
| Payment of finance lease liabilities | (269) | (251) | (438) |
| Proceeds from borrowings | 3,798 | 3,393 | 4,950 |
| Payments of interest bearing borrowings | (105) | (91) | (316) |
| Interest paid | (428) | (200) | (519) |
| **Net cash generated from financing activities** | **2,990** | **11,791** | **12,606** |
| **Net increase/(decrease) in cash and cash equivalents** | **773** | **(1,075)** | **(5,580)** |
| Foreign exchange losses | 13 | (6) | (22) |
| Cash and cash equivalents at the beginning of the period | 462 | 6,064 | 6,064 |
| **Cash and cash equivalents at the end of the period** | **1,248** | **4,983** | **462** |

*restatement according to IFRS15, as detailed in note 1.

| Statement of Changes in Equity for the six months ended 30 June 2025 | Share capital | Share premium account | Capital reserve | Retained Loss | Total |
|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Balance as at 31 December 2024 | 13,021 | 66,799 | 464 | (69,963) | 10,321 |
| Loss for the period | - | - | - | (5,104) | (5,104) |
| Total comprehensive income for the year | - | - | - | (5,104) | (5,104) |
| Cost of issue to share premium | | (6) | | | (6) |
| Equity settled share based payment transactions | | | | 158 | 158 |
| Balance as at 31 December 2025 | 13,021 | 66,793 | 464 | (74,909) | 5,369 |

**Notes**

**1. Accounting policies**

The interim financial statements are the responsibility of the Directors and were authorised and approved by the Board of Directors for issuance on 23rd September 2025.

### Basis of preparation

The Company is a public limited liability Group incorporated and domiciled in England & Wales. The financial information is presented in Pounds Sterling (£) which is also the functional currency. The Company's accounting reference date is 31 December.

These interim results for the period ended30 June 2025, which are not audited; do not comprise statutory accounts within the meaning of section 435 of the Companies Act 2006. They have not been prepared in accordance with IAS 34, Interim Financial Reporting that is not mandatory for UK AIM listed companies, in the preparation of this half-yearly financial report. While the financial information included has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRS), as adopted by the UK adopted international accounting standards, these interim results do not contain sufficient information to comply with IFRS.

Full audited accounts of the Company in respect of the year ended31 December 2024, which received an unqualified audit opinion and did not contain a statement under section 498(2) or (3) (accounting record or returns inadequate, accounts not agreeing with records and returns or failure to obtain necessary information and explanations) of the Companies Act 2006 have been delivered to the Registrar of Companies.

The accounting policies used in the preparation of the financial information for the six months ended 30 June 2025 are in accordance with the recognition and measurement criteria of IFRS as adopted by the UK adopted international accounting standards and are consistent with those which will be adopted in the annual statutory financial statements for the year ending 31 December 2025.

**Prior Period Restatement as at 30 June 2024 - Revenue Recognition for System Integration Services (IFRS 15):**

In the 2024 audited accounts the Company refined its assessment and presentation of contract fulfilment assets associated with certain contracted system integration services, including engineering, testing, and tooling. These services are now considered to form part of a single performance obligation together with the manufacture and sale of brake discs. This assessment reflects the fact that the integration services are highly interrelated and interdependent with the manufacturing process. They serve as essential inputs in delivering the bespoke product that the customer expects and, therefore, are not separately identifiable under IFRS 15.

The impact of this change on revenue recognised in prior periods is immaterial.

As a result of the change, the contract fulfilment asset is amortised over the expected period in which the related brake disks will be delivered rather than within one year which has impacted the presentation of the contract fulfilment asset in the statement of financial position as at 30 June 2024 with £323k of the contract fulfilment asset now being presented as a non-current asset whereas in the prior year half year announcement the total balance of £1,708k was presented as part of current assets. The prior year restatement has had no impact on profit after tax and equity.

### Deferred tax

Management estimation is required to determine the amount of deferred tax assets recognised. This requires considering the likelihood and timing of future taxable profits, along with potential tax planning strategies. Currently, management has not recognised deferred tax assets exceeding the recognised deferred tax liability.

Key judgements assessed by management are as follows:

### Research and development expenditure

The Board considers the definitions of research and development costs as outlined in IAS 38: Intangible Assets when determining the correct treatment of costs incurred. Where such expenditure is technically and commercially feasible, the Company intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Company can measure reliably the expenditure attributable to the intangible asset it is treated as development expenditure and capitalised on the statement of financial position.

The Company has determined that it will continue to not capitalise intangible assets at the half-year end and this decision is based on an ongoing assessment of the criteria. A comprehensive review will be conducted to determine whether the criteria for capitalisation have been met by the year-end. The decision at the half-year end does not affect the Company's overall financial position or operations.

**Revenue Recognition for the provision of brake discs**

For core manufacturing activities, where the primary activity is the sale of manufactured carbon ceramic brake discs, revenue is typically recognised at a point in time when control of the goods has passed to the customer, which usually occurs upon dispatch of the goods. These contracts typically contain only one performance obligation, which is the delivery of the goods. The majority of revenue is currently recognised at a point in time, when the control of the goods has passed to the buyer (usually on dispatch of the goods). These contracts contain only one performance obligation being the provision of the specified goods.

**Revenue Recognition for System Integration Services (IFRS 15)**

Contracted system integration services, such as engineering, testing, and tooling are considered part of a single performance obligation together with the manufacture of brake discs. The total transaction price, including any consideration for integration services, is allocated to the expected number of discs to be delivered under the contract. Revenue is recognized proportionately as the control of the related brake discs is transferred to customers.

**Inventories**

Inventories are stated at the lower of cost and net realisable value. In determining the cost of raw materials and consumables the purchase price is used. For work in progress and finished goods, cost is taken as production cost.

**Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation is charged to the statement of total comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

| | |
|---|---|
| • Plant and machinery | 15 - 5 years |
| • Fixtures and fittings | 3 years |
| • Leasehold improvements | Over life of lease |
| • Buildings(right of use) | Over life of lease |
| • Land | n/a |

Depreciation methods and useful lives are reviewed at each balance sheet date. No depreciation is charged on assets classified as capital in progress. Depreciation is charged once an asset is brought into use by the business. Land is held at cost, subject to impairment charges.

brought into use by the business. Land is held at cost, subject to impairment charges.

**2. Taxation**

Analysis of credit in period

| | Six months ended 30-Jun 2025 £'000 (unaudited) | Six months ended 30-Jun 2024 £'000 (unaudited) | Twelve Months ended 31-Dec 2024 £'000 (audited) |
|---|---|---|---|
| UK Corporation tax | | | |
| Adjustment in respect of prior years R&D tax allowance | - | (206) | (206) |
| R&D tax allowance for current period | (518) | (333) | (1,331) |
| | (518) | (539) | (1,537) |

The effective rate of tax for the period/year is lower than the standard rate of corporation tax in the UK of 25%, principally due to losses incurred by the Company.

The potential deferred tax asset relating to losses has not been recognised in the financial statements because it is not possible to assess whether there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

**3. Loss per share**

| **Basic** | 6months ended 30th June **2025** | 6months ended 30th June **2024** | 12months ended 31st Dec **2024** |
|---|---|---|---|
| Loss after tax (£) | (5,104,000) | (7,053,000) | (22,349,000) |
| Weighted average number of shares | 1,302,072,638 | 551,357,372 | 968,516,673 |
| Loss per share (pence) | (0.39p) | (1.28p) | (2.31p) |

Loss per ordinary share is based on the Company's loss for the financial period of £5,104k (30 June 2024: £7,053k loss; 31 December 2024: £22,349k loss). The weighted average number of shares used in the basic calculation is 1,302,072,638 (30 June 2023: 551,357,372; 31 December 2024: 968,516,673).

The calculation of diluted loss per ordinary share is identical to that used for the basic loss per ordinary share. This is because the exercise of share options would have the effect of reducing the loss per ordinary share and is therefore not dilutive under the terms of International Accounting Standard 33 "Earnings per share".